Jolimark 映美

JOLIMARK HOLDINGS LIMITED
映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code:2028

2007 Annual Report

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

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

Independent Non-Executive Directors

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

Registered Office

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

Principal Place of Business in Hong Kong

Room 1005, Olympia Plaza
255 King's Road
North Point
Hong Kong

Company Secretary

Li Ho Cheong *CPA, ACCA*

Qualified Accountant

Li Ho Cheong *CPA, ACCA*

Authorised Representatives

Au Kwok Lun
Ng Shu Kai

Audit Committee

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

Auditor

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

Legal Adviser to The Company as to Hong Kong Law

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

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Rooms 1712–16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Guangdong Development Bank

Stock Code

2028

Website

www.jolimark.com

CHAIRMAN'S STATEMENT

To all shareholders,

During the year, intense competition in the market and stricter macro-control by the government of the People's Republic of China ("the PRC") in the second half of the year led to tighter cash flow for customers. For risk aversion, the Company adopted strict credit management policies, which imposed adverse effect on the sales and gross profit of the products of the Group and the aggregate turnover decreased by approximately 11.6% compared to last year. Despite the decrease in operating costs of the Group compared with last year and the ample cash in hand, the profit for the year attributable to shareholders of the Company decreased by approximately 89.0% compared to last year due to lower prices and the decrease in gross profit as a result of intense market competition.

In 2007, the Group focused on research and development on new products as well as market expansion and launched a variety of new "Jolimark" brand dot matrix printers and various projectors, which gained wide acceptance in the market and was expected to achieve improved sales results in 2008.

Management expects that "Golden Tax Project" Phase III will be launched gradually in 2008, which will bring the Group business opportunities for its tax control Electronic Cash Registers ("ECRs"), mini printers and invoice printers. Moreover, with the rapid development of the projector market in the PRC and the substantial increase in allocation of resources to the medical and education sectors by the government of the PRC, the demand for dot matrix printers and projectors in these two sectors will also be boosted. The Group will capitalize on these great opportunities, striving to reward shareholders with positive business returns.

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

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

Hong Kong, 18 April 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sales of Printer and Tax Control Equipment

Intense competition in the printer market and stricter macro-control by the government of the PRC in the second half of the year led to tighter cash flow of customers. For risk aversion, the Company adopted strict credit management policies, resulting in the turnover from the printer and tax control equipment businesses dropping by approximately 16.3% to approximately RMB523,753,000 compared with last year. In addition, "Golden Tax Project" Phase III did not commence in full force in 2007 as scheduled and tax control products under the "Jolimark" brand did not have significant contribution to the overall sales. Also the Company lowered sales prices of products to maintain its market share. All these resulted in lower in profit margin for printers and tax control equipment.

Sales of Projectors

The turnover of the projectors business for the year decreased by 4.4% to approximately RMB277,032,000 compared with last year. The main reason was that the gross profit margin of the projectors business for the year decreased from 11.3% of last year to 9.9% as a result of the decrease in sales prices. The "Jolimark" brand projectors were launched in the market during the year. The Group is confident that the projectors business will enjoy stable growth in 2008.

Sales of Other Electronic Products Manufacturing

Leveraging on its strong customer base, better quality control, professional customer services, and the advantage of low manufacturing costs, the other electronics products manufacturing business of the Group maintained a stable growth this year. Turnover for 2007 amounted to approximately RMB33,427,000, representing an increase of approximately 22.5% from last year. Its gross profit margin increased to 22.4% from 12.1% of last year.

FUTURE PROSPECTS

In the future, the Company will put more emphasis on research and development and marketing for new product line of "Jolimark" brand, and put tax control ECRs, dot matrix printers, mini printers and projectors as its core businesses. Moreover, the Group will also strengthen the brand, sales and service network of the above products, so as to lay a foundation for the leading position of the above commercial equipment in the PRC market. For projectors, printers and tax control ECRs businesses, the Company possess the core technology and we are the national brand. Thus, the Group is very confident for their prospects.

For the printers and tax control ECRs market, with years of investments in research and development, the Group has mastered the technique of the production of core parts, including printer heads and gained the ability of research and development and production in the field of dot matrix printer. Due to "Twelve Golden Projects" in the PRC and the features of the PRC market, dot matrix printers will remain in substantial demand. In particular, the government's allocation of resources to the tax, education and medical sectors further boosts the growth of the market. The Group's dot matrix printers have a wide range of applications in the printing of invoices, receipts and certificates, which are designed for enterprise, retail, medical, communication, financial and education sectors. With strong technological know-how and service capability, the Group is committed to provide "customized printing solutions" for its customers, and continue to enhance its competitiveness and profitability in the fields of printers.

The management expected that the "Golden Tax Project" Phase III will commence in 2008 in phases. The project requires the business places of retail, service and catering sectors to install relevant tax control equipment, and this will significantly boost the demand for tax control ECRs, dot matrix printers and mini printers produced by the Group. The Group was chosen as one of the five authorised suppliers of tax control ECRs in the tender project of Guangdong Province National Tax Bureau in 2006. Guangdong Province contributes the highest tax revenue among all provinces in the PRC, and is also one of the provinces with the greatest potential. The Group expects that the commencement of Guangdong market in 2008 will bring the Group with substantial benefits. Furthermore, the possibility of the Group's success in tenders of other provinces is significantly enhanced riding on the advantage laid by "Golden Tax Project" Phase II. The Group will provide customers with retail solutions based on tax control ECRs, including the provision of financial payment equipment products, thus improving the future profitability of the Group. Meanwhile, mini printers, including dot matrix mini printers and thermal printers, have tremendous demand in both the PRC and overseas. After years of efforts, the Group has mastered the core technology and built integrated product lines. As the Group has cost advantage in the PRC, in-depth understanding of customers needs and customization capability, the technique of mini printers will become a key profit driver of the Group.

For projectors business, the Group believes that projectors will be another growth driver of the Group in 2008 and is expected to enjoy stable growth given the Group's advantages in research and development and distribution channels.

For other electronic products manufacturing business, the Group will continue to focus on the production of certain optical, mechanical and electrical products with high entry barriers to serve overseas small and medium customers. The business is expected to maintain stable growth in 2008.

With gradual commencement of the "Golden Tax Project" Phase III in 2008, the Group is confident of the stable progress of its printers, projectors and other electronic products manufacturing businesses, and their abilities to bring attractive returns to its shareholders in the future.

FINANCIAL REVIEW

Results Summary

For the year ended 31 December 2007, the Group recorded a turnover of approximately RMB834,212,000, representing a decrease of approximately 11.6% from last year. The gross profit margin decreased to approximately 10.3% from 15.3% of the last year. During the year, the Group recorded a profit attributable to shareholders of approximately RMB4,690,000, representing a decrease of approximately 89.0% from the last year. The basic earnings per share were RMB0.008.

The decrease in the results was mainly attributable to (a) intense competition in the market and stricter macro-control by the government of the PRC in the second half of the year led to tighter credit supply for customers. For risk aversion, the Company adopted strict credit management policies, which imposed adverse effect on the sales and gross profit of "Jolimark" brand printers and tax control equipment; (b) "Golden Tax Project" Phase III did not commence in full force in 2007 as scheduled and tax control products under the "Jolimark" brand did not have significant contribution to the overall sales. Also the Company lowered sales prices of products to maintain its market share, leading to heavier decrease in profit margin for printers and tax control equipment. All these resulted in a decrease in the profit of the Group.

