Jolimark

Jolimark Holdings Limited
映美控股有限公司

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

2022
Annual Report

Contents

Corporate Information

Directors

Executive Directors

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

Non-Executive Director

Mr. Ou Guo Liang

Independent Non-Executive Directors

Ms. Kan Lai Kuen, Alice
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Registered Office

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Cayman Islands

Principal Place of Business in Hong Kong

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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)*
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Remuneration Committee

Mr. Yeung Kwok Keung *(Chairman)*
Dr. Zhong Xiaolin
Ms. Kan Lai Kuen, Alice
Mr. Au Kwok Lun

Nomination Committee

Ms. Kan Lai Kuen, Alice *(Chairman)*
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

Legal Adviser to the Company as to Hong Kong Law

Sidley Austin
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8 Finance Street
Central
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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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 2022, the Group recorded revenue of approximately RMB279,191,000, representing a decrease by approximately 19% compared with 2021. Loss attributable to shareholders of the Company for the year was approximately RMB40,027,000. In 2022, as a result of the decrease in the Group's total revenue owing to recurring outbreaks of the COVID-19 pandemic and weak market demand coupled with rising chip prices and the provision for inventory impairment, the operating margin for the year remained in a loss position and gross profit margin also decreased to 23%.

Revenue generated from our printer business amounted to approximately RMB253,273,000, representing approximately 91% of the Group's revenue and a decrease by approximately 20% compared with 2021. Revenue generated from other products business amounted to approximately RMB25,918,000.

With the promotion of electronic invoices and financial electronic bills, the Company has explored the demand for dot-matrix printers in sub-sectors and achieved considerable progress. In the meantime, the Company has made vigorous effort to develop the inkjet printer business, while maintaining its advantageous position in the electronic invoice cloud printing sector, as Jolimark electronic invoice cloud printers and cloud printing solutions have been widely adopted by leading customers in many industries. The Company will also identify new values in the broad application of cloud printing technologies associated with the era of the Internet and big data.

The Group obtained the registration permit for its medical-grade nebulisers and launched the product in 2021 and successfully obtained the registration and production permits for its 3L medical portable oxygen concentrator in early 2022. Since the launch of its medical equipment products, the Group has continued to enhance its marketing efforts. We have connected online marketing channels as well as developed offline promotion channels. The Group will continue to improve its portfolio of medical equipment products and formulate a three-year medium-term plan for medical product development to become a supplier of a range of medical equipment for use in medical therapies, services for the aged and home recuperation. The Group expects the medical equipment segment to become an important direction for development and important niche for profit growth in the future.

Jolimark self-serviced terminal products have been put to application in multiple scenarios for sectors on the back of the Group's unique core technologies such as red and black inkjet printing and cloud printing. Given the enormous market demand for self-serviced terminals, the Group is planning to forge it into a core business.

Through cloud printing, the Group has also been actively engaged in the research and promotion of SAAS applications as one of the directions of its future business development. Currently, the Group has launched a variety of SAAS cloud applications: the "E Invoicing (E開單)" app designed for use by small to medium wholesalers; "Hassle-free reimbursement" app for financial reimbursement targeted at small and medium enterprises; and "Jolimark Cloud Printing" as an operating platform providing shared paid printing and advertising functions.

With the easing of national control measures against the COVID-19 contagion, the impact of risks associated with the spread of the COVID-19 virus on the Group will diminish in future. The Group will continue to launch new products, which will be conducive to its transformation and upgrade as well as taking up shares in new market segments. Looking to 2023, with sound opportunities procured by Group's transformation and upgrade as well as efforts to develop new markets and new customers, I am confident that the Group will procure sustainable and stable development and effectively address various types of challenges.

Finally, on behalf of the Board, I would like to express my gratitude to our shareholders, the management team, all employees and customers for their ardent support for the Group over the past year. With the diligence, drive and optimism of our employees, the Group is confident that its dedicated effort will continue to generate more long-term and satisfactory returns for our shareholders.

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

Hong Kong, 24 March 2023

Business Review

Printer Business

For the year ended 31 December 2022, the revenue of the Group derived from the printer business was approximately RMB253,273,000, which accounted for approximately 91% of the total revenue of the Group and represented a decrease of approximately 20% as compared with that in 2021. The decrease in revenue was mainly attributable to the recurring COVID-19 epidemic outbreaks in Mainland China and weak market demand in 2022.

Other Products

For the year ended 31 December 2022, the revenue of the Group derived from the other products business amounted to approximately RMB25,918,000, which accounted for approximately 9% of the total revenue of the Group and represented a decrease of approximately 13% over the year of 2021. The decrease was mainly attributable to the reduction in sales of subcontracting materials in 2022.

Future Business Outlook

In 2022, there were recurring epidemic outbreaks in Mainland China. Retail and commercial activities diminished as the market was affected by epidemic control policies, posing serious challenges for the Company. In 2023, we expect waning epidemic conditions and the resumption in economic activities and market demand as Mainland China lifts its epidemic control policy. Looking to the future, we remain confident in our business development, as the medical equipment business is set to become an important source of profit for the Company in future.

Printing Equipment and Printing Solutions

In view of the growing application of electronic invoices and electronic bills for financial operations, the Company has been exploring demands for dot-matrix printers in sub-segment sectors and has achieved considerable results in the markets for electrical products, weighing instruments, identification document printing for public security and hospitals. In the meantime, the Company has been engaged in vigorous development of the inkjet printing business, with a special focus on proprietary development and innovative application of inkjet printing. On top of our existing range of inkjet products, we have developed new products such as dual-colour inkjet printers with continuous paper feed features for the medical sector, printers for clinics and colour printers for bags for medication, "red letter-head" duplex paper feeder printers and colour printers for government and industries, as well as colour label printers for the manufacturing and commercial sectors.

By leveraging on the Company's unique advantages in the electronic invoice cloud printing segment, we have continued to be deeply engaged in this market. Jolimark's electronic invoice cloud printing offerings have been an important strategic partner for WeChat and Alipay. Jolimark electronic invoice cloud printers and cloud printing solutions also have been widely adopted by leading customers in many industries, such as Southern Power Grid, State Grid, China Telecom, Aisino of China, PetroChina, Sinopec, Shell, State Taxation Administration, Walmart, Construction Bank and other large customers. Following comprehensive adoption of the electronic format for special value-added tax invoices in Mainland China in 2022, electronic invoicing has become the access point for financial and taxation data management and applications. In view of the above, the Company will strive to identify new opportunities in the extensive application of cloud printing technology brought about by Internet big data.

Self-serviced Terminals

Offered in a range of formats, including cabinet, desktop and screenless, among others, the Jolimark self-serviced terminal product line has been successfully applied in multiple scenarios for sectors such as smart government service, medical care, State Grid service hall, tax administration halls and welfare lottery centres, using the Company's unique core technologies such as red and black inkjet printing and cloud printing. Given the enormous market demand for self-serviced terminals, the Company is planning to forge it into a core business.

Big Data and SAAS Cloud Application

Leveraging on its expertise in cloud printing, the Company has developed a variety of SAAS cloud applications. This represents a major direction in its future business development. Applications that are currently in operation online include the "E Invoicing (E開單)" app designed for small to medium wholesalers to enable them to print invoices remotely through mini-programs and facilitate management of store commodities and customers. The "Hassle-free reimbursement" app for financial reimbursement is targeted at small and medium enterprises enabling them to run an online reimbursement approval process, print reimbursement bills and invoices remotely and to conduct verification and duplication checks on invoices. "Jolimark Cloud Printing", a platform which could provide shared paid printing and advertising functions is also already available online. Our "PC Cloud Printer" under development is also expected to be online soon. Capable of upgrading the traditional Jolimark printer to a cloud printer via any computer with Internet access, this product will substantially enhance the market competitiveness of Jolimark printers.

Medical Equipment Products

In 2021, the Company launched its medical-grade low-noise compressor-based nebulisers (models HN300 and HN320) after obtaining the registration permit for this product. Applied mainly in nebulised inhalation therapy, this product features a unique patented four-cylinder oil-free compressor combined with state-of-the-art brushless direct current motor technology, offering nebulisation of medicine with a minuteness and evenness that tops international standards, with 82% of the nebulised particles coming down to a diameter of less than 3μm and 100% to less than 5μm. The medicine will have an easy access to the alveoli and with its strong nebulisation performance, the dosage can be controlled at high precision. Capable of carrying a variety of nebulised medicines, it helps to lower the expensive cost of medicines. Meanwhile, its noise generation is down to 39 decibel, while providing a 9-level volume adjustment to offer a comfortable treatment experience for patients of different ages and conditions of illness.

In early 2022, the Company successfully obtained the medical product registration permit and production permit (models PMO30 and PMO50) for its 3L medical portable oxygen concentrator. This product is designed for patients suffering from retarded lung functions, chronic obstructive pulmonary disease and asthma who are dependent on oxygen concentrators for breathing support. On the back of the core technology of balanced four-cylinder oil-free compressor and AI smart pulse technology, the oxygen concentration level could reach 93±3%. This minute-size and lightweight product equipped with a built-in lithium battery provides a convenient and relaxed experience of free oxygen inhalation, such that patients can remain socially engaged like a normal person. It alleviates altitude sickness associated with mountaineering and high-latitude tourism and can also be used privately in the office or in domestic oxygen bars. It helps to improve memory and reduce fatigue for overstressed brain workers and enhances the arterial blood oxygen content of expectant mothers for the benefit of their babies' growth. It is also part of the regular emergency equipment at home in the post-epidemic era.

Since the launch of its medical equipment products, the Company has continued to enhance its marketing efforts. We have established online marketing channels and swiftly enhanced our brand exposure through target-specific placements of information-stream advertisements and peer advertisements on Baidu and WeChat. We have also developed offline promotion channels by accessing offline sales and service outlets such as pharmacy chains, medical equipment stores, large hospitals and community hospitals to establish an extensive presence for Jolimark medical equipment products. We have also already signed cooperation agreement with more than 30 medical product distributors. The Company will continue to improve its portfolio of medical equipment products and formulate a three-year medium-term plan for medical product development to become a supplier of a range of medical equipment for use in medical therapies, services for the aged and home recuperation. The Company expects the medical equipment segment to be an important niche for profit growth in the future.

Financial Review

Results Summary

For the year ended 31 December 2022, the Group's turnover amounted to approximately RMB279,191,000, representing a decrease of approximately 19% as compared with last year. The loss attributable to shareholders of the Company amounted to approximately RMB40,027,000, representing an increase in loss by RMB14,888,000 as compared to 2021. The basic loss per share as at 31 December 2022 was approximately RMB0.065 (the basic loss per share as at 31 December 2021: RMB0.041). Loss in 2022 was mainly attributable to recurring COVID-19 epidemic outbreaks and weak market demand in Mainland China, as well as the recognition of impairment for certain assets.

Analysis of sales and gross profit

Compared with 2021, the Group's total revenue for 2022 decreased by approximately 19%. Such decrease was attributable to recurring COVID-19 epidemic outbreaks and weakened market demand, as well as the decline in gross profit margin to 23% owing to rising chip prices and impairment of inventories.

Capital Expenditure

For the year ended 31 December 2022, capital expenditure of the Group amounted to approximately RMB4,757,000, which was mainly used for the purchase of production equipment and customized manufacturing of product moulds.

Financial and Liquidity Position

As at 31 December 2022, the total assets of the Group amounted to approximately RMB356,597,000 (31 December 2021: RMB457,133,000), controlling shareholder's interests amounted to approximately RMB156,852,000 (31 December 2021: RMB206,015,000); non-controlling interests amounted to approximately RMB(777,000) (31 December 2021: RMB(129,000)); current liabilities amounted to approximately RMB194,828,000 (31 December 2021: RMB225,692,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 1.10 (31 December 2021: 1.27). The decrease in current ratio was mainly attributable to the increase in short-term bank loans by approximately RMB24,717,000 for the year.

As at 31 December 2022, the cash and cash equivalents and restricted cash of the Group amounted to approximately RMB68,974,000 (31 December 2021: RMB126,091,000) in aggregate. The outstanding bank acceptance bills from customers amounted to approximately RMB9,429,000 (31 December 2021: approximately RMB10,834,000). The bank loans amounted to approximately RMB118,747,000 (31 December 2021: approximately RMB109,469,000).

Financial assets at fair value through profit or loss

As at 31 December 2021, the Group's financial assets at fair values through profit or loss included wealth management products in the aggregate principal amount of RMB62,000,000 sponsored and managed by banks. These wealth management products were mainly principal guaranteed short-term and fixed-term deposits with interest income calculated at floating rates linked to the spot exchange rate and gold price.

During the interim period for the six months ended 30 June 2022, the Group arranged wealth management products in the aggregate principal amount of RMB75,000,000 sponsored and managed by banks for deposit period of around 1-month. These wealth management products were also mainly principal guaranteed short-term and fixed-term deposits with interest income calculated at floating rates linked to the spot exchange rate and gold price. The Group has not invested in any wealth management products upon their maturity. As at 31 December 2022, there were no financial assets at fair values through profit or loss.

Financial assets at fair value through other comprehensive income

The amount represents the Group's medium to long term equity investments in private enterprises.

As at 31 December 2022, the fair value of the Company's investment was RMB18,167,000 (31 December 2021: RMB31,195,000). Of which, the Group's holding of 1.76% interest in 廣東航天信息愛信諾科技有限公司 (Guangdong Aerospace Information Aisino Technology Co., Ltd.) ("Guangdong Aisino"), a company that is engaged in electronic invoices and related software development business, accounted for RMB10,016,000, (31 December 2021: RMB23,517,000) representing approximately 55.13% (31 December 2021: 75.39%) of the Group's financial assets at fair value through other comprehensive income. The original investment cost of the Company in Guangdong Aisino in February 2018 was RMB528,000. Save for the investments in Guangdong Aisino, the Company also hold minority interests in four other companies, ranging from 0.35% to 10%.

The investment strategy of the Company is to invest in companies that are engaged in upstream or downstream industries and have synergy effects to the business of the Group.

Pledge of Assets

As at 31 December 2022, property, plant and equipment of RMB41,370,000 (31 December 2021: RMB4,339,000) were pledged as collateral for the Group's bank borrowings of RMB114,800,000 (31 December 2021: RMB15,000,000). As at 31 December 2022, the transferred receivables recognised in bills receivable amounted to RMB2,267,000 (31 December 2021: RMB7,442,000). The amounts repayable under these agreements are presented as secured borrowing of RMB2,255,000 (31 December 2021: RMB7,423,000).

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 Hong Kong dollars, United States dollars, Taiwanese dollars, and Euro arising from the import of certain raw materials and machinery, sales of goods to overseas customers and borrowings that are denominated in foreign currencies. As at 31 December 2022, the Group had more monetary financial liabilities than financial assets outside 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.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year under review.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2022 (31 December 2021: nil).

Staff

As at 31 December 2022, the Group employed a total of 768 staff members (2021: 781 staff members). Apart from 18 employees employed in Hong Kong and overseas, all employees of the Group were based in mainland China. The Group applies its remuneration and bonus policies for employees with reference to business results and individual staff performance. In addition, fringe benefits, such as social security insurance, medical allowance and housing provident fund, were provided to ensure the Group remains as a competitive employer. In addition, the Group has maintained a share option scheme to reward and incentivize its employees.

Subsequent Events

There were no other significant events after the year and up to the date of this report.

Final Dividend

The Board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2022 (Year ended 31 December 2021: nil).

Closure of Register of Members

The annual general meeting of the Company will be held on Thursday, 25 May 2023. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 19 May 2023 to Thursday, 25 May 2023, 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 Thursday, 18 May 2023.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises Ms. Kan Lai Kuen, Alice, as the chairman, Dr. Zhong Xiaolin 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 2022.

The Board is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2022.

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 10 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 2022 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 2022 are set out in the consolidated income statement on page 62.

No interim dividend for the six months ended 30 June 2022 was paid by the Company. At the Board meeting held on 24 March 2023, the Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (Year ended 31December 2021: nil).

Reserves

Movements in the reserves of the Group during the year under review are set out in Note 20 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 19 to the financial statements.

Distributable Reserves

As at 31 December 2022, 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 RMB228,236,000.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB304,800.

Pre-Emptive Rights and Tax Relief

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.