ANALYSIS ON SALES AND GROSS PROFIT

During the year under review, the turnover of printer and tax control equipment was still the largest contributor to the turnover of the Group, which amounted to approximately RMB523,753,000 and accounted for approximately 62.8% of total turnover of the Group whereas the turnover of projectors and other electronic products manufacturing amounted to approximately RMB277,032,000 and RMB33,427,000 and accounted for approximately 33.2% and 4.0% of the turnover of the Group respectively.

Comparing with last year, turnover of printer and tax control equipment and projectors decreased by approximately 16.3% and 4.4% respectively whereas turnover of other electronic products manufacturing increased by approximately 22.5%.

With regard to gross profit margin, the gross profit margin of printer and tax control equipment and projectors decreased to approximately 9.7% and 9.9% respectively, compared with 17.4% and 11.3% respectively of the last year whereas the gross profit margin of other electronic products manufacturing increased to approximately 22.4% from 12.1% of the last year.

	For the year ended 31 December 2007			For the year ended 31 December 2006		
	Turnover (RMB'000)	Gross Profit (RMB'000)	Gross Profit Margin	Turnover (RMB'000)	Gross Profit (RMB'000)	Gross Profit Margin
Printer and tax control equipment	523,753	50,688	9.7%	626,057	108,637	17.4%
Projectors	277,032	27,468	9.9%	289,901	32,723	11.3%
Other electronic products manufacturing	33,427	7,482	22.4%	27,294	3,304	12.1%
Total	834,212	85,638	10.3%	943,252	144,664	15.3%

CAPITAL EXPENDITURE

For the year ended 31 December 2007, capital expenditure amounted to approximately RMB12,423,000, which mainly comprised of purchase properties, plant and equipment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the total assets of the Group amounted to approximately RMB741,414,000 (2006: RMB776,995,000), comprising shareholders' fund of approximately RMB552,595,000 (2006: RMB559,725,000), minority interests of approximately RMB14,261,000 (2006: RMB15,889,000) and current liabilities of approximately RMB174,558,000 (2006: RMB201,381,000). The current ratio of the Group was approximately 3.5 (2006: 3.2).

The financial position of the Group was sound. As at 31 December 2007, the cash and cash equivalents of the Group amounted to approximately RMB160,895,000 (2006: RMB100,834,000).

As at 31 December 2007, the bank loans of the Group amounted to approximately RMB56,509,000 (2006: RMB57,809,000), and the gearing ratio* was approximately 7.6% (2006: 7.4%). During the year, the Group had no assets held under finance leases.

* Gearing ratio = Borrowings/Total Assets

CONTINGENT LIABILITIES

As at 31 December 2007, the Group had no material contingent liabilities.

STAFF

As at 31 December 2007, the Group employed a total staff of 1,016, in which 1,006 were employed in Mainland China, while 10 were employed in Hong Kong and overseas. The Group implemented its remuneration policy, bonus and share option schemes based on its results and the performance of individual staff. In addition, fringe benefits such as insurance, medical allowance and pension were provided to ensure the competitiveness of the Group.

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended a final dividend for 2007 of HK0.8 cents per share to shareholders whose names appear on the register of members on Wednesday, 21 May 2008. The final dividend will be paid on Friday, 27 June 2008.

The register of members of the Company will be closed from 21 May 2008 to 22 May 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office Computershare Hong Kong Investor Services Limited, Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 20 May 2008.

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

There was no purchase, redemption or disposal by the Group and any of its subsidiaries and their jointly controlled entities, of the Group's listed securities during the year ended 31 December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the year ended 31 December 2007 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year.

AUDIT COMMITTEE

The audit committee of the Company was established on 13 June 2005 in accordance with Appendix 14 to the Listing Rules. The existing committee comprises Mr. Lai Ming, Joseph as the chairman, Mr. Meng Yan and Mr. Xu Guangmao. The committee members are Independent Non-Executive Directors. For the year ended 31 December 2007, the audit committee held three meetings to review the accounting standards and practices adopted by the Group and to discuss on matters regarding the internal control and financial reporting (including the interim and annual results before proposing them to the Board for approval) with the management and external auditors. The audit committee has reviewed the results announcement and 2007 Annual Report of the Company for the year ended 31 December 2007.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee to consider the remunerations for the Directors and senior management of the Company. The Remuneration Committee comprises of Mr. Lai Ming, Joseph (Chairman), Mr. Meng Yan and Mr. Xu Guangmao who are all Independent Non-Executive Directors and Mr. Au Kwok Lun who is Executive Director. The Remuneration Committee has reviewed the remuneration policy and remuneration packages for the year ended 31 December 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since the listing of its shares on the Stock Exchange, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

REPORT OF THE DIRECTORS

The Board of Directors of the Company is pleased to present its report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 9 to the financial statements.

An analysis of sales and gross profit for the year ended 31 December 2007 is set out in the Management Discussion & Analysis.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 30.

No interim dividend was paid by the Company. The directors of the Company now recommend a final dividend of HK0.8 cent per ordinary share (2006: HK2 cents) in respect of the year ended 31 December 2007.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 17 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 16 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's reserve available for cash distribution as computed in accordance with the Companies Law (2003 Revision) of the Cayman Islands, amounted to approximately RMB283,591,000 of which approximately RMB4,311,000 has been proposed as final divided for the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries purchased or sold any of the Company's Shares during the year ended 31 December 2007 and the Company did not redeem any of its Shares during the year ended 31 December 2007.

SHARE OPTIONS

Pursuant to the share option scheme approved by a written resolution of all shareholders of the Company on 13 June 2005 (the "Scheme"), the Company may grant to, amongst others, the Directors and employees of the Company and its subsidiaries, for the recognition of their contribution to the Group, to subscribe for the Shares. According to the Scheme, the Board may, at its discretion, invite any eligible participants to take up options to subscribe for the Shares of the Company in aggregate not exceeding 30% of the Shares in issue from time to time. The total number of Shares which may issued upon exercise of all options to be granted under the Scheme and any other scheme must not, in aggregate, exceed 10% of the number of Shares in issue as at the date dealings in the Shares first commence on the Stock Exchange unless further shareholders' approval had been obtained pursuant to the conditions set out in the Scheme. The total number of Shares in issue and to be issued upon exercise of all option under the Scheme and any other schemes (including both exercised or outstanding options) to each participant in any 12-month period shall 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 form the date of offer, with a payment of HK$1.00 as consideration for the agent. 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 to the date on the date of Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of Offer; 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% the shares in issue when the Scheme was adopted by the shareholders. The share options are exercisable at any time during a period of no more than 10 years from the date of Offer, subject to the terms and conditions of the Scheme and any conditions of grant as may be stipulated by the Board. Unless terminated by the Company by resolution in general meeting, the Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Scheme becomes unconditional.

During the year under review, no share options were granted under the Scheme.

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

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

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

Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao are Independent Non-Executive Directors and were appointed for a three-year term expiring on 12 June 2008.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement with the Company for a term of 3 years commencing from 13 June 2005. Save as above, none of the Directors has entered into a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

On 4 March 2005, Mr. Ou Guo Liang entered into a property agreement with Jolimark Information Technology (China) Limited ("Jolimark China") under which Mr. Ou Gou Liang agreed to let to Jolimark China premises of a total floor area of 1,274.99 sq.m. situated in Shuangqiao Building, No. 68 North 4th Ring West Road, Haidian District, Beijing, the PRC at an annual rent of approximately RMB1,651,000 for a term of six years ending 31 December 2010 for office use. On 30 November 2007, the leasing agreement was terminated upon the change of principal place of business of Jolimark China.