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, 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 the major business of the Group. The PRC State's taxation policies may affect the above-mentioned business of the Group, in particular currently, the electronic format has been comprehensively adopted for common invoices, while the electronization of special value-added tax invoices is being promoted in a systematic manner. To address such risk, the Group has actively explored other market demands requiring dot-matrix printers, such as certificate printing and multi-page printing, among others. In the meantime, the Group is also focused on the development of inkjet printing applications and vigorously engaged in the development of cloud printing technologies based on the core technology of printing as the point of market access, underpinned by the launch of a range of products more suitable for electronic invoice printing and development of the Jolimark Invoicing Platform which supports multipoint invoicing for electronic invoices and cloud invoicing interfaces in fulfilment of market demands.

(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) Market Risk

The Group has continued to launch new products or new businesses, such as medical instruments, inkjet printing, cloud printing and cloud applications and self-serviced terminals, which have helped the Group to transform and upgrade and establish itself in new markets. However, its development and prospects are subject to uncertainties owing to factors such as technical difficulties and market competition, among others.

As the nation is relaxing measures to control the spread of COVID-19, the impact of market risks associated with the spread of COVID-19 on the Group will diminish in the future.

(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. Production capacity of manufacturers concerned, quality and delivery schedules of parts and components, as well as international trade friction 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, actively identifying high-quality substitute brands for materials and components, 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

With the increasing popularity of Internet marketing and the advent of new, small-scale printer manufacturers, the printer industry in which the Group operates has become competitive. Competition in product prices among competitors or other marketing measures might affect the gross profit and market share of the Group's products. In view of the above, the Group has enhanced market survey in relation to its research and development effort. The Group will develop models suitable for industry sales or customised to clients' needs, enhance core product technologies, and expand the applications of printing equipment on the back of our advantage in cloud printing technologies. The Group will also enhance product cost and quality management, step up with our effort in industry marketing and strengthen our existing sales management while expanding sales through multiple channels to maintain a reasonable level of profitability and secure greater market shares.

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

Discussion on Environmental, Social and Governance Issues

Important Relationship

(i) Employee

In consistent adherence to its "people-oriented" philosophy, the Group places a strong emphasis on knowledge, talent, innovation and motivation, as it regards human resources as one of its greatest assets and dynamically aligns its development with the personal career development of all employees. It is the intention of the Group to remain an extremely attractive employer which provides a broad development platform and promotion pathway for employees.

The Group is committed to appealing to and motivating employees by providing a clear path for career development, sound opportunities for skills training and a competitive remuneration system. The Group offers staff with ample opportunities for development, encouraging high-calibre staff to seek exposures in different positions such that their talents will be put to best application and their potentials be realised in full. The Group provides all-round orientation training, on-job training and enhancement training for our employees. The training programmes cover product specifications, regulatory requirements, practical skills, management skills, operation of management system, sales and production, customer service, quality control, exhibition planning, case analysis, work ethics, environment protection, occupational health and safety and other industry-related training.

The Group has established a trade union and a staff activity centre, as well as a wide range of staff clubs, such as basketball club, badminton club, single parents' club and family activity club. The trade union shares holiday greetings with its members during the Chinese New Year or other festive seasons by distributing gifts or cash allowances, The staff activity centre is open to employees free of charge with a view to providing options for after-work entertainment. The Group allocates special funding on a monthly basis to finance a wide variety of leisure and cultural activities at the staff clubs. Free medical check-ups are provided annually for all employees on a regular basis, while pre-job, on-job and post-job health examinations are arranged for staff in specific positions. The Group has appointed an employee representative and set up a staff mailbox/WeChat group to understand and collect feedback from employees and made improvements to the conditions in areas which employees typically assemble, such as the dormitory, canteen and commuter shuttle bus. During the pandemic, the Group strictly implemented requirements under the anti-epidemic policies of the government and adopted a range of control measures, including the arrangement of PCR tests at the Group's premises conducted by government medical units on several occasions such that staff did not have to go elsewhere for the tests and face the risk of infection and genuine health protection was afforded to staff. The Group cares for our employees in every detail to enhance their sense of belonging. The Group conducts an employee satisfaction survey annually, and takes into careful consideration all valuable staff feedback on how to improve the work environment, enhance efficiency and create a harmonious workplace, among other things. Our employee satisfaction scores have consistently stayed over 90 marks in recent years, including a score of 91.4 marks in 2022.

In addition, the Group offers competitive remuneration to our employees. At the end of each year, the Group awards year-end bonuses and salary raises to our employees based on the performance of the Group's operations. In March 2022, the Group introduced an upward adjustment to staff salaries. The Group has also adopted a share option scheme and an award and assessment system for 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 and close relationships with a number of reputable suppliers with reliable quality, and the Group does our best to ensure such suppliers comply with the Group's commitments in respect of quality, environmental protection, low carbon operation, safety and ethical conducts. The Group has developed the Jolimark procurement price enquiry system to enhance the Group's bargaining power in procurement and reduce the risk of fraud in procurement. The Group selects 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 the Group's assessment standards. The Group also requires the suppliers to comply with the Group's anti-corruption policy. The Group is dedicated to maintaining a fair partnership which is mutually beneficial to the Group and the suppliers.

(iii) Distributor

The Group sells products to end-customers through third-party distributors. The Group works closely with the Group's 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.

The Group requires distributors and sub-distributors to comply with the Group's retail policy, including but not limited to a national standard retail price, unified store image, marketing rebate initiatives and management against bug-selling, after-sale maintenance and so on.

(iv) Customer

The Group is committed to the provision of a full range of computer peripherals and cloud printing appliances as well as new products such as latte art machines, manicure machines, medical-grade compressor-based nebuliser and mini-molecular sieve oxygen concentrator that come in a full range of specifications, competitive pricing, premier product quality and after-sale services. In 2021, the Group obtained the registration and production permits for medical-grade compressor-based nebulisers and mini-molecular sieve oxygen concentrators. On 2022, the Group commenced commercial production of mini-molecular sieve oxygen concentrators. The Group regards customer and public needs as the Group's first priority and always quest for customer satisfaction. Following the government's move to optimise its anti-epidemic policy in November 2022, the Group's mini-molecular sieve oxygen concentrators met the demands of some customers.

The Group also provides customized product design and technical support services. The Group maintains a VIP database and communicate with customers via different channels, such us the Group's website, after-sales service hotline, mail, marketing materials and social media. The Group also works with distributors to provide trainings for their major frontline sales personnel to offer quality and value-added services to the end users at the retail stores. Besides, the Group concerns the comments from end customers on e-commerce platforms in order to secure feedbacks about 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.

The Group's 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. The Group has 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, The Group gives priority to the purchase of advanced energy-saving ventilation equipment and facilities to implement the Group 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. The Group also places a special emphasis on the daily maintenance of its gardening landscape, underpinned by orderly operations in irrigation, fertiliser application, pest control and trimming, etc. The Group also requires suppliers to strictly abide by the relevant environmental regulations and rules, and provide supervision and encouragement to them in the course of cooperation. The Group has 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.

The Group will gather update information on relevant laws and regulations regularly, which cover issues concerning the Group's products, quality, business management, environment, occupational health and safety, and undergo a compliance assessment to ensure full compliance.

For the year ended 31 December 2022 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"), which shall be valid and effective until 17 May 2025. 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, 2,900,000 share options have been granted on 25 September 2020 under the 2015 Scheme.

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

Capacity of the grantees	Date of grant	Exercise price HK$	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 31 December 2022	Percentage of the issued share capital of the Company as at the date of this report	Exercise period
Employees	25 September 2020	0.130 (Note 2 and 3)	2,400,000	–	–	(250,000)	–	2,150,000	0.35%	25 September 2021 to 25 September 2026 (Note 1)
Total			2,400,000	–	–	(250,000)	–	2,150,000	0.35%	

Notes:

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

2. The closing price immediately before the date of grant was HK$0.130.

3. The exercise price was determined by the Board and was fixed at HK$0.130 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)*

Non-Executive Director

Mr. Ou Guo Liang

Independent Non-Executive Directors

Ms. Kan Lai Kuen, Alice
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Pursuant to Article 114(a) of the Articles of Association, at each of the annual general meeting, one third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every 3 years. Mr. Au Pak Yin and Mr. Au Kwok Lun will hold office only until the coming annual general meeting of the Company to be held on Thursday, 25 May 2023 (the "AGM") and, being eligible, will offer themselves for re-election at the AGM.

Indemnity and Insurance Provision

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

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

Directors' Interests in Competing Business

During the year ended 31 December 2022, none of the Directors nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

Directors' Service Contracts

Mr. Ou Guo Liang has entered into his service contract with the Company pursuant to which he was appointed as a non-executive Director for a term of three years with effect from 1 January 2021. Ms. Kan Lai Kuen, Alice has entered into her service contract with the Company for a term of 3 years commencing from 21 May 2022 and Dr. Zhong Xiaolin has entered into his service contract with the Company for a term of 3 years commencing from 22 May 2020. 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 2020 and 13 June 2020, respectively. Save as above, none of the Directors had entered into a service contract with any member of the Group which does not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

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

Director's Rights to Acquire Shares

Apart from the 2005 Scheme and the 2015 Scheme disclosed in the section headed "Share Options" of this annual report, at no time during the year under review was the Company, its holding company or any its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefit by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on page 23 to page 25.

Employees and Remuneration Policy

Retirement Benefit Plans

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

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute 15% of the wages of the employees 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 2022, 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 2022, 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 2022, 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 2022, 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.

Change in Information of Directors

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30 June 2022 is set out below:

Name of Directors	Details of changes
Independent Non-Executive Directors:	
Dr. Zhong Xiaolin	Resigned as an independent non-executive director of Beijing WatchData Co., Ltd with effect from 15 November 2022

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the section headed "Biographical Details of Directors and Senior Management".

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company has been 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 43% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 22% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 24% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 8% of total purchases.

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

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. These continuing connected transaction are fully exempt. 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 2022 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 2022 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the year ended 31 December 2022.

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") as in effect from time to time (the "CG Code") during the year ended 31 December 2022, save for the deviation from code provision F.2.2 of the CG Code:

In accordance with the requirements of code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. However, due to the ongoing restrictions on cross border travels and social distancing caused by the COVID-19 epidemic and 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 25 May 2022. Mr. Au Kwok Lun, an executive Director, acted as chairman at the annual general meeting.

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, 24 March 2023

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Au Pak Yin, aged 76, 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 50, 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.

Non-Executive Director

Mr. Ou Guo Liang, aged 47, is a Non-Executive Director of the Company. Mr. Ou was the Executive Director of the Company since 2005. From 1 January 2021, Mr. Ou was re-designated from an Executive Director to a Non-Executive Director. Mr. Ou is also the director of Jolimark Technology Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, and the legal representative of Jiangmen Kong Yue Jolimark Tax Control Services Limited, a non wholly-owned subsidiary of the Company established in the People's Republic of China. 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). Mr. Ou is the son of Mr. Au Pak Yin, current executive Director and chairman of the Company and the brother of Mr. Au Kwok Lun, current executive Director.

Independent Non-Executive Directors

Ms. Kan Lai Kuen, Alice, aged 68, 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. Ms. Kan is a director and a shareholder of BLS Capital Limited and its responsible officer for asset management 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), and Regal Hotels International Holdings Limited (stock code: 78).

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 February 2020, Mason Group Holdings Limited (stock code: 273) between May 2017 and November 2019, Shimao Services Holdings Limited (stock code: 873) between October 2020 and August 2022 and Shimao Property Holdings Limited (stock code: 813) between March 2006 and August 2022. Between April 2011 and April 2020, Ms. Kan was an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist Board of the Singapore Stock Exchange.

Dr. Zhong Xiaolin, aged 58, was appointed as an Independent Non-Executive Director on 22 May 2020. Dr. Zhong is currently the chairman of Shenzhen Turing Capital Management Co., Limited and the founding partner of Shenzhen Turing Venture Capital LLP. From 2005 to 2017, he served as the executive director and a general partner of TDF Capital LLP. From 2007 to 2011, he served as the founding managing partner of Kleiner Perkins Caufield & Byers (KPCB) China Fund. Dr. Zhong has over 20 years of experience in overseas and domestic investment of venture capital and private equity institutions. Dr. Zhong was named in the Midas List by Global Entrepreneur & China Venture in 2007, and was selected as the best venture capitalists in China by Forbes from 2008 to 2017 consecutively.

Dr. Zhong received his bachelor's and masters' degrees in mechanical engineering & automation from Huazhong University of Science and Technology in 1986 and 1989, respectively, a Ph.D. degree in Robotics & Artificial Intelligence from Edinburgh Napier University, Scotland, UK in 1996, and his M.B.A. from the Ivey School of Business at the University of Western Ontario, Canada in 2003. In 2010, Dr. Zhong completed the Stanford Executive Program (SEP) at the Graduate School of Business (GSB) of Stanford University, United States.

Dr. Zhong serves currently as an independent non-executive director on the board of Brilliance Technology Co., Ltd. (新晨科技股份有限公司) (SZ: 300542), listed on the Shenzhen Stock Exchange.

Mr. Yeung Kwok Keung, aged 75, 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 medical equipment business division. He is responsible for the development, production and operation of medical equipment 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 10 years of experience in the research and development of medical equipment. Mr. Liang joined the Group in August 1996.

Corporate Governance Report

The Company has adopted and complied with all the code provisions as set out in the Corporate Governance Code during the year ended 31 December 2022, save as disclosed below.

In accordance with the requirements of code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. However, due to the ongoing restrictions on cross border travels and social distancing caused by the COVID-19 epidemic and 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 25 May 2022. Mr. Au kwok Lun, an executive Director, acted as chairman at the annual general meeting.

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 2022 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the year ended 31 December 2022.

Board of Directors

As at 31 December 2022, the Board comprises two Executive Directors, being Mr. Au Pak Yin and Mr. Au Kwok Lun, one Non-Executive Director, being Mr. Ou Guo Liang and three Independent Non-Executive Directors, being Ms. Kan Lai Kuen, Alice, Dr. Zhong Xiaolin 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. The Company has established mechanisms to ensure independent views and input available to the Board, including the number of independent non-executive Directors made up over one-third of the Board, regular Board meetings are being held on the affairs of the Company, and the independent non-executive Directors are free to express their views and provide guidance to the Company. Details of the Directors are shown on pages 23 to 25 of this annual report.

During the year ended 31 December 2022, four board meetings and one general meeting were held and the attendance was as follows:

Name of Director	General meeting attendance	Board meeting attendance
Executive Directors		
Mr. Au Pak Yin	0/1	4/4
Mr. Au Kwok Lun	1/1	4/4
Mr. Ou Guo Liang	0/1	4/4
Independent Non-Executive Directors		
Ms. Kan Lai Kuen, Alice	1/1	4/4
Dr. Zhong Xiaolin	0/1	4/4
Mr. Yeung Kwok Keung	1/1	4/4

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

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.

Independent Non-Executive Directors

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.

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views. They shall devote sufficient time and make contributions to the Company that are commensurate with their role and Board responsibilities. The independent non-executive Directors should make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They shall at least annually attend meeting with the Chairman of the Board without the presence of other Directors.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

During the tenure of office, all of the independent non-executive Directors have performed their duties and responsibility to the satisfaction of the Board.

Mr. Yeung Kwok Keung has been re-appointed for another three-year term on 1 August 2020. Ms. Kan Lai Kuen, Alice and Dr. Zhong Xiaolin have been appointed for three-year terms on 21 May 2022 and 22 May 2020 respectively.

The Board also confirmed receipt of the annual confirmation letter from each of the Independent Non-Executive Directors confirming his/her independence for the year ended 31 December 2022.

Remuneration Committee

The Board has established a Remuneration Committee ("RC"). The RC comprises Mr. Yeung Kwok Keung (Chairman), Dr. Zhong Xiaolin and Ms. Kan Lai Kuen, Alice, who are all Independent Non-Executive Directors and Mr. Au Kwok Lun who is an Executive Director.

The principal responsibilities of the RC are to review and make recommendations to the Board on the overall remuneration structure and policy for all Directors and senior management. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. The remuneration packages for the Directors and our senior management is based on their experience, level of responsibility, length of service and general market conditions. The RC is also responsible for reviewing and approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2022, the RC had reviewed and made recommendations to the Board on the remuneration packages of the Directors and senior management.

For the year ended 31 December 2022, the RC held two meetings. The attendance record of each member is as follows:

Name of Director	**Attendance**
Mr. Yeung Kwok Keung *(Chairman of RC)*	2/2
Ms. Kan Lai Kuen, Alice	2/2
Mr. Au Kwok Lun	2/2
Dr. Zhong Xiaolin	2/2

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

Nomination Committee

The Board has established a Nomination Committee ("NC"). The NC comprises Ms. Kan Lai Kuen, Alice (Chairman), Dr. Zhong Xiaolin and Mr. Yeung Kwok Keung, who are all Independent Non-Executive Directors. During the year ended 31 December 2022, 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 2022, 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)*	1/1
Dr. Zhong Xiaolin	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.