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

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 19.

EMPLOYEES AND REMUNERATION POLICY

Retirement benefit plans

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

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute 17% of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

In Hong Kong, the Group has set up a retirement scheme according to the mandatory provident fund requirement prescribed by the Mandatory Provident Scheme Ordinance. All the Hong Kong based employees and the Group is requiring contributing 5% of their respective monthly wages (up to a maximum contribution of HK$1,000 by each of the employee and the Group) on a monthly basis to the fund.

Disclosure of Interests

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

As at 31 December 2007, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO") which are required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number of shares held*(Note 1)*
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation*(Note 2)*	364,311,533 shares (L)
Mr. Au	Kytronics Holdings Limited ("Kytronics")	Beneficial owner	2 ordinary shares (L)
Mr. Au Kwok Lun	Kytronics	Beneficial owner	1 ordinary share (L)
Mr. Ou Guo Liang	Kytronics	Beneficial owner	1 ordinary share (L)

Note:

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

2. *364,311,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 20% by each of Mr. Au and his spouse Ms. Tai Noi Kit. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO.*

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

Save as disclosed above, as at 31 December 2007, none of the Directors or Chief Executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2007, as far as is known to the Directors and the Chief Executive of the Company, the following person (not being a Director or Chief Executive of the Company) had an interest of short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Company/ Name of associated corporation	Capacity	Number of shares held	Percentage of total issued share capital *(Note 1)*
Kytronics	Company	Beneficial Owner	364,311,533 *(Note 2)*	61.00%(L)
Tai Noi Kit	Kytronics Holdings Limited ("Kytronics")	Interest in controlled corporation	364,311,533 *(Note 2)*	61.00%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	75,532,000 *(Note 3)*	12.65%(L)
Martin Currie (Holdings) Limited	Company	Interest in controlled corporation	40,478,000 *(Note 4)*	6.78%(L)
Credit Suisse Group	Company	Interest in controlled corporation	35,598,000 *(Note 5)*	5.96%(L)

Notes:

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

2. *364,311,533 Shares were owned by Kytronics. The issued share capital of Kytronics Holdings is owned as to 20% by each of Mr. Au Pak Yin and his spouse Ms. Tai Noi Kit. Mr. Au is therefore deemed to be interested in these shares by virtue her interests in Kytronics pursuant to Part XV of the SFO.*

3. *The 75,532,000 shares were held by Jayhawk China Fund (Cayman) Limited, Buffalo Jayhawk China Fund and Jayhawk Institutional Partners L.P., all being companies wholly-owned by Mr. Kent C. McCarthy.*

4. *The 40,478,000 shares were held by Martin Currie Inc. and Martin Currie Investment Management, both being companies wholly owned by Martin Currie (Holdings) Limited.*

5. *The 35,598,000 shares were held though wholly owned subsidiaries of Credit Suisse Group. By virtue of the SFO. Credit Suisse Group was deemed to have interest in the shares held by its wholly owned subsidiaries.*

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 2007, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	64%
— five largest suppliers combined	73%
Sales	
— the largest customer	32%
— five largest customers combined	57%

In the Group's five largest suppliers, it included Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision") which is connected to the Company. Details of the transaction had been stated under the section of Connected Transactions. Save as disclosed above, none of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Details of the connected transactions entered into by the Group during the year are set out below:

	Note	Amount RMB'000
(1) Connected transactions		
(I) Acquisition of interest of Phenix Digital Technology (Shanghai) Limited ("Phenix Digital") held by Phenix Optics Ltd. ("Phenix Optics")	*(i)*	4,340
(2) Continuing connected transactions		
(I) Leasing agreements	*(ii)*	2,008
(II) Import and Export Agency Agreement with Jiangmen Kong Yue Information Product Import and Export Limited ("KY Import/Export") in relation to handling fees for import service	*(iii)*	1,221
(III) Supply agreements with Guangdong Precision	*(iv)*	13,807
(IV) Supply agreement with Guang Dong Jotech Kong Yue Precision Industries Limited ("Jiangmen Yida")	*(v)*	7,017

Notes:

(i) On 23 March 2007, Visionic Investment Holding Limited ("Visionic"), a wholly owned subsidiary of the Company, entered into an agreement with Phenix Optics to acquire the interests of Phenix Digital held by Phenix Optics at a consideration of RMB4,340,000. Prior to the completion of the acquisition, Phenix Digital is owned as to 65% by Visionic and 35% by Phenix Optics, respectively. As Phenix Optics is a substantial shareholder of Phenix Digital, Phenix Optics is a connected person of the Company. After the acquisition, Phenix Digital became a wholly owned subsidiary of the Company. The Directors of the Company would like to wholly control Phenix Digital by acquiring all the interest from Phenix Optics. Accompanies with the sale and distribution network and research and development capacity of the Company, the Directors believe that they can improve the operation of Phenix Digital in the future. Details of the acquisition was published in the Company's announcement dated 23 March 2007.

(ii) Leasing agreements entered into between the connected parties as landlords and the Group companies as tenants include:

(1) Property leasing agreements between Jolimark China and Mr. Ou Guo Lang;

(2) Property leasing agreements between Shenzhen Jolimark Business Appliance Ltd and Kong Yue Industrial Park (Xinhui) Limited ("Industrial Park");

(3) Dormitory leasing agreements between Industrial Park and Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information") and

(4) Dormitory leasing agreements between Industrial Park and Jiangmen Kong Yue Jolimark Information Technology Limited ("Kongyue Jolimark").

The leasing agreement of item (1) above was terminated in November 2007 upon the change of principal place of business of Jolimark China.

(iii) The service fee to be charged by KY Import/Export in relation to the direct materials imported are charged in a "mark-up" equal to approximately 1% contract price of materials imported.

(iv) Two agreements (the "Precision Agreement") both dated 19 July 2004 (as amended by two supplementary agreements dated 13 June 2005), which were subsequently renewed by another two agreements both dated 19 December 2007, were entered between into normal commercial terms in the ordinary course of business between (i) Kongyue Information and Guangdong Precision; and (ii) Kongyue Jolimark and Guangdong Precision under which Guangdong Precision agree to supply precision plastic parts to Kongyue Information and Kongyue Jolimark from time to time as requested by the Kongyue Information and Kongyue Jolimark. The plastic parts supplied by Guangdong Precision to Kongyue Information and Kongyue Jolimark are used for manufacturing and new product development purpose.

(v) Kongyue Information and Jiangmen Yida entered into an agreement dated 19 July 2004 (as amended by a supplementary agreement dated 13 June 2005), which was subsequently renewed by another agreement dated 19 December 2007 (the "Yida Agreement") on normal commercial terms and in their respective ordinary course of business. Pursuant to the Yida Agreement, Jiangmen Yida agreed to supply metal stamped parts to Kongyue Information for printer manufacturing from time to time as requested by Kongyue Information.

The aforesaid continuing connected transactions have been reviewed by Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (d) have not exceeded the relevant maximum amount capped in accordance to the waiver previously granted by the Stock Exchange.