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 or appoint Directors to fill casual vacancies at general meetings.

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.

Auditor's Remuneration

PricewaterhouseCoopers had been appointed as the auditor of the Group. During the year ended 31 December 2022, fee for audit services (including review on interim results) was RMB1,600,000 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 who is a certified public accountant and the committee members are Dr. Zhong Xiaolin 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 2022. The attendance record of each member is as follows:

Name of Director	Attendance
Ms. Kan Lai Kuen, Alice *(Chairman of AC)*	2/2
Dr. Zhong Xiaolin	2/2
Mr. Yeung Kwok Keung	2/2

During the year ended 31 December 2022, the AC discussed and reviewed the final results of 2021 and interim results of 2022 and other reports for the year. Also, the AC met with the external auditor to discuss auditing and internal control matters.

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. There is one female director in the Board of the Company and approximately 59% of our total workforce was female.

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 has taken no less than 15 hours of relevant professional development training by means of attending seminars and reading relevant guideline materials.

Directors' Responsibility in Preparing Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Year. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board is responsible for presenting a balanced, clear and understandable assessment in annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

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.

Communication with Shareholders and Shareholders' Rights

The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company.

Participation at General Meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders no less than 20 business days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors. Poll voting has been adopted for decision-making at shareholders' meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to shareholders prior to the meeting and explained at the commencement of the meeting. Voting results are published on the websites of the Stock Exchange and the Company on the day of the annual general meeting.

Convening Extraordinary General Meetings

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.

Enquires to the Board

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.

Shareholders' Communication Policy

The Company considers that effective communication with the Shareholders and stakeholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional.

The Company endeavours to maintain an ongoing dialogue with the Shareholders and in particular, through annual general meeting and extraordinary general meeting (the "EGM"). In respect of each matter to be considered at the annual general meeting and the EGM, including the re-election of Directors, a separate resolution will be proposed by the Company. The Board members will be available at the annual general meeting and the EGM to meet with the Shareholders and answer their enquiries. The Company would also invite representatives of the auditor of the Company to attend the annual general meeting of the Company to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

The communication channels under the shareholders' communication policy are as follows:

Shareholders' Enquiries

Shareholders may direct their questions about their shareholdings to the Company's share registrars. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders and the investment community can contact the secretary of the Company by email, fax, phone or mail via designated contacts of the Company during office hours in order to enable them to make any query in respect of the Company.

Corporate Communications

Corporate communication documents (including annual report, interim report, notice of meeting, circular and proxy form) would be provided to shareholders in both English and Chinese versions to facilitate Shareholders' understanding.

Corporate Website

Information on the Company's investor relations website is updated on a regular basis. Corporate communications are posted on the Company website as soon as practicable following their publication on the website of Stock Exchange. Such information includes, but not limited to, annual reports and interim reports, results announcements, ESG reports, circulars and notices of general meetings.

Shareholders' Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that shareholders' needs are best served. Board members and external auditor would, where appropriate, attend annual general meetings to answer shareholders' questions.

Vision, Mission, Core Values and Corporate Culture

Vision:
To enable all to feel the goodness of living, work and life through the best technologies.

Mission:
To assist in the forging of "Made in China" brands.

Core Values:
To serve the interests of others as well as the Company, earning respect by giving our best;
Responsibility and commitment, loyalty and respect, perfection and innovation; mutual creation, benefit, sharing and growth.

Corporate Philosophy:
To strive for perfection and distinction, provide solutions to customers' problems, offer products that none other can offer, and procure customer satisfaction through innovation, quality, value-for-money, efficiency and sincere services.

Anti-corruption policy

The Group places a strong emphasis on integrity and credibility. The Group would under no circumstances tolerate any incident of corruption and bribery during the course of business. The Group has established an internal control department which conducts business audit on the procurement department and other relevant departments on a regular basis. All business contracts entered into with third-party manufacturers are subject to professional vetting by the legal department, while the new online Jolimark procurement price enquiry system has enhanced the Group's bargaining power in procurement and lower the risk of fraud in relation to procurement. Internally, a range of financial management regulations have been formulated to facilitate regulation, while employees in charge of sales and other key positions are required to sign the "Undertaking of Business Integrity and Compliance" to ensure prevention of corruption and bribery at source. Gifts and hospitality offered to family members or close associates of an employee by business partners are deemed as gifts and hospitality offered to such employee and are therefore prohibited.

To ensure staff compliance with relevant policies and high ethical standards, the Group has provided anti-corruption and anti-bribery education and training to Directors and staff other than frontline production workers. The Group has also carried out propagation by convening relevant meetings and warned staff against acts of offering or accepting bribery, corruption, fraud, extortion and money-laundering.

The Group encourages employees and third-party manufacturers and other relevant personnel to report in writing or verbally any suspected offering and acceptance of bribery, corruption, fraud, extortion or money-laundering and other business improprieties via its designated hotline and email. Upon receipt of such reports, the internal control department will conduct thorough investigation of such matters in accordance with the Group's procedures and provide stringent protection for the reporting parties. If verified, such matters will be dealt with in accordance with the Group's rules and regulations. Where criminal offences have been committed, the case will be referred to the judicial authorities.

Whistleblowing Policy

The Group has formulated whistleblowing procedures (the "Anti-fraud and Whistleblowing Policy") which set out the objectives, scope of application, personnel covered by the policy, duties and jurisdiction, and approaches to prevent, control and deal with allegations relating to illegal, unethical and inappropriate conduct at workplace. The Whistleblowing Policy is aimed at providing the means to raise serious allegations relating to violations against standards or codes or in financial matters or probable illegal conduct, while ensuring confidentiality and protecting any reporting parties who reasonably believe that such allegations are justified from harm, discrimination or disadvantaged positions. The Whistleblowing Policy applies to all employees and business partners of the Group. The identity of whistleblowers will be kept strictly confidential.

The Whistleblowing Policy does not aim to question the financial or business decisions made by the management, nor should it be drawn upon for the reconsideration of any other matters which have already been dealt with according to other procedures. The Whistleblowing Policy does not supersede other complaint procedures.

Anonymous allegations

The Group encourages whistleblowers to identify themselves in allegations to the extent practicable, as anonymous allegations are often difficult to verify/prove. The Group's internal control department will consider anonymous allegations on a discretionary basis. In exercising the discretion to accept anonymous allegations, the following factors should be considered:

- seriousness of the issue raised;
- credibility of the allegations; and
- whether the allegations could be practically investigated based on factors or sources other than the complainant.

Untruthful allegations

If a whistleblower reasonably believes that making an allegation is justified, even if such allegation has yet to be verified through investigation, then the Group will not take any disciplinary or other actions against him/her. However, if a whistleblower makes an allegation without reasonably believing that such allegation is true and in the interest of the Group (for example, if such allegation is reckless, malicious or made for the benefit of personal interest with no public interest at stake), the Group might take disciplinary actions against the whistleblower.

Procedures for making allegations

The best way for employees to make allegations is to bring the matter to the immediate supervisor to which he/she directly reports to. However, this might be dependent on the seriousness and sensitivity of the issue involved and the party/parties who is/are allegedly engaged in malfeasance. The whistleblower may take the allegations directly to the Group's internal control department. The whistleblower should act with care to ensure that the information reported by him/her is accurate.

Actions to be taken on receiving reports of allegation

The Group's internal control department will record and investigate details of the allegations. If such allegations disclose evidence of criminal offences, a report will forthwith be made to the Board of Directors, who will decide whether the matter should be reported to the police.

The Group agrees that it is necessary to assure the whistleblower that the reported matter has been properly dealt with. Hence, subject to any legally imposed restrictions, the Group will notify the results of any investigation to the reporting party. The Board of Directors takes full responsibility for the implementation of such policy, formulation of administrative procedures to be followed and form records to be kept. The internal control department shall report whistleblowing cases to the Audit Committee and the Board of Directors regularly. The whistleblowers will not be identified in the report.

Dissemination of Inside Information

The Group is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information. Such policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- define the requirements of periodic financial reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;

- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public; and

- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and on the Company's website.

Constitutional Documents

During the Year, the Company has amended and restated the memorandum and articles of association (the "Articles") to give effect to, among other things, bring the Articles in line with the core shareholder protection standards. Further, the Articles reflect certain updates in relation to the applicable laws of the Cayman Islands and the rules governing the listing of securities on the stock exchange and other house-keeping amendments.

The major areas of the amendments in the Articles include:

(1) to include certain defined terms to align with the applicable laws of the Cayman Islands and the Listing Rules including "black rainstorm warning", "business day", "close associate", "Communication Facilities", "electronic", "electronic means", "Electronic Signature", "Electronic Transactions Act", "gale warning", "Person", "Present", "Virtual Meeting", and to update the relevant provisions in the Articles in this regard;

(2) to replace certain defined terms to align with the relevant provisions in the Articles including "Companies Law" to "Companies Act";

(3) to provide for the arrangement for the inspection of the register of members under exception circumstances (including during a black rainstorm warning or gale warning);

(4) to revise that the Company shall in each financial year hold a general meeting as its annual general meeting;

(5) to expressly provide that extraordinary general meetings shall also 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 voting rights, on a one vote per Share basis, in the share capital of the Company having the right of voting at general meetings;

(6) to provide that the Directors may determine that any general meeting may be held as a virtual meeting and that members and other participants may attend and participate at such general meetings by means of communication facilities;

(7) to provide for the procedures for the adjournment of general meetings after the notice of a general meeting has been sent but before the meeting is held or in the event of a gale warning or a black rainstorm warning (or the equivalent in the location of the relevant meeting) is in force;

(8) to provide for the chairperson of any general meeting to be entitled to attend and participate at such general meeting by means of communication facilities, and to act as the chairperson;

(9) to provide that a Director shall vacate his office if he shall be removed from office by a an ordinary resolution of the Company;

(10) to provide that the Company may by ordinary resolution remove any Director before the expiration of his term of office;

(11) to provide that the Shareholders may, at any general meeting, remove the auditors by ordinary resolution at any time before the expiration of the term of office; and

(12) to provide that the remuneration of the auditors shall be fixed by the Company by ordinary resolution in general meeting.

The adoption of the amended and restated Articles were duly passed by the shareholders as a special resolution of the Company at the AGM, further details of which are set out in the circular of the Company dated 22 April 2022, the notice of the AGM dated 22 April 2022, and the poll results announcement of the Company dated 25 May 2022.

The amended and restated Articles could be found on the websites of the Company and of the Stock Exchange.

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 2022.

The Company believes that this ESG Report enables the Company to convey 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 contributions 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, labour practices and operation convention for the year ended 31 December 2022.

Since incorporation, the Group has been striving for excellence and sustainability. In addition to constantly improving its business results and growth, the Group is also 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 harmony among and mutual benefits for the economy, society, and environment, as well as coordinated and comprehensive sustainable development.

Governance Framework

The Group has established the Production Safety Management Committee ("Safety Committee") and Environmental Management Task Force (hereinafter referred to as the "EMS Team") to deal with and address Group's day-to-day production safety management and environmental management matters. The Board of the Company convenes meetings on a regular basis to review reports on environmental, social and governance matters and exercise supervision over pertinent matters.

The ESG management policies of the Group are to: protect the environment and emphasise safety production; conserve energy and reduce emissions to lower risks; put people first and safeguard health; encourage all-staff participation and comply with regulations; improve our system and strengthen the management; prioritise prevention and propel continuous improvement.

The Group has identified factors that can control and exert an influence on the environment in terms of activities, products and services, as well as their associated environmental impact, hazardous sources and their associated detriment.

When identifying the environmental factors, the Group considers the following situations:

(a) changes including planned or new development, as well as new or changed in activities, products and services;

(b) abnormal conditions and emergencies that can be reasonably foreseen.

The Group uses the established standards to evaluate and determine those key environmental factors that have or will have a significant impact on the environment. The Group has formulated measures, control plans and emergency response plans with a view to exercising effective control over the said material environmental factors, and communicates the related information among different levels and functionalities.

When identifying hazardous sources and occupational health impact, the Group considers the following situations:

(a) how the work is organized, social factors (including workload, working hours, sacrificing others, harassment and bullying), leading role and corporate culture;

(b) usual and unusual activities and conditions, including hazardous sources and occupational health impact as a result of the following aspects;

(c) the previous relevant events within or outside the Group, including emergencies and their causes, as well as potential contingencies;

(d) personnel, including considering the followings:

(1) those who can access to the workplace and their activities, including employees, contractors, visitors and others;

(2) those nearby the workplaces that can be affected the Group's activities;

(3) employees who are not under the direct control of the Group;

(e) the actual or proposed changes in (regarding) the Group's operation, process and activities;

The Group has formulated the "Emergency Plan for Production Safety Incidents" and "Emergency Plan for Environmental Emergencies" and submitted the same to competent authorities of the local government for record.

The Group sets the ESG related targets, indicators and management plans, and periodically reviews the achievement of the corresponding targets and indicators on a quarterly basis and prepare the written report.

The Group's main ESG related targets are as follows: electricity consumption of different types of products per unit; all printer products of the Group have obtained level I energy efficient label; all printer products of the Group have obtained environmental label certification; water consumption of the Group decreases by 3% as compared with last year; all hazardous wastes of the Group are delivered to a qualified recycler for recycling; the total discharge of major non-hazardous wastes decreased by 5% as compared with last year; satisfaction rate of employee reached over 87%; zero complaint/penalty by the government or community. The aforesaid targets are pertaining to the results, energy conservation and environmental protection, and sustainable development of the Group.

Reporting Principles and Reporting Scope

Reporting standard

This report has been prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong "Environmental, Social and Governance Reporting Guide" ("SEHK ESG Guide"). In case of any discrepancy between the Chinese and English versions of this report, the Chinese version shall prevail. This report has been reviewed and approved by the Board of the Company.

Reporting Principles

The preparation of the Report follows the materiality, quantitative, balance and consistency reporting principles.

I. Materiality

The disclosed information in the Report was carefully gathered, evaluated and presented based on its materiality to the Group's business and its stakeholders.

II. Quantitative

All of the disclosed information, statistics of environmental and social KPIs in particular, were organised and calculated according to a series of standardised methodologies which are illustrated in the relevant sessions.

III. Balance

A picture of the data comparison over years has been given for readers who can see both the achievements and rooms for improvement in terms of ESG management in the Group.

IV. Consistency

The Report has been prepared in the same way in terms of scope and methodology when compared to those in previous years.

ESG Management Approach

The Company's commitment to sustainability has always been at the core of its business operations. The principal ESG management focuses of the Company are as follows:

- To improve environmental performance – ensuring implementation of appropriate policies and management systems to alleviate impact on environment
- To be a responsible employer – endeavouring to be a partner that promotes and supports cultural diversity and attracts and retains high-calibre talents
- To be a good citizen – endeavouring to make contributions to community development
- Ethical operations – safeguarding business integrity and transparency of business activities

The Board assumes ultimate responsibility for the overall direction, strategy, goals, performance and reporting in connection with the Group's sustainability development. With the assistance and input of the Group's EMS Team, the Board has identified certain key ESG agenda and carried out supervision and management accordingly. The EMS Team of the Group has formulated the Group's vision, goals and strategy in sustainability and have monitored and assessed ESG agenda that might affect the Group's business and operations. The Board regularly reviews its ESG policy and risks and formulates and update relevant goals and indicators on an ongoing basis.

Stakeholder engagement

The Group values the opinions of stakeholders and seeks, on a best-effort basis, to fulfill the interests of its shareholders, employees, business partners, customers and the community in a balanced manner. The Group has established an ongoing channel for communication with stakeholders included issues discussed in its operational and decision-making processes. The Group has been actively responding to their concerns and demands.

The Group communicates with its stakeholders on an ongoing basis through multiple channels and has identified the major concerns of various stakeholders.

Stakeholder	Channel for communication	Concerns
Employees	• Group Intranet • Staff meetings • Training and seminars • Employee activities	• Welfare and benefits • Occupation health and safety • Career development
Government and regulatory authorities	• Regular reporting • Supervision and inspection	• Compliance and risk management • Business ethic and anti-corruption • ESG
Investment institutions and shareholders	• Company's announcements • Shareholders' meetings • Group website and e-mails • Roadshows and reverse roadshows	• Compliance and risk management • Economic performance
Suppliers	• Regular communication • Business visits • Review and appraisal meetings • Group website and e-mails	• Supply chain management • Business ethics and anti-corruption
Customers	• Regular communication • Business visits • Sales fairs • Customer Service hotlines • Media activities • Interactive platforms such as WeChat • Group website and e-mails	• Product design and safety • Customer privacy protection • Customer service satisfaction • Protection of intellectual property rights • Business ethics and anti-corruption
Local community	• Community services	• Community investments and charities

Materiality Assessment

The Group has analysed its material issues and identified the material ESG concerns of the Group's stakeholders taking into account its own business, industry environment, operational characteristics and peer experience. Materiality of the issues is prioritised and analysed according to stakeholders' demands.

To ensure the effectiveness of the Group's ESG strategy, the Board reviews annually the outcomes of identifying the Group's material ESG issues to ensure that material ESG issues are covered by its ESG strategy. The process of determining materiality is based on the following principles:

- Consideration of the views and major ESG concerns of key stakeholders.

- Consideration of views of the Group's management on ESG issues and their relevant material impact on the Group's business.

- Review of material ESG issues, including issues that stakeholders are extremely concerned and that have a material impact on the Group's business.

- Assessing the most important ESG matter for the purposes of ESG reporting and future development to prioritise accordingly.

The materiality assessment helps the Group to analyse its ESG risks and opportunities and improve its business strategies accordingly. It also helps the Group to meet the sustainability criteria for reporting and facilitate better allocation of resources to deal with material ESG issues.

Reporting Scope

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, ESG management approach, environmental and social performance, as well as material issues within the scope of business for the year ended 31 December 2022. Mandatory disclosures cover entities and their manufacturing facilities that generate the major revenue of the Group's principal activities (investment holding, manufacturing and logistics agent in PRC, Hong Kong and Taiwan).

Business Operations	Operating Locations	Companies
Manufacturing of printers, coffee art machines, manicure machines, medical equipment	Jiangmen, the PRC	Kong Yue Electronics & Information Industry (Xinhui) Limited
Logistics agent	Hong Kong, the PRC	Xin Yue Logistics Limited
Research and development of the inkjet print heads	Taiwan, the PRC	Advanced Inkjet Systems Limited
Research and development of network application	Shenzhen, the PRC	Shenzhen Yingmei Kamo Internet Limited

Environment

Aspect A1: Emissions

The Group produced a small amount of waste gas 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, SO_2 and other pollutants restricted by laws and regulations of the PRC, nor does it contain any greenhouse gas.

The Group engages qualified third-party institutions to monitor exhaust gas from production on a regular basis each year. According to exhaust gas monitoring conducted, exhaust gas emissions were fully compliant in 2022 at a rate significantly lower than the national emission standards. Fluctuations were noted in the monitoring results compared to those reported for 2021 and 2020, being random fluctuations within the normal range. Please refer to Table (I) for details of the monitoring results.

Table (I) Exhaust Gas Monitoring Results for 2020–2022

Item monitored		Referential limit	Monitoring Results for 2022	Monitoring Results for 2021	Monitoring Results for 2020
Exhaust gas	Particles	Emission intensity: 120 mg/m^3 Emission rate: 2.9 Kg/h	Emission intensity: <20 mg/m^3 Emission rate: <0.15 Kg/h	Emission intensity: <20 mg/m^3 Emission rate: <0.0528 Kg/h	Emission intensity: <20 mg/m^3 Emission rate: <0.112 Kg/h
	Non-methane hydrocarbon	Emission intensity: 120 mg/m^3 Emission rate: 8.4 Kg/h	Emission intensity: 4.75 mg/m^3 Emission rate: $3.8*10^{-2}$ Kg/h	Emission intensity: 50.4 mg/m^3 Emission rate: 0.284 Kg/h	Emission intensity: 9.98 mg/m^3 Emission rate: $6.0*10^{-2}$ Kg/h
	Methanol	Emission intensity: 190 mg/m^3 Emission rate: 4.3 Kg/h	Emission intensity: N.D; Emission rate: $8.1*10^{-3}$ Kg/h	Not tested	Not tested
	Tin and its compound	Emission intensity: 8.5 mg/m^3 Emission rate: 0.25 Kg/h	Emission intensity: N.D; Emission rate: $7.84*10^{-6}$ Kg/h	Emission intensity: N.D; Emission ate: $<7.33*10^{-9}$ Kg/h	Emission intensity: $4.2*10^{-4}$ mg/m^3 Emission rate: $2.89*10^{-6}$ Kg/h

No waste water is produced during our production process, 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. According to waste water monitoring conducted, waste water discharge was fully compliant in 2022. The results indicate increment compared to 2021 but overall improvements compared to 2020. The Group has conducted analysis on the reasons for such increment and adopted response measures accordingly. Please refer to Table (II) for details of the monitoring results.

Table (II) Waste Water Monitoring Results for 2020–2022

Item monitored		Referential limit	Monitoring Results for 2022	Monitoring Results for 2021	Monitoring Results for 2020
Waste water	PH scale	6–9	7.10	7.49	7.29
	Suspended particles	100 mg/L	10.0	N.D	14.0
	5-day biochemical oxygen demand	30 mg/L	7.8	3.2	23.0
	Chemical oxygen demand	110 mg/L	26.0	13.0	73.0
	Ammonia nitrogen	15 mg/L	13.4	1.8	0.2
	Petroleum	8.0 mg/L	0.28	N.D	Not tested

Note: "N.D" indicates that the value of test results is smaller than the minimum level that could be tested and therefore no results can be shown.

In 2022, the total volume of domestic waste water discharge was 46,183 tonnes, increasing by 2,636 tonnes (Note: total volume of domestic waste water discharge was 43,547 for 2021 and 43,790 tonnes for 2020) which was attributable mainly to the Group's adoption of a clean operation system through the cleaning system implemented at the temporary collection and dispatch zones of the storage area, whereby the ground surface was cleaned with water twice a week to clean the dust and water in the fire pool evaporation was replaced monthly.

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 2022, 3.25 tonnes of hazardous waste were produced, representing a decrease of 0.35 ton as compared with last year (A total of 3.6 tonnes was generated in 2021 and 3.9 tonnes in 2020.), all of which were delivered to a qualified professional recycling agency for disposal and submitted to government authorities for approval as required through online reporting.

Furthermore, the Group has 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 2022, 106.38 tonnes of non-hazardous waste (2021: 116.8 tonnes; 2020: 136.6 tonnes) were produced, representing a decrease of approximately 10.42 tonnes as compared with last year. Non-hazardous waste mainly comprised packaging materials, cardboard boxes, foam sponges and small amounts of domestic wastes. All of those with recovery value were delivered to qualified waste recyclers for recycling.

All of the Group's hazardous wastes are temporarily stored in the hazardous waste storage. The "Hazardous Waste Assessment Report" has been formulated and submitted to the local competent government authorities for record. The Group has also formulated the Waste Treatment Measures to carefully distinguish and handle general waste, hazardous waste, and recyclable and reusable waste produced during the production process at the source of production lines. Relevant training has been provided to employees to ensure that waste is reasonably classified and collected for the reuse and comprehensive treatment of recyclable substances. The Group directs and encourages its partner suppliers to recycle packaging waste with recovery value and requests suppliers who can use plastic baskets as packaging materials to use plastic baskets wherever possible in order to reduce the production of packaging waste.

The Group has formulated goals in waste control, including a 5% year-on-year reduction in the generation of hazardous and non-hazardous waste and average power consumption at production of less than 0.68 kWh per product unit. A ranges of water conservation, power conservation and waste reduction measures have been formulated under the leadership of the Logistics Department and production workshops to enhance day-to-day control and supervision, as well as to formulate a mechanism for swift response to and handling of any problems that might occur. Fulfilment status is reviewed on a quarterly basis to ensure the completion of relevant targets.

In 2022, 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.

The Group does not use/consume coal resources directly in its production and operation. Power consumption for production operations in 2022 amounted to 1,213,800 kWh (Note: power consumption for production operations amounted to 1,269,700 kWh in 2021 and 1,128,300 kWh in 2020), decreasing by 55,900 kWh as compared to the previous year.

Targeting at different product types and seasonal effects in 2022, the Group has formulated differentiated electricity consumption targets, for instance, electricity consumption of each printer is ≤0.52 kWh (the first, fourth quarter) and ≤0.84 kWh (the second, third quarter), and the average annual electricity consumption is ≤0.68 kWh. The electricity consumption of each printer head is ≤0.28 kWh (the first, fourth quarter) and ≤0.32 kWh (the second, third quarter), and the average annual electricity consumption is ≤0.30 kWh. (Note: the power consumption target is applicable only to power consumption for the assembly of such product at the workshop.) The Group keeps equipment running during short break, lunch break and adopts staff rotation to reduce the idle time of production line equipment. It arranges plan reasonably to prevent the increase in equipment waiting time that arise from non-scheduled or frequent line switching. It gradually phases out the equipment with high energy consumption and encourages less use or non-use of air-conditioners when a few staff work overtime and uses electric fans instead.

In 2022, household and auxiliary electricity consumption was 469,800 kWh (Note: 478,000 kWh for 2021; 422,000 kWh for 2020), decreasing by 8,200 kWh, year-on-year.

As the Group does not use water for production, our domestic water consumption is mainly used for staff drinking, central air conditioning consumption, greening, fire pool evaporation, cleaning and toilet flushing. The Group has no problem in sourcing water that is fit for use, although the annual volume annual domestic water consumption tends to fluctuate to an insignificant extent depending on factors such as staff headcount, hot climate, implementation of the cleaning system, water consumption for greening and the pandemic. The Group fosters water-saving habits through promotion of water-saving among staff. The Group uses water-saving faucets to prevent persistent water dripping, while enhancing inspection of draining, springing, dripping and leakage at water pipes in daily operation to achieve water conservation.

The Group does not use coal or natural gas in its production. Diesel is consumed only by two industrial forklifts or occasionally by the standby generator for electricity generation when the municipal power supply is suspended. In addition, the Group has several small displacement vehicles that consumes gasoline for official business needs. Mobile forklifts are only used for handling, loading and unloading goods in the factory. In 2022, consumption of diesel for forklifts was 1,176 litres (Note: 1,000 litres for 2021 and 1,200 litres for 2020), increasing by 176 litres compared to last year. Small corporate business vehicles are only used for business purposes such as business trips of employees and reception of guests subject to strict control measures and approval procedures. In 2022, the consumption of gasoline 19,102 litres (Note: 34,211 litres for 2021 and 26,200 litres for 2020), decreasing by 15,109 litres over last year. The decrease was attributable mainly to fewer inter-city business trips owing to long periods of stringent restrictions against travelling in various regions during the COVID-19 pandemic in 2022. Meanwhile, the Company retired 3 small vehicles that had reached the end of their useful life and suspended the use of another 3 pending retirement to mitigate the environmental impact of tail gas emission and reduce gasoline consumption.

In 2022, the Group consumed 346 tonnes of packaging materials for product packaging, decreasing by 53 tonnes compared to 2021 (Note: 2021: 399 tonnes; 2020: 368 tonnes). 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 more than 300 tonnes of packaging box materials throughout the year.

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 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 have been renting electric buses as commuting vehicles for employees since recent years and has encouraged employees to take the Group’s public vehicles instead of driving their own cars, so as to reduce the impact on the environment and the consumption of natural resources.

Aspect A4: Climate Change

The Group attaches great importance to fire safety work and has established the Safety Committee to perform regular safety inspections, equipped with necessary fire-fighting devices, conduct fire safety training and drills to lower the occurrence of fire hazards, so as to prevent air pollution incidents caused by fire accidents. The Group does not emit greenhouse gases in the production, life and operation process, and reduces the harmful impact on the climate through the use of energy-saving central air conditioners, environmental refrigerators, LED lights, energy-saving electric buses, and new fire extinguishers.

The Group also pays its best attention to the greening of plants on its factory premises. A large area of vegetation such as turf and trees was presented around its factory premises. Green plants were grown on the public platform of the plants, and implementation of greening around the newly renovated office building was also done. The Group regularly trimmed and watered the vegetation, and rectified and replanted trees which were blown down by typhoons to increase the green area and expand the coverage ratio of plants on its factory premises. These measures helped have a good impact on the environment.

The Group conducts fire safety drills, chemical leakage prevention drills and other emergency drills each year to ensure adequate preparation for preventive and emergency tasks, so as to prevent or mitigate any environmental impact in the event of emergencies.

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 following table sets out the details of Group employees:

By employment type		By geographic region		By gender		By age	
Full-time	649	Jiangmen City:	588	Male:	290	18–25 years old	76
Part-time	0	Guangdong Province (excluding Jiangmen City):	33	Female:	409	26–40 years old	357
Intern	50	Outside Guangdong Province:	78			Over 40 years old	266

The year-on-year change in staff headcount of the Group by region, gender and age groups was insignificant.

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.

In addition, the Group offers competitive remuneration packages to its employees. In March 2022, an annual salary adjustment for Group staff was conducted, while an annual gratuity was also paid to the Groups employees at the end of 2022. 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 by the Group on an annual basis and all valuable feedback from employees on how to improve the working environment, enhance the operating efficiency and create a harmonious workplace, etc. is carefully considered. In 2022, a score of 91.4 points (2021: 91.1 points; 2020: 90.5 points) was achieved for employee satisfaction, which is 0.3 point higher as compared with 2021.

By age		**By geographic region**		**By gender**	
Under 25 years old:	16	Jiangmen City:	71	Male:	34
25~35 years old:	41	Guangdong Province (excluding Jiangmen City):	8	Female:	55
Over 35 years old:	32	Outside Guangdong Province:	10		

The employee turnover rate remained at a reasonable level, whereas the turnover rates of employees between the age of 25 to 35 were relatively higher. Employees from the local city accounted for the majority and accordingly the turnover rate for them was relatively higher. The details are set out in the above table.

The year-on-year change in employee turnover by region, gender and age groups was insignificant.

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.

In the past three years, the Company had no staff fatality due to work, nor there was any loss of working days arising from work-related injuries.

The Group 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. The Group distributes labour protection equipment and supervises inspection and implementation to ensure that employees perform labour protection measures as required. 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 2022, the Group carried out 52 pre-job, on-the-job and post-job occupational disease inspection for employees in specific positions (2021: 34 headcount, 2020: 72 headcount). All employees in specific positions have received occupational disease inspection on an annual basis.

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 2022, 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 set up a training hall at the Group office that could accommodate more than 100 people in training sessions, equipped with a full range of training facilities and inhouse trainers. In view of the pandemic, training was conducted through a combination of online and offline modes in a vigorous effort to provide pre-job and in-job training for staff.

The details of training in 2022 are set out in the following table:

Percentage of trainees				**Average hours of training (Unit: hour)**			
By employment type		**Number by gender**		**By employment type**		**Number by gender**	
Senior management	100%	Male	100%	Senior management	52	Male	66.5
Middle management	100%	Female	100%	Middle management	65.2	Female	62.1
Staff/worker level	100%			Staff/worker level	73.1		

Compared to the previous year, there was a slight increase in average training hours across different levels of staff.

The Group works out detailed training programs according to the needs of employees, requirements of positions and skills required by various departments within the Group 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

Especially during the epidemic period, the Group actively responded to the government's call by organizing online training, providing product-specific explanation courses for all employees through Dingding and Tencent classrooms, and for relevant trainings organized by relevant government departments, the Group arranged corresponding personnel to participate actively. The Group also arranges employees to entrust other professional training institutions to conduct employee vocational skills training every year to acquire more knowledge and skills.

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 2022, 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 2022, 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's suppliers are mainly located within Guangdong Province and in particular the Pearl River Delta region, the number and distribution of which are set out in the following table:

By geographic region (Unit: entity)

Overseas:	51	Outside Guangdong Province:	44	Guangdong Province (excluding Jiangmen City):	310	Jiangmen City:	53

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. The quality, delivery date, pricing, service and other aspects of suppliers will be counted and scored every quarter, and the supply from suppliers whose scores do not meet the requirements of the Group will be downgraded or suspended.

In selecting qualified suppliers, relevant suppliers are required to sign the ROHs Guarantee Agreement and the ROHS Labeling Statement, while suppliers of plastic raw materials, plastic parts, packaging materials and circuit board are required to sign the Toxic and Harmful Material Limit Guarantee Agreement. The relevant suppliers are also required to provide ROHS test reports of raw materials (such as SGS) when sending samples for confirmation; and the relevant suppliers shall be checked every year on a sample basis, and unqualified suppliers, if found, will be required to make rectification.