Based on the work performed, the auditors of the Company have confirmed that the aforesaid continuing connected transactions (a) have been approved by the board of directors of the Company; (b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and (c) have not exceeded the caps allowed by the Stock Exchange in the previous waiver.

SUFFICIENCY OF PUBLIC FLOAT

Starting from 28 August 2007, the public float of the Company has been restored as the Company has been advised by Jayhawk China Fund (Caymen), Limited that it has sold 20,000,000 shares in the Company on that date. Details of the restoration of the public float of the Company was published in the announcement dated 13 September 2007.

SUBSEQUENT EVENTS

There have been no material events which took place subsequent to 31 December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the year ended 31 December 2007 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 May 2008 to 22 May 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office Computershare Hong Kong Investor Service Limited at shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 20 May 2008.

On behalf of the Board
Au Pak Yin
Chairman

Hong Kong, 18 April 2008

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Au Pak Yin, aged 61, the chairman of the Company and a founder of the Group, is in charge of corporate strategy and planning and the overall development of the Group. He has over 18 years of experience in distribution and manufacturing of business equipment in the PRC. Mr. Au first started to trade in Hong Kong in 1986 and in 1989, Mr. Au began to engage in the trading of printers in the PRC. In 1997, Mr. Au and his family members commenced production of SDM printers by establishing Kongyue Printing. The Group was founded by Mr. Au in 1998 through the establishment of Kongyue Information. Mr. Au is a member of the Xinhui City Political Consultative Conference (新會市政協委員), and an honourable citizen of Jiangmen. Mr. Au is the father of Mr. Au Kwok Lun and Mr. Ou Guo Liang.

Mr. Au Kwok Lun, aged 36, the chief executive officer, is primarily in charge of strategy execution and overall management of the Group. Mr. Au obtained a bachelor degree of arts in technical English from Huazhong University of Science & Technology in 1994 and a bachelor degree of business administration in information and system management from the Hong Kong University of Science & Technology in 1998. Prior to joining the Group in May 1999, Mr. Au Kwok Lun worked as a trainee engineer for Motorola Semiconductor Hong Kong Limited and assistant general manager of Kongyue Technology. He has over 9 years of operational experience in distribution and manufacturing of business equipment in the PRC and has been overseeing the expansion of the Group. He is experienced in marketing and distribution, product development and supply procurement. Mr. Au is the standing member of the China Computer Industry Association, the Vice Chairman of the Printer Profession Committee of the China Computer Industry Association and the standing member of the China Computer Users Association and the standing member of the Printing and Image Display Application Sub-Committee of the China Computer Users Association. In 2005, Mr. Au received the 2005 Young Industrialist Awards of Hong Kong from the Federation of Hong Kong Industries.

Mr. Ou Guo Liang, aged 32, the deputy general manager in sales of the Company, is responsible for distribution business in the PRC. He has over 9 years of experience in sales and marketing. Mr. Ou obtained a bachelor degree of economics in international corporate management from the Central University of Finance and Economics (中央財經大學) in 1998. Mr. Ou joined the Group in November 1998.

Mr. Ng Shu Kai, aged 57, an executive Director, is responsible for the general management of the business and operations of the Group. Mr. Ng has over 15 years experience in accounting. Prior to joining the Group, he worked with an accounting firm in Hong Kong for over 12 years. He passed the general certificate of education examination in accounts organised by the University of London in 1969. Mr. Ng joined the Group in May 1991.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Ming, Joseph, aged 63, was appointed as an Independent Non-Executive Director on 8 March, 2005. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia and the Chartered Institute of Management Accountants ("CIMA") and the HK Institute of Directors.

He co-founded the HK Centre of CIMA (then known as the Institute of Cost and Management Accountants) in 1973 and was the President in 1974/75 and 1979/80. He was the President of the HKICPA in 1986. He is also an Adviser to the Corporate Governance Committee of CPA Australia Hong Kong China Division.

Until retirement in 2004, Mr. Lai served several HK listed companies in key management positions with particular emphasis on corporate finance and organisation and management information. He is an Independent Non-Executive Director of Dynasty Fine Wines Group Limited, Shinhint Acoustic Link Holdings Limited Guangzhou R&F Properties Co., Limited and Country Garden Holdings Company Limited, all of which are companies listed on the Stock Exchange of Hong Kong. Mr. Lai is also a Director of the Research and Development Corp. of the Hong Kong University of Science and Technology.

He was an Independent Non-Executive Director of SNP Leefung Holdings Ltd. (a Company previously listed on the Stock Exchange) from August 2004 until its privatization. He was also a Non-Executive Director of Sysergis Holdings Ltd., a listed Company in Hong Kong, from November 2001 to December 2003.

Mr. Meng Yan, aged 52, obtained a doctorate degree in economics by the Financial Science Research Centre of the Ministry of Finance (財政部政科學研究所) in 1997 and has been appointed as a consultant to the Accounting Standard Committee of the Ministry of Finance (財政部會準則委員會) for two years from September 2002 to September 2004. From 2001 to 2003, Mr. Meng has also been appointed as a member of the Listing Committee of the China Securities Regulatory Commission (中國證券監管理委員會股票發行審核委員會). Mr. Meng has over 10 years experience in tertiary education of accountancy in the PRC.
Mr. Meng is currently the dean of the School of Accountancy of the Central University of Finance and Economics (中央財經大學). Mr. Meng was appointed as an Independent Non-Executive Director of the Company on 8 March 2005.

Mr. Xu Guangmao, aged 61, graduated in 1968 from the department of Tsinghua University majoring computer science. Mr. Xu has over 22 years of experience in computer and peripheral equipment development and research positions. He has also been a director of Beijing CCID information Limited, a director of Beijing CCID media Limited, and a vice-chairman of computer engineering & application branch of Chinese Institute of Electronics. Mr. Xu was appointed as an Independent Non-Executive Directors of the Company on 8 March 2005.

SENIOR MANAGEMENT

Mr. Liang Qi Jiang, aged 44, is the deputy general manager of the Group in engineering & product development of printer products of the Group. Mr. Liang graduated from Huazhong Polytechnic (華中工學院) (now known as Huazhong University of Science & Technology (華中理工大學). Mr. Liang has over 13 years of operational experience in research and development and production management of printers. Mr. Liang joined the Group in August 1996.

Mr. Sng Seng Poh, aged 46, is the director of production of the Group responsible for overseeing production management in general. In March 1990, Mr. Sng obtained the Diploma in Business Efficiency & Productivity (Production Management) from NPB Institute for Productivity Training in Singapore. Mr. Sng has over 16 years of experience in production management of SMT. Before joining the Group, Mr. Sng has worked for Richgold Industries Pte Limited in Singapore. Mr. Sng joined the Group in December 1998.

Mr. Liu Tie Lin, aged 54, is the director of printer product development of the Group responsible for research and development of printer products. Mr. Liu graduated with a bachelor degree from Beijing University majoring in computer programming in 1979. Mr. Liu has over 23 years of experience in computer programming and management. He has previously worked for various technology companies in the PRC including the China Science Academy (中國科學院), Beijing Xintong Group Limited (北京信通集團公司) and Beijing AMT Electronics Technology Co., Limited (北京埃美特電子科技有限公司). Prior to joining the Group in September 2000, Mr. Liu was the general manager of Tally AMT Printers Pte Ltd Beijing Representative Office (泰利埃美持北京辦事處).