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. In 2022, the Group added the DQA control procedure in its quality control process. By conducting quality control during the stages of design and testing, the product quality process was moved forward to the stage of design and development. Through comprehensive engineering measurement, procurement on demand, production in strict adherence to operational guidelines, all-inclusive inspection and thoughtful after-sales services, stringent product quality control has been exercised over all subsequent stages. The Group performs multiple tests on function and performance before delivering products to the warehouse, so as to ensure premium product quality to the satisfaction of customers.

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 2022, the Group received 4 complaints regarding services in respect of its products, and the after-sale department collaborated with the quality control department to respond and handle customer complaints, as well as taking follow-up measures to contact the complainant in a timely manner to understand customer's satisfaction regarding the complaint handling.

The Group sets up one 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 assigns dedicated personnel for managing intellectual property rights, and establishes a specific intellectual property rights information platform to obtain the latest intellectual property rights information, so as to prevent infringements, and enhances comprehensive market tracking and monitor products with independent intellectual property rights to prevent them from being infringed. A reward mechanism is established for intellectual property rights to distribute intellectual property rights rewards reasonably and operate shareholding scheme for core technical employees. The Group explores innovative inventions and apply for protection in a timely manner to obtain and maintain property rights such as patents, trademarks, and computer software copyright registrations.

The rules and regulations governing the confidentiality are developed to clarify employees' obligations and default liabilities in relation to the protection of corporate intellectual property rights using labor contracts, confidentiality agreements or non-competition agreements with confidentiality provisions individually or collectively according to the closeness between employees and technical secrets.

The Group strengthened the management and protection of trade secrets, regulated the business activities of technical personnel and related activities of mobile personnel involved in the development of patented technologies, and formulated stringent technical information access procedures, so that each person can only access part of the core technology and cannot master the complete core technology, so as to better protect technical secrets. The Group established a intellectual property products security system from the perspective of computer network, which provides computer and user identity authentication by using network identity authentication system and record computer usage registered by users. The Group established a network monitoring system to monitor and limit the file operation of computers so as to prevent users from copying data from the internal network system at will. The Group used the online/off-network strategy to isolate the Group internal network system from the external network, and strictly controlled the use of external equipment and network output to prevent internal information from leaking.

During the process of technology transfer (licensing) and technological cooperation, the ownership, scope and duration of application the intellectual property rights involved, and the distribution of subsequent research achievements shall be specified in details, and relevant legal documents shall be signed.

The Group strengthened the awareness of intellectual property rights protection in cooperation with foreign companies. It is necessary to clearly specify the ownership of patents or trademarks in signing export agency contracts with foreign companies to prevent agents from applying for patents or registering trademarks maliciously and preemptively. In accepting foreign companies' processing and production commission, the foreign companies shall be required to present documents proving that it is the holder or legal user of the patents and high technologies in relation to the products, and the contracts shall clearly stipulate the legal responsibility for relevant intellectual property rights to prevent from being involved in intellectual property disputes.

The Group also attaches great importance to product quality and after-sales service quality. The Group's products involve stringent design and development processes, engineering testing and verification, and have undergone pilot production and mass verification, and, if necessary, will be delivered to customers for trial purpose. After solving the problems that are identified during the test process, mass production will commence. During the mass production process, only qualified products will be stored at the warehouse after conducting stringent random inspection on such products by OQC in accordance with the Group's product inspection process including strict initial inspection, self-inspection, regular inspection and full-function inspection.

The Group 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 control department to conduct regular business audit in the procurement department and other relevant departments. All business contracts with third parties shall undergo professional vetting of the legal department. A new Jolimark online purchase price enquiry system has also been created to enhance the Group's bargaining power in procurement and reduce the risk of embezzlement in procurement. A series of internal financial management systems were formulated for standard management purpose, and employees in key positions such as sales are required to sign the Integrity and Compliance Commitment, to ensure corruption and bribery are prevented at the origin. In 2022, the Group was not subject to any corruption case for which trial had been concluded.

The Group has developed and issued a whistle-blowing policy to encourage employees, third parties and other relevant personnel to whistle-blow any suspected business misconduct in writing or verbally through designated hotlines and email addresses. Upon receipt of the report, the internal control 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.

To ensure staff compliance with relevant policies and maintain high ethical standards, the Group organises education and training on anti-corruption and bribery for the Directors and non-frontline production staff. The Group also convenes meetings to propagate anti-corruption and bribery messages, requires employees of key positions to sign the "Undertaking of Integrity and Compliance" and warns employees against acts of fraud, blackmailing and money laundering.

Aspect B8: Community Investment

The Group has been focusing on the promotion of community and education projects which are of much concern. The Group has established "Scholarships for Outstanding Students of Jolimark Employees" (Note: 2022 coincided with the tenth session) 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 youth football growth.

In 2022, the Group made a RMB304,800 donation to Jiangmen Pengjiang District Charity Association as sponsorships mainly for campus football activities.

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"), which are set out on pages 60 to 124, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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 matter identified in our audit is related to: Revenue recognition

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to notes 25 to the consolidated financial statements Revenue from sales of goods amounted to RMB279,191,000 for the year ended 31 December 2022. Revenue is recognised net of estimated volume discount and other customer incentives when the Group satisfies a performance obligation by transferring the control of promised good or service to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that good or service. We focused on this area due to the huge volume of revenue transactions generated from sales of numerous kinds of products to a large number of customers, including direct customers and distributors, in many different locations.	We understood, evaluated and validated, on a sample basis, management's key controls in respect of the Group's activities in relation to contract with customers. We inspected agreements with major customers, on a sample basis, to understand the terms of the sales transactions including the terms of delivery, applicable rebate and discount arrangements and any sales return arrangements to assess if the Group's revenue recognition criteria were in accordance with the requirements of the prevailing accounting standards. We conducted testing of revenue transactions on a sample basis by examining the relevant supporting documents including customer contracts and orders, goods delivery notes and goods receipt records. In addition, we confirmed certain customers' receivable balances at the balance sheet date, and followed up the reconciliations between the book amounts and confirmed amounts if these were different. The items were selected on a sample basis by considering the amount, nature and characteristics of those customers. Furthermore, we tested sales transactions that took place shortly before and after the balance sheet date, by reconciling recognised revenue with the goods delivery notes and good receipt records, to assess whether revenue was recognised in the correct reporting periods. Based on the work performed, we found the Group's revenue from sales of goods being tested were supported by the evidences that we obtained.

Other Information

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- 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, actions taken to eliminate threats or safeguards applied.

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, 24 March 2023

Consolidated Balance Sheet

As at 31 December 2022
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	**96,284**	105,928
Right-of-use assets	7	**11,121**	11,891
Investment properties	8	**1,161**	–
Intangible assets	9	**3,997**	5,889
Investments accounted for using the equity method	11	**6,850**	7,094
Financial assets at fair value through other comprehensive income	12	**18,167**	31,195
Deferred income tax assets	22	**4,110**	6,661
Other assets		**984**	2,167
Restricted cash	18	**–**	441
		142,674	171,266
Current assets			
Financial assets at fair value through profit or loss	16	**–**	62,170
Inventories	14	**101,399**	112,461
Trade and other receivables	15	**43,550**	46,836
Other assets		**–**	920
Restricted cash	18	**–**	155
Cash and cash equivalents	17	**68,974**	63,325
		213,923	285,867
Total assets		**356,597**	457,133
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	19	**9,155**	9,155
Other reserves	20	**265,872**	274,447
Accumulated losses		**(118,175)**	(77,587)
		156,852	206,015
Non-controlling interests		**(777)**	(129)
Total equity		**156,075**	205,886

As at 31 December 2022
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	As at 31 December 2022	2021
LIABILITIES			
Non-current liabilities			
Borrowings	21	**1,110**	16,549
Lease liabilities	7	**2,467**	3,518
Deferred income tax liabilities	22	**2,117**	5,488
		5,694	25,555
Current liabilities			
Trade and other payables	23	**66,156**	104,465
Contract liabilities	24	**8,973**	26,989
Lease liabilities	7	**2,062**	1,318
Borrowings	21	**117,637**	92,920
		194,828	225,692
Total liabilities		**200,522**	251,247
Total equity and liabilities		**356,597**	457,133

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 60 to 124 were approved by the Board of Directors on 24 March 2023 and were signed on its behalf:

Mr. Au Pak Yin	**Mr. Au Kwok Lun**
Director	*Director*

Consolidated Income Statement

For the year ended 31 December 2022
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2022	2021
Revenue	25	**279,191**	344,606
Cost of goods sold	27	**(214,092)**	(248,998)
Gross profit		**65,099**	95,608
Other income	26	**4,580**	3,425
Selling and marketing expenses	27	**(32,891)**	(39,275)
Administrative expenses	27	**(38,600)**	(44,999)
Research and development expenses	27	**(27,978)**	(33,521)
Net impairment losses on financial assets	3.1(b)	**(745)**	(448)
Other gains – net	29	**1,946**	1,338
Operating loss		**(28,589)**	(17,872)
Finance expenses – net	30	**(6,242)**	(6,118)
Share of loss of investments accounted for using the equity method	11	**(244)**	(839)
Loss before income tax		**(35,075)**	(24,829)
Income tax expenses	31	**(4,934)**	(353)
Loss for the year		**(40,009)**	(25,182)
(Loss)/profit attributable to:			
– Shareholders of the Company		**(40,027)**	(25,139)
– Non-controlling interests		**18**	(43)
		(40,009)	(25,182)
Loss per share for loss attributable to the shareholders of the Company during the year (expressed in RMB per share)			
– Basic	32	**(0.065)**	(0.041)
– Diluted	32	**(0.065)**	(0.041)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	2022	2021
Loss for the year	**(40,009)**	(25,182)
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	**(13,028)**	20,017
Income tax relating to these items	**3,370**	(5,083)
Other comprehensive (loss)/income for the year, net of tax	**(9,658)**	14,934
Total comprehensive loss for the year	**(49,667)**	(10,248)
Total comprehensive (loss)/income for the year attributable to:		
– Shareholders of the Company	**(49,179)**	(10,991)
– Non-controlling interests	**(488)**	743
	(49,667)	(10,248)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					
	Share capital and premium (note 19)	Other reserves (note 20)	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at 1 January 2022	**9,155**	**274,447**	**(77,587)**	**206,015**	**(129)**	**205,886**
Comprehensive (loss)/income						
(Loss)/income for the year	–	–	(40,027)	(40,027)	18	(40,009)
Other comprehensive loss	–	(9,152)	–	(9,152)	(506)	(9,658)
Total comprehensive loss for the year	–	(9,152)	(40,027)	(49,179)	(488)	(49,667)
Contributions by and distributions to the shareholders of the Company recognised directly in equity						
Transfer to the statutory reserve and enterprise expansion fund	–	550	(550)	–	–	–
Transfer to the staff incentive and welfare fund	–	11	(11)	–	–	–
Employee share option scheme – value of employee services	–	16	–	16	–	16
Dividends	–	–	–	–	(160)	(160)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	–	577	(561)	16	(160)	(144)
Balance at 31 December 2022	**9,155**	**265,872**	**(118,175)**	**156,852**	**(777)**	**156,075**
Balance at 1 January 2021	9,155	258,226	(50,396)	216,985	(872)	216,113
Comprehensive income/(loss)						
Loss for the year	–	–	(25,139)	(25,139)	(43)	(25,182)
Other comprehensive income	–	14,148	–	14,148	786	14,934
Total comprehensive income/(loss) for the year	–	14,148	(25,139)	(10,991)	743	(10,248)
Contributions by and distributions to the shareholders of the Company recognised directly in equity						
Transfer to the statutory reserve and enterprise expansion fund	–	2,012	(2,012)	–	–	–
Transfer to the staff incentive and welfare fund	–	40	(40)	–	–	–
Employee share option scheme – value of employee services	–	21	–	21	–	21
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	–	2,073	(2,052)	21	–	21
Balance at 31 December 2021	9,155	274,447	(77,587)	206,015	(129)	205,886

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Cash generated from operations	34(a)	**(61,192)**	14,037
Income tax paid		**(2,507)**	(1,383)
Interest paid		**(6,000)**	(6,078)
Net cash (used in)/generated from operating activities		**(69,699)**	6,576
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,656)**	(12,028)
Purchase of intangible assets		**(101)**	(547)
Purchase of other assets		**–**	(543)
Disposals of property, plant and equipment		**3**	232
Advances from disposal of other assets		**–**	2,000
Acquisition of financial assets at fair value through profit or loss		**(75,000)**	(223,000)
Redemption of financial assets at fair value through profit or loss		**137,485**	162,128
Dividend received from an investee company		**1,408**	1,607
Interests received		**1,472**	1,021
Net cash generated/(used in)investing activities		**60,611**	(69,130)
Cash flows from financing activities			
Proceeds from borrowings		**129,831**	138,519
Repayments of borrowings		**(113,273)**	(115,095)
Principal elements of lease payments		**(1,897)**	(1,910)
Net cash generated from financing activities	34(b)	**14,661**	21,514
Net increase/(decrease) in cash and cash equivalents		**5,573**	(41,040)
Cash and cash equivalents at beginning of the year		**63,325**	104,430
Exchange gains/(losses) on cash and cash equivalents		**76**	(65)
Cash and cash equivalents at end of the year	17	**68,974**	63,325

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. General Information

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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

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").

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 June 2005.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 24 March 2023.

The outbreak of the 2019 Novel Coronavirus (the "COVID-19") has brought unprecedented challenges and added uncertainties to the economy. Since the outbreak of COVID-19, the Group has monitored the situation of COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that these consolidated financial statements are authorized for issue, COVID-19 doesn't have any material adverse impact on the financial position and operating result of the Group.

2. Summary of Significant Accounting Policies

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO").

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income ("FVOCI"), and financial assets at fair value through profit or loss ("FVTPL"), which are carried at fair value.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(c) 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 2022. The adoption of these standards and amendments does not have significant impact on the consolidated financial statements of the group.

Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use
Amendments to HKFRS 3	Reference to the conceptual framework
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Annual Improvements	Annual Improvements to HKFRS standards 2018–2020
Revised Accounting Guideline 5	Merger accounting for common control combinations

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards, amendments, interpretation to standards and accounting guideline issued but are not effective for financial year ended 31 December 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 (Amendment)	Presentation of financial statements' on classification of liabilities	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendment)	Disclosure of accounting policies	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
HKAS 8 (Amendment)	Definition of accounting estimates	1 January 2023
HKAS 12 (Amendment)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations, and not expected to have a material impact on the Group in the current or future reporting period.

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2022.

(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.

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

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

(b) Associates

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

(c) Equity 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. Summary of Significant Accounting Policies (Continued)

2.3 Business combinations

The Group applies the acquisition method to account for 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.

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.

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

2. Summary of Significant Accounting Policies (Continued)

2.4 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.

2.5 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.

2.6 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 the Group's presentation currency.

(b) Transactions and balances

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

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

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)

2.7 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	20 years
Plant and machinery	3 – 10 years
Furniture and fixtures	5 years
Leasehold improvements	Lower of lease term or estimated useful life of 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

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

2.8 Investment properties

Investment properties, principally comprising leasehold property and self-owned properties, are held for long-term rental yields, and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are carried at costs. An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include:

- commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;

- end of owner-occupation, for a transfer from owner-occupied property to investment property;

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its net book amount at the date of reclassification becomes its cost for accounting purposes.

2. Summary of Significant Accounting Policies (Continued)

2.8 Investment properties (Continued)

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

Self-owned properties	10 years
Leased properties	Lease term

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.3. 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.

(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).

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

2. Summary of Significant Accounting Policies (Continued)

2.9 Intangible assets (Continued)

(b) Proprietary technology and software (Continued)

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(c) Research and development

Research expenditure and development expenditure that do not meet the criteria in (b) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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.

2.11 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 ("OCI"). 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 FVOCI.

2. Summary of Significant Accounting Policies (Continued)

2.11 Investments and other financial assets (Continued)

(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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL 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.

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 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.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

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. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on bills receivables and 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. Summary of Significant Accounting Policies (Continued)

2.12 Inventories

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

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 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 carrying amount of trade receivables is presented after netting off the expected credit losses. 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 15 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 and restricted cash

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.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

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. Summary of Significant Accounting Policies (Continued)

2.16 Trade and other payables

Trade payables 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.

2.18 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2. Summary of Significant Accounting Policies (Continued)

2.19 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.20 Employee benefits

(a) Short-term obligations

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

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

(b) Pension obligations

The Group participates in a number of defined contribution plans in the PRC, the assets of which are generally administrated by the relevant authority of the PRC. 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.

2. Summary of Significant Accounting Policies (Continued)

2.20 Employee benefits (Continued)

(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.

2.21 Share-based payments

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for shares options of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (e.g. the entity’s share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments 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 the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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.

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

2. Summary of Significant Accounting Policies (Continued)

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.

2.23 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 mainly through third party distributors or corporate customers ("customers"). 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.

2. Summary of Significant Accounting Policies (Continued)

2.23 Revenue recognition (Continued)

(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 from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Dividend income

Dividends are received from financial assets measured at 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.

2.26 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.

2.27 Leases

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.

2. Summary of Significant Accounting Policies (Continued)

2.27 Leases (Continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.27 Leases (Continued)

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.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

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'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 United States dollars ("US$"), Hong Kong dollars ("HK$") or Taiwan dollars ("TWD"). The Group's activities exposed it to foreign exchange risk arising from various currency exposures, primarily with respect to US$ and HK$. The majority of its non-RMB assets and liabilities are cash and cash equivalents, trade and other payables and borrowings.

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	
	2022	2021
Financial assets		
– US$	**879**	1,204
– HK$	**1,070**	922
– TWD	**441**	879
– Other currencies	**63**	63
	2,453	3,068
Financial liabilities		
– HK$	**(8,192)**	(7,977)
– TWD	**(419)**	(131)
	(8,611)	(8,108)

As at 31 December 2022, the Group had more financial liabilities than financial assets outside the mainland China. The Group manages and monitors its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by reducing the financial liabilities if needed. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2022, 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 lower/higher by RMB 257,000 (2021: if RMB had strengthened/weakened by 5% against the US$ and HK$, post-tax loss would be lower/higher by RMB210,000), which is mainly attributable to net result of exchange differences on translation of US$ 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 2022, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss for the year would increase/decrease by RMB1,000 (2021: RMB2,000), mainly as a result of higher/lower interest expenses on these variable rate borrowings.

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

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group which are classified on the consolidated balance sheet either as financial assets at fair value through other comprehensive income (note 12) or financial assets at fair value through profit or loss (note 16). 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.

(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.

(i) Cash deposits at banks

The Group considered that there is no significant credit risk associated with cash and cash equivalents and restricted cash deposited at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade and other receivables

Loss allowance provision for the trade and other receivables was determined as follows. The expected credit losses ("ECL") below also incorporated forward looking information, including the producer price index and consumer price index.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade and other receivables (Continued)

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. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. The Group has large number of customers and there was no concentration of credit risk. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical loss rates, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For bills receivable, the majority of bills receivables are selected bank acceptance bills issued by large or medium sized commercial banks in the PRC, and with maturity periods normally not more than one year. 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. The Group uses the expected credit loss model to determine the expected loss provision for bills receivables.

Other receivables mainly include a loan to a related party and temporary deposits. The Group uses the expected credit loss model to determine the expected loss provision for other receivables. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Impairment on other receivables and bill receivables are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. The Group considers whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables included in prepayments and other current assets based on historical settlement records and past experience.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade and other receivables (Continued)

As at 31 December 2021 and 2022, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	Bills and other receivables	Total
At 1 January 2022	**472**	**470**	**942**
Provision for loss/(reversal of) allowance recognised in profit or loss	**838**	**(93)**	**745**
At 31 December 2022	**1,310**	**377**	**1,687**
At 1 January 2021	**224**	**720**	**944**
Provision for loss allowance recognised in profit or loss	248	200	448
Written-off	–	(450)	(450)
At 31 December 2021	472	470	942

(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 group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the group's borrowings is given in Note 21.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 31 December 2022				
Borrowings	**120,098**	**696**	**580**	**121,374**
Trade and other payables (excluding accrued payroll and other taxes payables)	**56,564**	**–**	**–**	**56,564**
Lease liabilities	**2,110**	**1,318**	**1,373**	**4,801**
	178,772	**2,014**	**1,953**	**182,739**
At 31 December 2021				
Borrowings	94,775	15,993	1,043	111,811
Trade and other payables (excluding accrued payroll and other taxes payables)	93,016	–	–	93,016
Lease liabilities	1,349	1,280	2,640	5,269
	189,140	17,273	3,683	210,096

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 2022, the total borrowing for the Group was RMB118,747,000 (2021: RMB109,469,000) and the gearing ratio, which is calculated by total borrowings divided by total assets was 33.3% (2021: 23.9%).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Financial Risk Management (Continued)

3.3 Fair value estimation

Financial assets and liabilities

(a) Fair value hierarchy

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

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

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. This is the case for unlisted equity securities.

The following table presents the Group's financial assets that are measured at fair values at 31 December 2022 and 2021.

	2022	2021
Level 3		
Financial assets at FVTPL (note 16)		
– wealth management products	–	62,170
Financial assets at FVOCI (note 12)	18,167	31,195
Total	18,167	93,365

Apart from the forementioned financial assets at FVOCI and at FVTPL, the Group's financial instruments recognised in the consolidated balance sheets are mainly cash and cash equivalents, trade and other receivables, borrowings and other financial liabilities carried at amortised cost. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivables and payables is either close to current market rates or the instruments are short-term in nature.

During the year ended 31 December 2022, 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. There were no transfers among level 1, 2 and 3 during the year ended 31 December 2022 (2021: nil).

3. Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

Financial assets and liabilities (Continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the recent market transactions for the same or a similar asset
- for other financial instruments – discounted cash flow analysis.

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. The Group assesses the fair value of the Group's level 3 instruments by using valuation techniques.

Quantitative information about fair value measurement using significant unobservable inputs (Level 3) is as follow:

Description	Fair value at 31 December		Valuation techniques	Unobservable inputs*	Range of inputs		Relationship of unobservable inputs to fair value
	2022 RMB'000	2021 RMB'000			2022	2021	
Financial assets at FVOCI – unlisted equity securities	10,016	23,517	Market approach	Price Earnings Ratio ("P/E")	8.92–22.56	13.56–22.53	The higher P/E, the higher fair value
	2,343	1,905	Market approach	Price-to-Book Ratio ("P/B")	0.68–1.31	1.02–1.77	The higher P/B, the higher fair value
	105	197	Market approach	Price-to-sales Ratio ("P/S")	0.31–1.50	4.00–7.82	The higher P/S, the higher fair value
	5,703	5,576	Market approach	Price Earnings Ratio ("P/E") (31 December 2021: Recent market price per share)	8.92–28.06	24	The higher P/E, the higher fair value (31 December 2021: The higher recent market price per share, the higher fair value)
Financial assets at FVTPL – wealth management products	–	62,170	Discounted cash flow method	Expected rate of return	Not applicable	3.19–3.25	The higher expected rate of return, the higher fair value

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) Current and deferred income tax

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

5. Segment information

The directors and chief executive officer of the Group are the 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 91% 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 2021						
Cost	74,229	193,508	21,283	5,173	12,030	306,223
Accumulated depreciation	(23,731)	(144,556)	(17,226)	(2,725)	(10,623)	(198,861)
Net book amount	50,498	48,952	4,057	2,448	1,407	107,362
Year ended 31 December 2021						
Opening net book amount	50,498	48,952	4,057	2,448	1,407	107,362
Additions	148	8,328	245	2,147	1,160	12,028
Disposals	–	(277)	(13)	–	–	(290)
Depreciation	(2,245)	(9,044)	(845)	(404)	(79)	(12,617)
Impairment	–	(555)	–	–	–	(555)
Closing net book amount	48,401	47,404	3,444	4,191	2,488	105,928
At 31 December 2021						
Cost	74,377	201,139	21,319	7,320	13,190	317,345
Accumulated depreciation	(25,976)	(153,180)	(17,875)	(3,129)	(10,702)	(210,862)
Impairment	–	(555)	–	–	–	(555)
Net book amount	48,401	47,404	3,444	4,191	2,488	105,928
Year ended 31 December 2022						
Opening net book amount	**48,401**	**47,404**	**3,444**	**4,191**	**2,488**	**105,928**
Transfer to Investment Properties	**(1,145)**	**–**	**–**	**–**	**–**	**(1,145)**
Additions	**615**	**4,422**	**84**	**–**	**29**	**5,150**
Disposals	**–**	**–**	**–**	**–**	**(47)**	**(47)**
Depreciation	**(2,262)**	**(9,436)**	**(744)**	**(936)**	**(224)**	**(13,602)**
Closing net book amount	**45,609**	**42,390**	**2,784**	**3,255**	**2,246**	**96,284**
At 31 December 2022						
Cost	**73,847**	**204,826**	**21,356**	**7,320**	**12,759**	**320,108**
Accumulated depreciation	**(28,238)**	**(161,881)**	**(18,572)**	**(4,065)**	**(10,513)**	**(223,269)**
Impairment	**–**	**(555)**	**–**	**–**	**–**	**(555)**
Net book amount	**45,609**	**42,390**	**2,784**	**3,255**	**2,246**	**96,284**

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

	2022	2021
Cost of goods sold	**9,952**	8,588
Administrative expenses	**2,235**	2,436
Research and development expenses	**754**	842
Selling and marketing expenses	**661**	751
	13,602	12,617

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. Property, Plant and Equipment (Continued)

(a) As at 31 December 2022, property, plant and equipment of RMB41,370,000 (2021: RMB4,339,000) were pledged as collateral for the Group's bank borrowings of RMB114,800,000 (Note 21).

7. Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2022	2021
Right-of-use assets		
Land-use rights	**6,855**	7,144
Buildings	**4,266**	4,747
	11,121	11,891
Lease liabilities		
Current	**2,062**	1,318
Non-current	**2,467**	3,518
	4,529	4,836

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

	2022	2021
Right-of-use assets		
Opening balance at 1 January	**11,891**	8,545
Additions	**1,590**	5,592
Transfer to Investment Properties	**(232)**	–
Disposal	**–**	–
Depreciation	**(2,128)**	(2,246)
Ending balance at 31 December	**11,121**	11,891

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. Leases (Continued)

(ii) The income statement shows the following amounts relating to leases:

	2022	2021
Depreciation charge of right-of-use assets		
Land-use rights	289	289
Buildings	1,839	1,957
	2,128	2,246
Interest expense (included in finance cost)	231	226
Expense relating to short-term and low-value leases	878	2,074

The total cash outflow for leases in 2022 was RMB3,006,000 (2021: RMB4,210,000).

8. Investment properties

	As at 31 December	
	2022	2021
Non-current assets – at cost		
Opening balance at 1 January	–	–
Transfer from owner-occupied property (a)	1,145	–
– Cost	2,096	–
– Accumulated depreciation	(951)	–
Transfer from ROU-cost (a)	232	–
Depreciation	(216)	–
Closing balance at 31 December	1,161	–
As at year end		
Cost	2,328	–
Accumulated depreciation	(1,167)	–
Net book amount	1,161	–

Amounts recognized in profit and loss for investment properties:

	As at 31 December	
	2022	2021
Rental income (note 26)	174	202

(a) The investment properties represent commercial properties owned or held under leases, which are held for rental yields and are not occupied by the Group (Note 7).

(b) As at 31 December 2022, the fair values of investment properties was RMB3,109,000 (2021: nil)

8. Investment properties (Continued)

(i) Fair value hierarchy

As at 31 December 2022, as certain of significant inputs used in the determination of fair value disclosure of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group is included in level 3 of the fair value measurement hierarchy.

(ii) Valuation techniques

Fair values of the investment properties of the Group are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

The higher the market rents or the lower the term yields and reversionary yields, the higher the fair value.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. Intangible Assets

	Goodwill	Proprietary technology	Software	Development cost	Total
At 1 January 2021					
Cost	7,113	9,292	2,295	1,585	20,285
Accumulated amortisation	–	(5,032)	(699)	–	(5,731)
Impairment	(2,848)	(631)	–	–	(3,479)
Net book amount	4,265	3,629	1,596	1,585	11,075
Year ended 31 December 2021					
Opening net book amount	4,265	3,629	1,596	1,585	11,075
Additions	–	–	31	516	547
Transfers	–	–	2,101	(2,101)	–
Amortisation	–	(805)	(711)	–	(1,516)
Impairment	(4,217)	–	–	–	(4,217)
Closing net book amount	48	2,824	3,017	–	5,889
At 31 December 2021					
Cost	7,113	9,292	4,427	–	20,832
Accumulated amortisation	–	(5,837)	(1,410)	–	(7,247)
Impairment	(7,065)	(631)	–	–	(7,696)
Net book amount	48	2,824	3,017	–	5,889
Year ended 31 December 2022					
Opening net book amount	**48**	**2,824**	**3,017**	**–**	**5,889**
Additions	**–**	**51**	**–**	**50**	**101**
Amortisation	**–**	**(940)**	**(610)**	**–**	**(1,550)**
Impairment	**–**	**–**	**(443)**	**–**	**(443)**
Closing net book amount	**48**	**1,935**	**1,964**	**50**	**3,997**
At 31 December 2022					
Cost	**7,113**	**9,343**	**4,427**	**50**	**20,933**
Accumulated amortisation	**–**	**(6,777)**	**(2,020)**	**–**	**(8,797)**
Impairment	**(7,065)**	**(631)**	**(443)**	**–**	**(8,139)**
Net book amount	**48**	**1,935**	**1,964**	**50**	**3,997**

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

	2022	2021
Cost of goods sold	**176**	181
Administrative expenses	**1,374**	1,335
	1,550	1,516

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. Investments in Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2022:

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 ("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%
上海江諾數碼科技有限公司 Shanghai Jiangnuo Digital Technology	PRC	Wholesale of business equipment and tax control equipment/PRC	RMB20,000,000	100%
江門江裕映美信息科技有限公司 Jiangmen Kong Yue Jolimark Information Technology Limited	PRC	Manufacturing and sales of business equipment and tax control equipment/PRC	HK$16,050,000	100%
新會江裕信息產業有限公司 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%
江門市江裕映美税控服務有限公司 Jiangmen Kong Yue Jolimark Tax Control Services Limited	PRC	Marketing of tax control equipment/PRC	RMB500,000	95%
Jolimark Printing Solutions (Hong Kong) Limited	Hong Kong	Wholesale of business equipment and tax control equipment/Hong Kong	HK$10,000	100%

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. Investments in Subsidiaries (continued)

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/paid-in capital	Attributable equity interest held
Indirectly held by the Company (continued)				
先進噴墨系統有限公司 Advanced Inkjet Systems Limited	Taiwan	Research and development of the inkjet print heads/Taiwan	TWD3,700,000	100%
深圳酷外科技有限責任公司 Shenzhen Coolwi Technology Company Limited	PRC	Research and development of the internet of things/PRC	RMB1,000,000	100%
深圳映美卡莫網絡有限公司 Shenzhen Yingmei Kamo Internet Limited	PRC	Research and development of the internet of things/PRC	RMB1,000,000	100%
深圳市映星信息技術有限公司 Shenzhen Yingxing Information Technology Limited	PRC	Import and export service for electronic business/PRC	RMB3,000,000	65%
極客王電子科技（深圳）有限公司 Geek King Electronic Technology (Shenzhen) Co., Ltd.	PRC	Import and export service for electronic business/PRC	RMB300,000	65%
Jolimark Healthcare Technology Limited	Hong Kong	Sales of medical equipment/Hong Kong	HK$10,000	100%

All the subsidiaries are limited liability companies.

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. Investments Accounted for Using the Equity Method

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

	2022	2021
Balance at 1 January	7,094	7,933
Share of loss – net	(244)	(302)
Impairment charge (note (a))	–	(537)
Balance at 31 December	6,850	7,094

(a) Set out below are the associates of the Group as at 31 December 2022 and 2021. 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	
		2022	2021			2022	2021
武漢數元網絡技術有限公司 Wuhan Shuyuan Digital Network Technology Limited Company ("Shuyuan")	China	19.6%	19.6%	Associate	Equity method	6,850	7,094
武漢鴻瑞達信息技術有限公司 Wuhan Hong Rui Da Information Technology Limited Company ("Hong Rui Da")	China	49.2%	49.2%	Associate	Equity method	–	–
新余凱易教育投資合夥企業（有限合夥） Xinyu Kaiyi Education Investment Limited Partnership ("Kaiyi")	China	19.96%	19.96%	Associate	Equity method	–	–

(All amounts in Renminbi Yuan thousands unless otherwise stated)

12. Financial Assets at Fair Value through Other Comprehensive Income

	2022	2021
Level 3		
Balance at 1 January	31,195	11,178
Fair value (losses)/gains – net (Note (a))	(13,028)	20,017
Balance at 31 December	18,167	31,195

(a) During the year ended 31 December 2022, the fair value losses are mainly derived from the investments in Guangdong Aerospace Information Aisino Technology Co., Ltd ("Aisino"). Aisino mainly engages in providing tax-related software services to issue electronic invoices in China.