Mr. Rao Zi Neng, aged 47, is the director of tax control products development of the Group overseeing the research and development of tax control products of the Group. Mr. Rao is a senior engineer and has over 13 years in software development and information technology management. Mr. Rao graduated from Zhejiang University majoring in computer software in 1982. Before joining the Group, Mr. Rao has worked for various electronics and information technology companies in the PRC including Shenzhen Electronics Institute Ai Hua Electronics Limited (深圳愛華電子研究所), Shenzhen Ai Hua Ketuo Electronics Limited (深圳愛華科拓電子公司), Founder iASPEC (S7) Information Technologies Limited (方正永泰(深圳)信息技術有限公司) and Founder Cyber-Teh Co. Limited (深圳北大方正數碼科技有限公司). Mr. Rao joined the Group in July 2001.

Mr. Li Ho Cheong, aged 33, is the financial controller, qualified accountant and company secretary of the Company. He is responsible for the financial management and company secretarial matters of the Group. Mr. Li has over ten years of experience in the field of auditing and accounting. From 1997 to 2003, Mr. Li worked for an international accounting firm, while from 2003 to 2005, Mr. Li worked for a multinational retail company. From 2005 to 2007. Mr. Li worked as a chief financial officer and company secretary for a company listed on the Stock Exchange of Hong Kong. Mr. Li obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1997. Mr. Li is a Certified Public Accountant of the Hong Kong institute of Certified Public Accountants. He is an associates member of the Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants, Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries. Mr. Li joined the Group in October 2007.

REPORT ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31 December 2007, complied with the Code of Corporate Governance Practices ("CG Code") set out in Appendix 14 of the Listing Rules.

The following summarizes the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Model Code. The Directors confirmed that there was not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2007. The Board also confirmed receipt of annual confirmation letter from each of the Independent Non-Executive Director confirming his independence as at 31 December 2007.

BOARD OF DIRECTORS

The Board comprises four Executive Directors, being Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr. Ou Guo Liang, Mr. Ng Shu Kai and three Independent Non-Executive Directors, being Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao. The Directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company, details of the Directors are shown on page 19 to 20 of the annual report.

During the year ended 31 December 2007, five board meetings were held and the attendance was as follows:

Name of Director	Attendance
Executive Director	
Mr. Au Pak Yin	5/5
Mr. Au Kwok Lun	5/5
Mr. Ou Guo Liang	5/5
Mr. Ng Shu Kai	5/5
Independent Non Executive Director	
Mr. Lai Ming, Joseph	5/5
Mr. Meng Yan	5/5
Mr. Xu Guangmao	5/5

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTORS

Non-Executive Directors of the Company are appointed for a three-year term expiring on 12 June 2008.

REMUNERATION OF DIRECTORS

The Board has established a Remuneration Committee ("RC"), chaired by Mr. Lai Ming Joseph and with committee members of Mr. Meng Yan and Mr. Xu Guangmao, who are all Independent Non Executive Directors and Mr. Au Kwok Lun who is Executive Director appointed by the Board. As at 31 December 2007, RC had reviewed the remuneration policy and remuneration packages.

For the year ended 31 December 2007, the Remuneration Committee held one meeting. The individual attendance records of each member are as follow:

Name of Director	Attendance
Mr. Lai Ming, Joseph	1/1
Mr. Meng Yan	1/1
Mr. Xu Guangmao	1/1
Mr. Au Kwok Lun	1/1

The principal responsibility of Remuneration Committee has been the determination of the remuneration of the Executive Director and members of the senior management.

NOMINATION OF DIRECTORS

The Company had not established a Nomination Committee and retained the functions to the Board. The Directors from time to time identify individual suitable to be a Board member and make recommendation to the Board. The main criteria in selecting a candidate are whether if he can add value to the management through his contributions in the relevant strategic business areas and if the appointment results a strong and diverse Board. In June 2005, the Board had nominated and appointed Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao as Independent Non-Executive Directors. Before they were nominated for election, the Board had assessed their independence, qualification and experience as an independent non-executive director.

AUDITOR'S REMUNERATION

PricewaterhouseCoopers had been appointed to be the auditor of the Group. During the year ended 31 December 2007, total fee of RMB1,450,000 paid/payable to PricewaterhouseCoopers were all related to audit services.

AUDIT COMMITTEE

The Board establishes a formal and transparent arrangement for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The audit committee established by the Company has clear terms of reference.

All the members of the Audit Committee are Independent Non-Executive Directors. The Audit Committee is chaired by Mr. Lai Ming , Joseph who is a certificated public accountant and the committee members are Mr. Meng Yan and Mr. Xu Guangmao.

The functions specified in Code Provision C3.3 (a) to (n) of the CG Code had included in the Terms of Reference of the Audit Committee. The Terms of Reference of the Audit Committee also explains the role and the authority delegated by the Board.

Three meetings were convened by the Audit Committee during the year ended 2007 and the attendance list is as follows:

Name of Director	Attendance
Mr. Lai Ming Joseph *(Chairman of Audit Committee)*	3/3
Mr. Meng Yan	3/3
Mr. Xu Guangmao	3/3

During the year ended 31 December 2007, the Audit Committee reviewed the final results of 2006 and interim results of 2007 and discussed and approved financial and other reports for the year. Also, the Audit Committee met with the external auditors' discuss auditing and internal control matters before recommending to the Board for approval.

INTERNAL CONTROLS

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

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

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

We have audited the consolidated financial statements of Jolimark Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 76, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 April 2008

BALANCE SHEETS

As at 31 December 2007
(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	31 December 2007	31 December 2006	31 December 2007	31 December 2006
ASSETS					
Non-current assets					
Property, plant and equipment	6	99,851	101,901	—	—
Land use right	7	11,189	11,478	—	—
Intangible assets	8	1,681	3,019	—	—
Investments in subsidiaries	9	—	—	211,751	211,751
Interests in associates	10	5,199	9,007	—	—
Available-for-sale financial assets	12	1,000	1,050	—	—
Deferred income tax assets	20	6,409	2,005	—	—
		125,329	128,460	211,751	211,751
Current assets					
Inventories	13	191,195	243,410	—	—
Trade and other receivables	14	263,995	304,291	162	1,166
Amounts due from subsidiaries	14	—	—	291,896	300,626
Cash and cash equivalents	15	160,895	100,834	221	256
		616,085	648,535	292,279	302,048
Total assets		741,414	776,995	504,030	513,799
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	16	282,194	282,194	282,194	282,194
Other reserves	17	185,252	185,252	211,719	211,719
Retained earnings					
— Proposed final dividend		4,311	11,820	4,311	11,820
— Unappropriated retained earnings		80,838	80,459	3,385	2,741
		552,595	559,725	501,609	508,474
Minority interests		14,261	15,889	—	—
Total equity		566,856	575,614	501,609	508,474

BALANCE SHEETS *(continued)*

As at 31 December 2007
(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	31 December 2007	31 December 2006	31 December 2007	31 December 2006
LIABILITIES					
Current liabilities					
Trade and other payables	*18*	109,797	134,065	2,421	5,325
Current income tax liabilities		8,252	9,507	—	—
Borrowings	*19*	56,509	57,809	—	—
Total liabilities		174,558	201,381	2,421	5,325
Total equity and liabilities		741,414	776,995	504,030	513,799
Net current assets		441,527	447,154	289,858	296,723
Total assets less current liabilities		566,856	575,614	501,609	508,474