13. Financial Instruments by Categories

		As at 31 December	
	Note	2022	2021
Financial assets			
Financial assets at amortised cost			
Trade and other receivables (excluding prepayments)	15	39,848	41,976
Restricted cash	18	–	596
Cash and cash equivalents	17	68,974	63,325
Financial assets at FVOCI	12	18,167	31,195
Financial assets at FVTPL	16	–	62,170
		126,989	199,262
Financial liabilities			
Liabilities at amortised cost			
Trade and other payables (excluding accrued payroll and other taxes payables)	23	56,564	93,016
Lease liabilities	7	4,529	4,836
Borrowings	21	118,747	109,469
		179,840	207,321

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)

14. Inventories

	As at 31 December	
	2022	2021
Raw materials	**71,089**	82,201
Work in progress	**7,243**	5,351
Finished goods	**23,067**	24,909
	101,399	112,461

At 31 December 2022, inventories of approximately RMB24,259,000 (31 December 2021: RMB29,146,000) are measured at net realisable values.

The cost of inventories recognised in the consolidated income statement amounted to RMB214,273,000 (year ended 31 December 2021: RMB248,998,000).

During the year ended 31 December 2022, a provision of RMB10,952,000 (year ended 31 December 2021: provision for RMB2,074,000) was made to write down the inventories (note 27) and recognised as cost of goods sold in the consolidated income statement.

15. Trade and Other Receivables

		As at 31 December	
	Note	**2022**	2021
Current			
Trade receivables			
– Third parties	a	**24,262**	22,784
Less: loss allowance of trade receivables		**(1,310)**	(472)
		22,952	22,312
Bills receivables	b	**9,459**	10,863
Less: loss allowance of bills receivables		**(30)**	(29)
		9,429	10,834
Prepayments			
– Third parties		**3,682**	4,840
– Related parties	36	**20**	20
		3,702	4,860
Other receivables			
– Third parties		**6,952**	7,856
– Related parties	36	**862**	1,415
Less: loss allowance of other receivables			
– Third parties		**(335)**	(420)
– Related parties		**(12)**	(21)
		7,467	8,830
Current portion		**43,550**	46,836

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. 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 2022 and 2021, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2022	2021
Less than 30 days	**17,597**	8,669
31–90 days	**3,609**	8,259
91–180 days	**727**	2,831
181–365 days	**405**	1,373
Over 365 days	**614**	1,180
	22,952	22,312

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2022 a provision of RMB1,310,000 (31 December 2021: RMB472,000) was made against the gross amounts of trade receivables.

(b) As at 31 December 2022, bills receivables represent bank acceptance bills (31 December 2021: bills receivables represent bank acceptance bills and commercial bills).

During the year ended 31 December 2022, the Group entered into a series of agreements, discounting the bills receivables in the commercial banks. Under these arrangements, the Group has transferred the bank acceptance bills to the banks in exchange for cash and is prevented from selling or pledging the receivables. The Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in the consolidated balance sheet.

The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

As at 31 December 2022, the transferred receivables recognised in bills receivable amounted to RMB3,755,000 (31 December 2021: RMB7,442,000).

Management considers that in substance the banks collect the amounts receivable on the entity's behalf and retain the cash in settlement of the separate financing transaction. The Group therefore presents the cash inflows received from the bank as financing cash inflows and the subsequent payments by the debtor as both operating cash inflows and financing cash outflows.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. Trade and Other Receivables (Continued)

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

	As at 31 December	
	2022	2021
RMB	**39,562**	41,710
HK$	**186**	158
US$	**–**	12
Other currencies	**100**	96
	39,848	41,976

(d) As at 31 December 2022 and 2021, trade receivables of approximately RMB3,223,000 and RMB7,047,000 were past due respectively.

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

16. Financial Assets at Fair Value Through Profit or Loss

	As at 31 December	
	2022	2021
Level 3		
Balance at 1 January	**62,170**	386
Additions	**75,000**	223,000
Redemption	**(137,485)**	(161,000)
Fair value gain/(losses) – net	**315**	(216)
Balance at 31 December	**–**	62,170

(a) As at 31 December 2021, the Group's financial assets at fair values through profit or loss included wealth management products sponsored and managed by banks.

17. Cash and Cash Equivalents

	As at 31 December	
	2022	2021
Cash at bank and in hand		
Denominated in:		
RMB	**66,807**	60,523
US$	**879**	1,192
TWD	**341**	783
HK$	**884**	764
Other currencies	**63**	63
	68,974	63,325

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.

18. Restricted Cash

	As at 31 December	
	2022	2021
Guarantee deposits		
Current	**–**	155
Non-current	**–**	441
	–	596

The amount of RMB596,000 represents the letter of guarantees for certain contracts to fulfil the obligation of printer sales at 31 December 2021.

19. 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
Authorised					
Balance at 31 December 2021 and 2022	10,000,000,000	100,000			
Issued and fully paid					
Balance at 1 January 2021, 31 December 2021 and 31 December 2022	612,881,500	6,129	6,402	2,753	9,155

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. 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 2021	136,904	103,297	17,376	629	20	258,226
Employee share option scheme – value of employee services	–	–	21	–	–	21
Transfer from retained earnings	–	2,012	–	–	40	2,052
Revaluation – gross (note 12)	–	–	–	20,017	–	20,017
Deferred tax for revaluation	–	–	–	(5,083)	–	(5,083)
NCI share in revaluation – gross	–	–	–	(786)	–	(786)
Balance at 31 December 2021	136,904	105,309	17,397	14,777	60	274,447
Balance at 1 January 2022	**136,904**	**105,309**	**17,397**	**14,777**	**60**	**274,447**
Employee share option scheme – value of employee services	**–**	**–**	**16**	**–**	**–**	**16**
Transfer from retained earnings	**–**	**550**	**–**	**–**	**11**	**561**
Revaluation – gross (note 12)	**–**	**–**	**–**	**(13,028)**	**–**	**(13,028)**
Deferred tax for revaluation	**–**	**–**	**–**	**3,370**	**–**	**3,370**
NCI share in revaluation – gross	**–**	**–**	**–**	**506**	**–**	**506**
Balance at 31 December 2022	**136,904**	**105,859**	**17,413**	**5,625**	**71**	**265,872**

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

(ii) 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)

20. 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 2022:

				Number of share options					
Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year (note (b))	Cancelled during the year	Outstanding at 31 December 2022
25 September 2020 (note (a) and note (b))	0.13	25 September 2020 to 25 September 2024	25 September 2021 to 25 September 2026	2,400,000	–	–	–	(250,000)	2,150,000
				2,400,000	–	–	–	(250,000)	2,150,000
		Exercisable at the end of the year		600,000					537,500
		Weighted average exercise price (HK$)		0.13	–	–	–	0.13	0.13

(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 ended 31 December 2022, 250,000 shares were forfeited and nil was reversed in the consolidated income statement and other reserve account.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. Other Reserves (Continued)

(iii) Share options reserve (Continued)

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

For the year ended 31 December 2021:

				Number of share options					
Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year (note (b))	Cancelled during the year	Outstanding at 31 December 2021
15 May 2015 (note (a))	2.17	15 May 2015 to 15 May 2019	15 May 2016 to 15 May 2021	9,740,000	–	–	(9,740,000)	–	–
25 September 2020 (note (a) and note (b))	0.13	25 September 2020 to 25 September 2024	25 September 2021 to 25 September 2026	2,900,000	–	–	–	(500,000)	2,400,000
				12,640,000	–	–	(9,740,000)	(500,000)	2,400,000
		Exercisable at the end of the year		9,740,000					600,000
		Weighted average exercise price (HK$)		1.70	–	–	2.17	0.13	0.13

(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 ended 31 December 2021, 10,240,000 shares were forfeited and nil was reversed in the consolidated income statement and other reserve account.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. Borrowings

	As at 31 December	
	2022	2021
Non-current		
Guaranteed bank borrowing (note (a))	**1,692**	2,046
Secured bank borrowing (note (a))	**14,800**	15,000
Less: current portion of non-current borrowings	**(15,382)**	(497)
	1,110	16,549
Current		
Secured bank borrowing (note (a) and note (c))	**102,255**	7,423
Unsecured bank borrowing (note (b))	**–**	85,000
Add: current portion of non-current borrowings	**15,382**	497
	117,637	92,920
	118,747	109,469

(a) The bank borrowings of HKD1,894,000 (RMB1,692,000) were guaranteed by the director of the Company, Mr. Au Pak Yin, which bears an interest rate of 2.5% per annum below the prime lending rate for HK dollars.

As at 31 December 2022, property, plant and equipment of RMB41,370,000 were pledged as collateral for the Group's bank borrowings of RMB114,800,000.

(b) The amounts presented bank borrowings bearing fixed interest rates ranging from 4.00% to 4.25%.

(c) Of the secured bank borrowings, RMB2,255,000 is related to transferred receivables, which are recognised as bill receivables (Note 15) and bear an annualised interest rate from 1.20% to 1.75%.

(d) The fair values of the borrowings approximate their carrying amount, as the impact of discounting is not significant.

(e) The Group has the following undrawn loan facilities:

	As at 31 December	
	2022	2021
– Expiring within one year	**15,000**	45,000

(f) The maturity of the borrowings is as follows:

	As at 31 December	
	2022	2021
Less than 1 year	**117,637**	92,920
1 to 2 years	**598**	15,533
2 to 5 years	**512**	1,016
	118,747	109,469

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. Deferred Income Tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2022	2021
To be realised over 1 year:		
Deferred income tax assets	**4,110**	6,661
Deferred income tax liabilities	**(2,117)**	(5,488)
Deferred tax assets – net	**1,993**	1,173

The net movements on the deferred income tax are as follows:

	As at 31 December	
	2022	2021
Balance at 1 January	**1,173**	6,572
(Charged)/credited to		
– consolidated income statement	**(2,525)**	(316)
– other comprehensive income	**3,345**	(5,083)
Balance at 31 December	**1,993**	1,173

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

Deferred income tax liabilities	**Changes in fair value of financial assets at FVOCI and FVTPL over the tax bases**	**Valuation appreciation**	**Total**
At 1 January 2021	(379)	(3)	(382)
(Charged)/credited to			
– consolidated income statement	(26)	3	(23)
– other comprehensive income	(5,083)	–	(5,083)
At 31 December 2021	(5,488)	–	(5,488)
At 1 January 2022	**(5,488)**	**–**	**(5,488)**
Credited to			
– consolidated income statement	**26**	**–**	**26**
– other comprehensive income	**3,345**	**–**	**3,345**
At 31 December 2022	**(2,117)**	**–**	**(2,117)**

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. Deferred Income Tax (Continued)

Deferred income tax assets	Temporary difference from inventories	Tax losses	Impairment of PPE	Others	Total
At 1 January 2021	1,474	5,440	–	40	6,954
(Charged)/credited to					
– consolidated income statement	341	(815)	93	88	(293)
At 31 December 2021	1,815	4,625	93	128	6,661
At 1 January 2022	**1,815**	**4,625**	**93**	**128**	**6,661**
(Charged)/credited to					
– consolidated income statement	**362**	**(3,310)**	**271**	**126**	**(2,551)**
At 31 December 2022	**2,117**	**1,315**	**364**	**254**	**4,110**

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.

Tax losses of certain group companies over which deferred tax assets were recognised as below:

	As at 31 December	
	2022	2021
Tax loss expiring from 2 to 5 years	**7,787**	21,182

23. Trade and Other Payables

	As at 31 December	
	2022	2021
Current Liabilities		
Trade payables		
– third parties	**32,593**	66,502
Other payables		
– Third parties	**32,463**	36,974
– Related parties (Note 36)	**704**	593
Dividends payable	**396**	396
	66,156	104,465

(All amounts in Renminbi Yuan thousands unless otherwise stated)

23. Trade and Other Payables (Continued)

At 31 December 2022, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2022	2021
Less than 30 days	**18,278**	35,931
31–90 days	**12,669**	24,724
91–180 days	**172**	2,454
181–365 days	**44**	1,040
Over 365 days	**1,430**	2,353
	32,593	66,502

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

	As at 31 December	
	2022	2021
RMB	**59,237**	98,403
HK$	**6,500**	5,931
TWD	**419**	131
	66,156	104,465

24. Contract liabilities

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

	As at 31 December	
	2022	2021
Contract liabilities		
– sales contracts of printers	**8,973**	26,989

Contract liabilities for sales contracts of printers have decreased by RMB18,016,000 as a result of decrease of prepaid sales orders.

(ii) Revenue recognised in relation to contract liabilities

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

	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Sales contracts of printers	**26,989**	10,557

(All amounts in Renminbi Yuan thousands unless otherwise stated)

24. Contract liabilities (Continued)

(iii) Unsatisfied performance obligations

As at 31 December 2022, the transaction price allocated to all performance obligations not yet satisfied by the Group was from contracts with original expected duration of more than one year is RMB329,000 (2021: RMB1,087,000).

25. Revenue

(a) Revenue from contracts with customers

	2022	2021
Sales of goods – at a point in time		
– Printers	253,273	314,805
– Other products	25,918	29,801
	279,191	344,606

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

	2022	2021
In the PRC	265,818	337,609
In other countries	13,373	6,997
	279,191	344,606

(c) For the year ended 31 December 2022, approximately 22% (2021: 25%) of total revenue was derived from a single external customer, for sales of printers.

26. Other Income

	2022	2021
Interest income of bank deposits	1,472	999
Dividend received	1,408	1,607
Incentive subsidy	929	382
Rental income (note 7)	174	202
Others	597	235
	4,580	3,425

(All amounts in Renminbi Yuan thousands unless otherwise stated)

27. Expenses by Nature

	2022	2021
Depreciation and amortisation	18,097	17,099
– Property, plant and equipment (note 6)	13,602	12,617
– Right-of-use assets (note 7)	2,128	2,246
– Intangible assets (note 9)	1,550	1,516
– Investment properties (note 8)	216	–
– Other assets	601	720
Raw materials and consumables recognised in cost of goods sold and expenses	177,984	220,418
Employee benefit expenses (note 28)	76,121	85,932
Transportation expenses	5,773	6,926
Travel and entertainment expenses	3,511	5,007
Repairs and maintenance	2,756	2,377
Subcontracting charges	719	1,124
Operating leases (note 7)	878	2,074
Provision for inventories (note 14)	10,952	2,074
Service fees for product development	1,748	2,491
Auditor's remuneration	1,620	1,520
– Audit services	1,600	1,500
– Non-audit services	20	20
Advertising and promotion fees	2,781	2,197
Impairment of goodwill (note 9)	–	4,217
Impairment of intangible assets and property, plant and equipment (note 6 and 9)	443	555
Others	10,178	12,782
	313,561	366,793

Certain figures have been reclassified to conform to the current presentation.