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

The notes on pages 33 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2007	2006
Turnover	21	834,212	943,252
Cost of goods sold	23	(748,574)	(798,588)
Gross profit		85,638	144,664
Other income	22	8,149	11,593
Selling and marketing costs	23	(27,649)	(36,988)
Administrative expenses	23	(52,914)	(60,516)
Other gains — net	25	1,114	432
Operating profit		14,338	59,185
Finance costs	26	(4,042)	(7,168)
Share of losses of associates and impairment charge	10	(3,808)	(872)
Profit before income tax		6,488	51,145
Income tax expenses	27	(346)	(7,848)
Profit for the year		6,142	43,297
Attributable to:			
Shareholders of the Company		4,690	42,426
Minority interests		1,452	871
		6,142	43,297
Basic and diluted earnings per share for profit attributable to the shareholders of the Company during the year (expressed in Renminbi per share)	29	0.008	0.078
Dividends	30	4,311	18,108

The notes on pages 33 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007
(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium *note 16*	Other reserves *note 17*	Retained earnings	Minority interests	Total
Balance at 1 January 2006	140,495	180,132	76,081	11,895	408,603
Placement of shares for cash	122,547	—	—	—	122,547
Placement of shares as considerations for acquisition of properties	32,137	—	—	—	32,137
Share placement costs	(3,589)	—	—	—	(3,589)
Repurchase of shares of the Company	(9,396)	—	—	—	(9,396)
Profit for the year	—	—	42,426	871	43,297
Transfer to the statutory reserve and enterprise expansion fund	—	5,120	(5,120)	—	—
Contribution from a minority interest	—	—	—	3,123	3,123
Dividends	—	—	(21,108)	—	(21,108)
Balance at 31 December 2006	282,194	185,252	92,279	15,889	575,614
Balance at 1 January 2007	282,194	185,252	92,279	15,889	575,614
Profit for the year	—	—	4,690	1,452	6,142
Acquisition of equity interests in a subsidiary from a minority interest	—	—	—	(4,340)	(4,340)
Capital contribution from a minority interest	—	—	—	1,355	1,355
Disposals of subsidiaries	—	—	—	(50)	(50)
Final dividends for 2006 *(note 30)*	—	—	(11,820)	—	(11,820)
Dividends declared to minority interests	—	—	—	(45)	(45)
Balance at 31 December 2007	282,194	185,252	85,149	14,261	566,856

The notes on pages 33 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2007	2006
Cash flows from operating activities			
Cash generated from/(used in) operation	31	96,697	(11,966)
Income tax paid		(6,005)	(8,895)
Interest paid		(6,462)	(7,168)
Net cash generated from/(used in) operating activities		84,230	(28,029)
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,883)	(28,965)
Purchase of land use right		—	(4,993)
Purchase of intangible assets		(540)	(1,344)
Acquisition of available-for-sale financial assets		—	(500)
Disposal of available-for-sale financial assets		350	667
Acquisition of equity interests in a subsidiary from a minority interest		(2,170)	—
Interest received		563	1,580
Net cash used in investing activities		(13,680)	(33,555)
Cash flows from financing activities			
Proceeds from placement of shares		—	122,547
Share issuance costs		—	(3,589)
Repurchase of shares of the Company		—	(9,396)
Contribution from a minority interest		1,355	—
Proceeds from borrowings		152,090	77,330
Repayments of borrowings		(150,970)	(115,681)
Dividend paid to shareholders of the Company	30	(11,820)	(21,108)
Net cash (used in)/generated from financing activities		(9,345)	50,103
Net increase/(decrease) in cash and cash equivalents		61,205	(11,481)
Cash and cash equivalents at beginning of the year		100,834	112,841
Exchange loss on cash and cash equivalents		(1,144)	(526)
Cash and cash equivalents at end of the year	15	160,895	100,834

The notes on pages 33 to 76 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Renminbi thousands unless otherwise stated)

1. GENERAL INFORMATION

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

(b) The Company and its subsidiaries (the "Group") is a provider of business equipment and tax control equipment based in the People's Republic of China (the "PRC"). The Group's principal activities are manufacture and sale of printers, tax control equipment, projectors and other electronic products.

(c) The Company had its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 June 2005.

(d) These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 18 April 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention.

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

(a) Standards, amendments and interpretations effective in 2007

- HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements — Capital disclosures", introduces new disclosures relating to financial instruments and does not have substantial impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Standards, amendments and interpretations effective in 2007 *(continued)*

- HK(IFRIC)-Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have substantial impact on the Group's accounting policies.

- HK(IFRIC)-Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have substantial impact on the Group's accounting policies.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK(IFRIC)-Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"; and

- HK(IFRIC)-Int 9, "Reassessment of embedded derivatives".

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(continued)*

- HK(IFRIC)-Int 11, "HKFRS 2 — Group and treasury share transactions" (effective for annual period beginning on or after 1 March 2007), provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have substantial impact on the Group's accounting policies.

- HKAS 23 (Revised), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009, but it is not expected to result in substantial impact on the Group's accounting policies because the Group is already applying the capitalisation option on the borrowing costs for qualifying assets.

- HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009 but it is not expected to result in substantial impact on the Group's accounting policies.

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective for annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(continued)*

- HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010.

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 12, "Service concession arrangements" (effective from 1 January 2008). IFRIC/HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC)-Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

- HK(IFRIC)-Int 13, "Customer loyalty programmes" (effective from 1 July 2008). HK(IRFIC)-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)-Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations *(continued)*

- HK(IFRIC)-Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1 January 2008 but it is not expected to have any impact on the Group's accounting policies.

- HKAS 32 and HKAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 January 2009, but it is not expected to have any impact on the Group's accounting policies.

- HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All non-vesting conditions and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 January 2009, but it is not expected to have any impact on the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see note 2.7).

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

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

(c) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risk and return that are different from those of segments operation in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi Yuan ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

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

(c) Group companies

The results and financial position of all other group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. When the property, plant and equipment is acquired through transfers of equity instruments of the Group companies or the parent of the Company, the item is recognised at its fair value with a corresponding increase in equity; unless that fair value cannot be estimated reliably, in which case the item and the corresponding increase of equity are measured at the fair value of the equity instruments granted.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

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

Buildings	40 years
Plant and machinery	10–20 years
Furniture and fixtures	5 years
Leasehold improvements	2–5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

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

2.6 Land use rights

Cost of acquiring rights to use certain land for the Group's operations over a certain period is recorded as land use rights. Land use rights with specific term are recognised as an expense on a straight-line basis over the unexpired period of the rights.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the associated company at the date of acquisition. Goodwill on acquisitions of associates is included in "interests in associates".

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating unit ("CGU") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose (note 2.8).

(b) Trademark

Trademark is shown at historical cost. Trademark has a definite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademark over its estimated useful live (20 years).

(c) Proprietary technology

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

2.8 Impairment of non-financial assets

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

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets

The Group classifies its financial assets as the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently carried at cost less impairment provisions.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost is considered an indicator that the available-for-sale financial assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised is recognised in the income statement.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks.

2.13 Share capital and premium

Ordinary shares are classified as equity.

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

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net off income taxes,) is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such 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 Company's shareholders.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement during the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

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

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Employee benefits *(continued)*

(ii) 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 mainland China or held in separate trustee-administered funds in Hong Kong. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the plans do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated 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.

2.17 Provision

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership and collectability of the related receivables is reasonably assured, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered.

(c) Interest income

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

(d) Incentive subsidy

Incentive subsidy is recognised on an accruals basis in accordance with the relevant agreements.

2.19 Leases

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

2.20 Dividend distribution

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

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

At 31 December 2007, if RMB had weakened/strengthened by 10% against the US$ and HK$ with all other variables held constant, post-tax profit for the year would have been RMB3,741,000 (2006: RMB1,748,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US$ and HK$-denominated trade receivables, cash and cash equivalents, borrowings and trade payables.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets other than bank balances and borrowings, the Group's income and operating cash flows are substantively independent of changes in market interest rates. The maturity term of cash and cash equivalents, together with current borrowings, is within 12 months so there would not have significant interest rate risk for these financial assets and liabilities.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. As at 31 December 2007, approximately RMB56,509,000 (2006: RMB57,809,000) of the Group's borrowings are at variable rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 19.

As at December 2007, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been RMB497,000 (2006: RMB509,000) lower/higher, mainly as a result of higher/lower interest expense on variable rate borrowings.

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

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group has no significant concentrations on credit risks. The carrying amount of cash and cash equivalents, trade and other receivables, and available-for-sale financial assets represent the Group's maximum exposure to credit risk at the reporting date in relation to financial assets. The Group does not hold any collateral as security.

The cash and cash equivalents of the Group are deposited in those financial institutions without significant credit risk. Management do not expect any losses from non-performance by these finance institutions.

Credit risk related to trade receivables is the risk that the receivables cannot be collected on the due date. The Group has policies in place to ensure that sales of goods are made to customers with a good credit quality based on assessment of ageing of trade receivables, repayment history, the customers' financial position and other factors.

(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 table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year
Group	
At 31 December 2007	
Borrowings	57,860
Trade and other payables	102,216
At 31 December 2006	
Borrowings	58,935
Trade and other payables	131,926
Company	
At 31 December 2007	
Trade and other payables	2,421
At 31 December 2006	
Trade and other payables	5,325

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets as shown on the consolidated balance sheet.

During 2007, the Group's strategy, which is unchanged from 2006, is to maintain a stable gearing ratio. The gearing ratios at 31 December 2007 and 2006 are as follows:

	2007	2006
Total borrowings *(note 19)*	56,509	57,809
Total assets	741,414	776,995
Gearing ratio	7.6%	7.4%

3.3 Fair value estimation

The nominal value less impairment provision of the Group's short-term financial assets and liabilities are reasonable approximation of their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of interests in Beijing Stone Business Information Technology Limited ("Beijing Stone") have been determined based on discounted cash flow projections of Beijing Stone, which is identified as a separate CGU. These calculations require the use of estimates, as stated in note 10.

(All amounts in Renminbi thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Estimated impairment of goodwill *(continued)*

An impairment charge of RMB3,734,000 arose in goodwill in connection with interests in Beijing Stone, resulting in the carrying amount of interests in Beijing Stone being written down to its recoverable amount.

If the estimated gross margin of sales in the forecasted periods used in the cash flow projections of Beijing Stone had been 2% lower than management's estimates as at 31 December 2007, the Group would have recognised a further impairment against goodwill by RMB727,000.

If the estimated post-tax discounted rate used in the cash flow projections of Beijing Stone had been 2% higher than management's estimates as at 31 December 2007, the Group would have recognised a further impairment against goodwill by RMB762,000.

(b) 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 will reassess these estimations at each of the balance sheet date.

(c) Provision for impairment of trade and other receivables

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

(d) Income taxation and deferred taxation

The Group is subject to 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 records, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION

No business segment information of the Group is presented as the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacturing and sales activities of printer, tax control equipment, projectors and other electronic products.

The directors of the Company also consider that the presentation of geographical segment information is not meaningful as less than 10% of the Group's consolidated turnover and results are attributable to the market outside the PRC and less than 10% of the Group's consolidated assets are located outside the PRC.

6. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Buildings	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
At 1 January 2006						
Cost	—	80,451	8,776	4,120	3,941	97,288
Accumulated depreciation	—	(33,340)	(3,562)	(1,497)	(1,053)	(39,452)
Net book amount	—	47,111	5,214	2,623	2,888	57,836
Year ended 31 December 2006						
Opening net book amount	—	47,111	5,214	2,623	2,888	57,836
Additions	50,910	3,369	1,057	515	2,017	57,868
Transfer	1,821	—	—	(1,821)	—	—
Disposals	—	(462)	(11)	—	—	(473)
Depreciation	(415)	(10,179)	(1,394)	(497)	(845)	(13,330)
Closing net book amount	52,316	39,839	4,866	820	4,060	101,901
At 31 December 2006						
Cost	54,317	82,988	9,739	1,228	5,958	154,230
Accumulated depreciation	(2,001)	(43,149)	(4,873)	(408)	(1,898)	(52,329)
Net book amount	52,316	39,839	4,866	820	4,060	101,901
Year ended 31 December 2007						
Opening net book amount	52,316	39,839	4,866	820	4,060	101,901
Additions	545	9,624	1,192	383	139	11,883
Disposals	—	—	(350)	—	—	(350)
Depreciation	(1,582)	(9,504)	(1,210)	(396)	(891)	(13,583)
Closing net book amount	51,279	39,959	4,498	807	3,308	99,851
At 31 December 2007						
Cost	54,862	92,616	10,498	1,573	6,088	165,637
Accumulated depreciation	(3,583)	(52,657)	(6,000)	(766)	(2,780)	(65,786)
Net book amount	51,279	39,959	4,498	807	3,308	99,851

(All amounts in Renminbi thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT — GROUP *(continued)*

Certain equipment of the Group amounting to RMB19,443,000 as at 31 December 2007 (2006: RMB24,134,000) have been pledged for bank borrowings and borrowing facilities of the Group (note 19).

Depreciation was expensed in the following category in the income statement:

	2007	2006
Cost of goods sold	10,054	9,347
Selling and marketing costs	695	806
Administrative expenses	3,299	2,765
	14,048	12,918

7. LAND USE RIGHT — GROUP

Year ended 31 December 2006	
Addition	11,550
Amortisation	(72)
Closing net book amount	11,478
At 31 December 2006	
Cost	11,550
Accumulated amortisation	(72)
Net book amount	11,478
Year ended 31 December 2007	
Opening net book amount	11,478
Amortisation	(289)
Closing net book amount	11,189
At 31 December 2007	
Cost	11,550
Accumulated amortisation	(361)
Net book amount	11,189

(All amounts in Renminbi thousands unless otherwise stated)

7. LAND USE RIGHT — GROUP *(continued)*

The land is outside Hong Kong and held on leases of 40 years.

Amortisation of RMB289,000 (2006: RMB72,000) is included in the cost of goods sold in the income statement.