28. Employee Benefit Expenses

	2022	2021
Wages and salaries	63,515	72,602
Employee share option scheme – value of employee services (note 20)	16	21
Staff welfare and insurance	6,996	7,663
Pension costs – defined contribution plans	5,594	5,646
	76,121	85,932

(All amounts in Renminbi Yuan thousands unless otherwise stated)

28. Employee Benefit Expenses (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director whose emoluments are reflected in the analysis in benefits and interests of directors (note 38). The emoluments payable to the remaining four (2021: four) out of the five highest paid individuals during the year are as follows:

	2022	2021
Salaries and other benefits	1,895	2,356
Retirement scheme contributions	57	40
	1,952	2,396

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands (in HK dollar)		
HK$0 – HK$1,000,000	4	4

29. Other Gains – Net

	2022	2021
Fair value gains on financial assets at FVTPL	315	912
Foreign exchange losses – net	(402)	(142)
Gains/(losses) from disposal of assets	923	(58)
– property, plant and equipment	(44)	(58)
– other assets	967	–
Compensation income	529	236
Others	581	390
	1,946	1,338

30. Finance Expenses – Net

	2022	2021
Interest expenses		
– bank borrowings	5,769	5,852
– loan from a non-controlling shareholder	99	91
– lease liabilities	231	226
Exchange loss/(gain) on bank borrowings	143	(51)
	6,242	6,118

(All amounts in Renminbi Yuan thousands unless otherwise stated)

31. Income Tax Expenses

	2022	2021
Current income tax expenses		
– PRC corporate income tax (note (b))	777	37
– PRC dividend withholding tax (note (c))	1,632	–
Deferred income tax	2,525	316
	4,934	353

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:

	2022	2021
Loss before income tax	(35,075)	(24,829)
Tax calculated at applicable corporate income tax rate	(6,193)	(4,912)
Tax losses for which no deferred income tax assets were recognised	8,094	4,541
Write-off of previously recognised deferred tax assets for tax losses	3,299	769
Additional deductible allowance for research and development expenses	(1,812)	(1,213)
Utilisation of previously unrecognised taxes losses	(279)	(81)
Effect of share of profit or loss of an associate	37	45
Effect of dividend income not subject to tax	(353)	(392)
Effect of goodwill impairment	–	633
Effect of expenses not deductible for tax purposes	509	963
PRC withholding tax	1,632	–
	4,934	353

(a) Hong Kong profits tax

The applicable Hong Kong tax rate is 16.5% for the year ended 31 December 2022 (2021: 16.5%).

(b) PRC corporate income tax

The main business of the Group is conducted by Kong Yue Electronics & Information Industry (Xinhui) Limited ("Kongyue Information"), which is a foreign investment company based in Jiangmen City, the PRC. The corporate income tax (the "CIT") of Kongyue Information is provided for on the basis of its profit reported in the PRC statutory financial statements, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose.

Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the CIT rate is 25%. As Kongyue Information has been qualified as High and New Technology Enterprises ("HNTE") for three years from 2020 to 2023, it enjoys a preferential CIT rate at 15% for the year ended 31 December 2022 (2021: 15%). The effective CIT rate of other group entities in the PRC is 25% (2021: 25%).

31. Income Tax Expenses (Continued)

(c) PRC withholding income 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 RMB1,632,000 (2021: nil). No deferred income tax has been provided for PRC dividend withholding tax as at 31 December 2022.

(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.

32. Loss per Share

Basic loss 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.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. The 2,150,000 options granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive for the year ended 31 December 2022. These options could potentially dilute basic (loss)/earnings per share in the future.

	2022	2021
Loss attributable to the shareholders of the Company (RMB'000)	**(40,027)**	(25,139)
Weighted average number of ordinary shares in issue (shares in thousands)	**612,882**	612,882
Basic and diluted loss per share (RMB per share)	**(0.065)**	(0.041)

33. Dividends

No dividend was recommended by the board of directors for the year ended 31 December 2022 (for the year ended 31 December 2021: nil).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

34. Cash flow information

(a) Cash generated from operating activities

	2022	2021
Loss before income tax	**(35,075)**	(24,829)
Adjustments for:		
– Depreciation and amortisation (note 27)	**18,097**	17,099
– Gains on acquisition of fixed assets from lawsuit	**(494)**	–
– Losses from disposal of property, plant and Equipment (note 29)	**44**	58
– Gains from disposal of other assets (note 29)	**(967)**	–
– Net impairment losses on financial assets (note 3.1(b))	**745**	448
– Interest income (note 26)	**(1,472)**	(999)
– Employee share option scheme – value of employee services (note 28)	**16**	21
– Fair value gains on financial assets at FVTPL (note 29)	**(315)**	(912)
– Finance expenses – net (note 30)	**6,242**	6,118
– Exchange (gains)/losses on cash and cash equivalents	**(76)**	65
– Impairment of goodwill (note 9)	**–**	4,217
– Impairment loss of intangible assets and property, plant and equipment (note 6 and 9)	**443**	555
– Share of loss of investments accounted for using the equity method (note 11)	**244**	839
– Dividend income from an investee (note 26)	**(1,408)**	(1,607)
	(13,976)	1,073
Changes in working capital:		
– Inventories	**11,062**	(11,423)
– Trade and other receivables	**(4,881)**	(11,198)
– Restricted cash	**596**	(443)
– Contract liabilities	**(18,016)**	16,432
– Trade and other payables	**(35,977)**	19,596
Cash generated from operations	**(61,192)**	14,037

(All amounts in Renminbi Yuan thousands unless otherwise stated)

34. Cash flow information (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Liabilities arising from financing activities		
	Borrowings (note 21)	Lease liabilities (note 7)	Total
As at 1 January 2022	**109,469**	**4,836**	**114,305**
Financing cash flows	**16,558**	**(1,897)**	**14,661**
Addition of leases	**–**	**1,590**	**1,590**
Interest expenses recognised	**5,769**	**231**	**6,000**
Interest payments presented as operating cash flows	**(5,769)**	**(231)**	**(6,000)**
Foreign exchange adjustments	**143**	**–**	**143**
Discount arrangement of notes receivables	**(7,423)**	**–**	**(7,423)**
As at 31 December 2022	**118,747**	**4,529**	**123,276**

	Liabilities arising from financing activities		
	Borrowings (note 21)	Lease liabilities (note 7)	Total
As at 1 January 2021	86,096	1,154	87,250
Financing cash flows	23,424	(1,910)	21,514
Addition of leases	–	5,592	5,592
Interest expenses recognised	5,852	226	6,078
Interest payments presented as operating cash flows	(5,852)	(226)	(6,078)
Foreign exchange adjustments	(51)	–	(51)
As at 31 December 2021	109,469	4,836	114,305

(c) Non-cash investing and financing activities

	2022	2021
Acquisition of fixed assets from lawsuit (note 6)	**494**	–

35. Capital commitments

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

	2022	2021
No later than 1 year	**223**	173

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 Holdings Limited ("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 Pak Yin, Tai Noi Kit Family Holdings Limited	Ultimate holding company of the Company (incorporated in British Virgin Islands)
Mr. Au Pak Yin	Ultimate beneficial owner and also the director of the Company
Au Family	Beneficial owners 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
麗宮國際酒店 Palace International Hotel ("Palace")	Company controlled by close Au Family Members
江門麗宮國際食品股份有限公司 Jiangmen Palace International Food, Inc. ("Palace Food")	Company controlled by Mr. Au Pak Yin
至和健康產業（香港）有限公司 Consolife Healthcare Limited ("Consolife Healthcare")	Company controlled by close Au Family Members
江裕科技園（新會）有限公司 Kong Yue Industrial Park (Xinhui) Limited ("Industrial Park")	Company beneficially owned by Mr. Au Pak Yin and close Au Family Members
Hong Rui Da	An associate of the Group
Shuyuan	An associate of the Group

(All amounts in Renminbi Yuan thousands unless otherwise stated)

36. Related-party Transactions (Continued)

(b) Transactions with related parties

The following significant transactions were carried out with related parties:

		2022	2021
(i)	Sales of goods (note (b-1))		
	– Palace Food	235	1
	– Palace	30	27
	– Consolife Healthcare	8	–
	– Industrial Park	6	–
		279	28
(ii)	Purchase of goods (note (b-1))		
	– Palace Food	608	765
(iii)	Purchase of services (note (b-1))		
	– Industrial Park	1,372	691
	– Palace	647	718
		2,019	1,409
(iv)	Lease income (note (b-1))		
	– Consolife Healthcare	129	135

Notes:

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

(All amounts in Renminbi Yuan thousands unless otherwise stated)

36. Related-party Transactions (Continued)

(c) Key management compensation

The remuneration of executive directors of the Company and other members of key management of the Group during the year was as follows:

	2022	2021
– Salary and other short-term employee benefits	**3,138**	3,543
– Retirement scheme contribution	**97**	92
	3,235	3,635

(d) Balances with related parties

As at 31 December 2022, the Group had the following material balances with related parties:

	2022	2021
Trade and other receivables from related parties (note 15)		
– Hong Rui Da (note (d-1))	**862**	1,362
– Consolife Healthcare	**–**	53
	862	1,415
Prepayment to a related party (note 15)		
– Hong Rui Da	**20**	20
Trade and other payables to a related party (note 23)		
– Industrial Park	**704**	593

Notes:

(d-1) The balance represents a secured loan to an associate company, Hong Rui Da, which was originally interest free with three-year maturity due in July 2020 and was extended for another 4.5 years upon the original due date. The renewed loan is due in five instalments in July 2021, July 2022, July 2023, July 2024 and January 2025 with interest rate of 4.65% per annum.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

37. Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

		As at 31 December	
ASSETS	Note	**2022**	2021
Non-current assets			
Investments in subsidiaries	10	**231,663**	231,647
Other assets		**958**	1,035
		232,621	232,682
Current assets			
Amounts due from subsidiaries		**4,920**	3,247
Cash and cash equivalents		**428**	413
		5,348	3,660
Total assets		**237,969**	236,342
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	19	**9,155**	9,155
Other reserves	(a)	**229,499**	229,483
Accumulated losses	(a)	**(4,017)**	(5,425)
Total equity		**234,637**	233,213
LIABILITIES			
Current liabilities			
Trade and other payables		**3,332**	3,129
Total liabilities		**3,332**	3,129
Total equity and liabilities		**237,969**	236,342

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

(All amounts in Renminbi Yuan thousands unless otherwise stated)

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

(a) Reserve movement of the Company

	Retained earnings/ (accumulated losses)	Other reserves
At 1 January 2021	(3,661)	229,462
Loss for the year	(1,764)	–
Employee share option scheme – value of employee services	–	21
At 31 December 2021	(5,425)	229,483
At 1 January 2022	**(5,425)**	**229,483**
Profit for the year	**1,408**	**–**
Employee share option scheme – value of employee services	**–**	**16**
At 31 December 2022	**(4,017)**	**229,499**

38. 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 2022:

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
Executive directors								
Mr. Au Pak Yin	–	–	–	104	–	–	–	104
Mr. Au Kwok Lun (Chief Executive Officer)	214	774	–	–	107	11	–	1,106
Non-executive director								
Mr. Ou Guo Liang*	–	–	–	–	107	11	–	118
Independent non-executive directors								
Mr. Yeung Kwok Keung	214	–	–	–	–	–	–	214
Ms. Kan Lai Kuen, Alice	214	–	–	–	–	–	–	214
Ms. Zhong Xiaolin	214	–	–	–	–	–	–	214
	856	774	–	104	214	22	–	1,970

(All amounts in Renminbi Yuan thousands unless otherwise stated)

38. Benefits and Interests of Directors (Continued)

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

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

For the year ended 31 December 2021:

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
Executive directors								
Mr. Au Pak Yin	–	–	–	56	–	–	–	56
Mr. Au Kwok Lun (Chief Executive Officer)	197	969	–	–	98	15	–	1,279
Non-executive director								
Mr. Ou Guo Liang*	–	–	–	–	–	15	–	15
Independent non-executive directors								
Mr. Yeung Kwok Keung	197	–	–	–	–	–	–	197
Ms. Kan Lai Kuen, Alice	197	–	–	–	–	–	–	197
Ms. Zhong Xiaolin	197	–	–	–	–	–	–	197
	788	969	–	56	98	30	–	1,941

* From 1 January 2021, Mr. Ou Guo Liang was re-designated from an executive director to a non-executive director.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

38. Benefits and Interests of Directors (Continued)

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

During the years ended 31 December 2022 and 2021, 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	
2022	2021	**2022**	2021	**2022**	2021
1,652	1,787	**318**	154	**1,970**	1,941

(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 2022 and 2021 or at any time during the years ended 31 December 2022 and 2021.

(c) Directors' retirement benefits

During the year ended 31 December 2022 and 2021, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note(a) above.

(d) Directors' termination benefits

During the year ended 31 December 2022 and 2021, there was no termination benefits received by the directors.

(e) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2022 and 2021, no consideration was paid for making available the services of the directors of the Company.

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2022 and 2021, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

Consolidated Balance Sheets

	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
ASSETS					
Non-current assets					
Property, plant and equipment	96,284	105,928	107,362	105,823	103,640
Right-of-use assets	11,121	11,891	8,545	10,681	–
Investment properties	1,161	–	–	–	8,010
Intangible assets	3,997	5,889	11,075	13,216	11,726
Investments accounted for using the equity method	6,850	7,094	7,933	7,821	9,132
Financial assets at fair value through profit or loss	–	–	–	463	463
Financial assets at fair value through other comprehensive income	18,167	31,195	11,178	5,956	6,214
Deferred income tax assets	4,110	6,661	6,954	8,192	4,349
Other receivables	–	–	1,651	500	3,158
Other assets	984	2,167	3,264	3,124	3,038
Restricted cash	–	441	–	–	7,000
	142,674	171,266	157,962	155,776	156,730
Current assets					
Financial assets at fair value through profit or loss	–	62,170	386	–	–
Inventories	101,399	112,461	101,038	86,320	91,876
Trade and other receivables	43,550	46,836	34,457	34,848	27,390
Other assets	–	920	–	–	–
Time deposits	–	–	–	–	57,960
Restricted cash	–	155	153	7,153	254
Cash and cash equivalents	68,974	63,325	104,430	122,474	95,388
	213,923	285,867	240,464	250,795	272,868
Total assets	356,597	457,133	398,426	406,571	429,598
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	9,155	9,155	9,155	9,155	12,814
Other reserves	265,872	274,447	258,226	257,058	256,185
(Accumulated losses)/retained earnings	(118,175)	(77,587)	(50,396)	(24,246)	8,799
	156,852	206,015	216,985	241,967	277,798
Non-controlling interests	(777)	(129)	(872)	(564)	(119)
Total equity	156,075	205,886	216,113	241,403	277,679
LIABILITIES					
Non-current liabilities					
Borrowings	1,110	16,549	1,108	–	31,543
Lease liabilities	2,467	3,518	–	1,363	–
Deferred income tax liabilities	2,117	5,488	382	363	475
	5,694	25,555	1,490	1,726	32,018
Current liabilities					
Trade and other payables	66,156	104,465	84,124	68,053	62,076
Contract liabilities	8,973	26,989	10,557	1,497	4,010
Lease liabilities	2,062	1,318	1,154	1,645	–
Current income tax liabilities	–	–	–	–	3,815
Borrowings	117,637	92,920	84,988	92,247	50,000
	194,828	225,692	180,823	163,442	119,901
Total liabilities	200,522	251,247	182,313	165,168	151,919
Total equity and liabilities	356,597	457,133	398,426	406,571	429,598
Net current assets	19,095	60,175	59,641	87,353	152,967
Total assets less current liabilities	161,769	231,441	217,603	243,129	309,697

(All amounts in Renminbi Yuan thousands unless otherwise stated)

Consolidated Income Statement

	2022	2021	2020	2019	2018
Revenue	**279,191**	344,606	275,967	297,064	329,621
Cost of goods sold	**(214,092)**	(248,998)	(191,069)	(212,208)	(224,595)
Gross profit	**65,099**	95,608	84,898	84,856	105,026
Other income	**4,580**	3,425	8,077	6,793	5,765
Selling and marketing expense	**(32,891)**	(39,275)	(32,889)	(40,240)	(40,130)
Administrative expenses	**(38,600)**	(44,999)	(41,886)	(39,646)	(38,782)
Research and development expenses	**(27,978)**	(33,521)	(37,360)	(44,441)	(44,523)
Net impairment losses on financial assets	**(745)**	(448)	(224)	–	(1,593)
Other gains/(losses) – net	**1,946**	1,338	222	(765)	440
Operating loss	**(28,589)**	(17,872)	(19,162)	(33,443)	(13,797)
Finance expenses – net	**(6,242)**	(6,118)	(5,201)	(6,356)	(10,138)
Share of (loss)/profit of investments accounted for using the equity method	**(244)**	(839)	112	(1,311)	(4,667)
Loss before income tax	**(35,075)**	(24,829)	(24,251)	(41,110)	(28,602)
Income tax (expenses)/credit	**(4,934)**	(353)	(1,183)	4,666	(439)
Loss for the year	**(40,009)**	(25,182)	(25,434)	(36,444)	(29,041)
Attributable to:					
– Shareholders of the Company	**(40,027)**	(25,139)	(25,113)	(36,057)	(28,274)
– Non-controlling interests	**18**	(43)	(321)	(387)	(767)
	(40,009)	(25,182)	(25,434)	(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	**(0.065)**	(0.041)	(0.041)	(0.059)	(0.045)
– Diluted	**(0.065)**	(0.041)	(0.041)	(0.059)	(0.045)

Certain figures have been reclassified to conform to the current presentation.