8. INTANGIBLE ASSETS — GROUP

	Trademark	Proprietary technology	Total
At 1 January 2006			
Cost	1,942	—	1,942
Accumulated amortisation	(100)	—	(100)
Net book amount	1,842	—	1,842
Year ended 31 December 2006			
Opening net book amount	1,842	—	1,842
Additions	—	1,344	1,344
Amortisation	(100)	(67)	(167)
Closing net book amount	1,742	1,277	3,019
At 31 December 2006			
Cost	1,942	1,344	3,286
Accumulated amortisation	(200)	(67)	(267)
Net book amount	1,742	1,277	3,019
Year ended 31 December 2007			
Opening net book amount	1,742	1,277	3,019
Additions	—	540	540
Amortisation	(50)	(136)	(186)
Write-off *(note (a))*	(1,692)	—	(1,692)
Closing net book amount	—	1,681	1,681
At 31 December 2007			
Cost	1,942	1,884	3,826
Accumulated amortisation	(1,942)	(203)	(2,145)
Net book amount	—	1,681	1,681

(All amounts in Renminbi thousands unless otherwise stated)

8. INTANGIBLE ASSETS — GROUP *(continued)*

(a) *During the year, the Group acquired the remaining 35% equity interests in Phenix Digital Technology (Shanghai) Limited ("Phenix Digital"), a subsidiary of the Group. The trademark was contributed by the minority interest as part of its capital contribution to Phenix Digital. Pursuant to the sale and purchase agreement, the right to use the trademark was withdrawn by the minority interest. Consequently, the carrying amount of the trademark was written off.*

(b) *Amortisation of RMB186,000 (2006: RMB167,000) is included in the cost of goods sold in the income statement.*

9. INVESTMENTS IN SUBSIDIARIES — COMPANY

	2007	2006
Investments, at cost: Unlisted shares	211,751	211,751

The following is a list of the principal subsidiaries at 31 December 2007:

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	The British Virgin Island (the "BVI")	Investment holdings/PRC	US$50,000	100%
Kong Yue Investment	BVI	Investment holdings/PRC	US$50,000	100%
Visionic Investment	BVI	Investment holdings/PRC	US$50,000	100%
Indirectly held by the Company				
Jolimark Technology Limited	Hong Kong	Investment holdings/PRC	HK$10,000	100%
Jolimark (S) Pte. Limited	Singapore	Wholesale of computer hardware and peripheral equipment/Singapore	SG$100,000	100%
Shanghai Jiangnuo Digital Technology	PRC	Wholesale of business equipment and tax control equipment/PRC	RMB20,000,000	95.25%
Jiangmen Kong Yue Jolimark Information Technology Limited ("Kongyue Jolimark")	PRC	Manufacturing and sales of business equipment and tax control equipment/PRC	HK$106,050,000	100%
Kong Yue Electronics & Information Industry (Xinhui) Limited ("Kongyue Information")	PRC	Manufacturing and sales of business equipment and tax control equipment/PRC	US$25,660,000	95%
Xin Yue Logistics Limited	Hong Kong	Logistics agent/Hong Kong	HK$2	100%
Phenix Digital	PRC	Manufacturing and sales of digital display products/PRC	RMB18,049,000	100%
Jolimark Information Technology (China) Limited	PRC	Manufacturing and sales of Jolimark branded products/PRC	RMB50,000,000	100%
Jiangmen Kong Yue Jolimark Tax Control Services Limited	PRC	Marketing of tax control equipment/PRC	RMB500,000	95%
Shanghai Guang'ao Jolimark Business Equipment Limited	PRC	Marketing of tax control equipment/PRC	RMB1,000,000	60%

(All amounts in Renminbi thousands unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES — COMPANY *(continued)*

All the subsidiaries are limited liability companies.

During the year, the Group has disposed of its equity interests in Shenzhen Jolimark Business Appliances Limited, Jiangmen Jolimark Information System Engineering Limited and AUI Company Limited.

10. INTERESTS IN ASSOCIATES — GROUP

	2007	2006
Beginning of the year	9,007	9,879
Share of losses of associates	(74)	(872)
Impairment charge	(3,734)	—
End of the year	5,199	9,007

Interests in associates at 31 December 2007 include goodwill after impairment of RMB3,733,000 (2006: RMB7,467,000) arising from investment in Beijing Stone in which Kongyue Information held its 20% equity interest.

During the year, impairment provision of RMB3,734,000 for goodwill in connection with interests in Beijing Stone has been made based on management's assessment of recoverable amount of the investment which is detailed below.

Impairment test for goodwill

For the purpose of the impairment test Beijing Stone was identified as a CGU.

Beijing Stone was established in March 2004 and is a qualified manufacturer of tax control electronic cash registers ("ECRs") in the PRC. Pursuant to relevant regulations promulgated by the PRC government, manufacturers having been granted the license to produce tax control ECRs have to further bid for the PRC government recognition of the specific model of tax control ECRs in various provinces, autonomous regions and municipalities. In 2007, Beijing Stone won the bid for recognition of certain models of tax control ECRs in Dalian City.

The recoverable amount of the interests in Beijing Stone is determined based on cash flow projections of Beijing Stone which has covered a period from 1 January 2008 to March 2024 (the end of the approved operation period of Beijing Stone). The cash flow projections are based on financial budgets approved by the management of Beijing Stone covering a five-year period. Cash flows beyond the five-year period are extrapolated assuming there is no growth in Beijing Stone's business after the fifth year.

(All amounts in Renminbi thousands unless otherwise stated)

10. INTERESTS IN ASSOCIATES — GROUP *(continued)*

Impairment test for goodwill *(continued)*

When preparing the five-year period financial budgets and cash flow projections, the management of Beijing Stone has estimated sales to be mainly contributed from sales of tax control ECRs in Dalian City and on the assumption that the sales will significantly increase in 2008 after local government of Dalian City implement the tax control project which requires taxpayers to issue tax invoices using tax control ECRs.

Other key assumptions used for cash flow projections:

— Gross margin	25%–30%
— Discount rate	8%

Management determined budgeted gross margin and market share based on past performance and its expectations for the market development. The discount rate used is post-tax and reflects specific risks relating to Beijing Stone.

The Group's interests in its associates, all of which are unlisted, were as follows:

Name	Country of establishment	Assets	Liabilities	Revenues	Loss	% Interest held
2006						
Beijing Stone	PRC	8,606	908	4,109	2,882	20%
Shanghai Liang Biao Business Appliances Limited	PRC	650	2,477	—	2,446	35%
		9,256	3,385	4,109	5,328	
2007						
Beijing Stone	PRC	9,088	1,763	4,663	373	20%
Shanghai Liang Biao Business Appliances Limited.	PRC	588	2,475	—	60	35%
		9,676	4,238	4,663	433	

(All amounts in Renminbi thousands unless otherwise stated)

11. FINANCIAL INSTRUMENTS BY CATEGORIES

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables	Available-for-sale	Total
Assets as per consolidated balance sheet			
At 31 December 2007			
Available-for-sale financial assets *(note 12)*	—	1,000	1,000
Trade and other receivables *(note 14)*	230,541	—	230,541
Cash and cash equivalents *(note 15)*	160,895	—	160,895
Total	391,436	1,000	392,436
At 31 December 2006			
Available-for-sale financial assets *(note 12)*	—	1,050	1,050
Trade and other receivables *(note 14)*	280,950	—	280,950
Cash and cash equivalents *(note 15)*	100,834	—	100,834
Total	381,784	1,050	382,834

	Other financial liabilities
Liabilities as per consolidated balance sheet	
At 31 December 2007	
Borrowings *(note 19)*	56,509
Trade and other payables *(note 18)*	102,216
Total	158,725
At 31 December 2006	
Borrowings *(note 19)*	57,809
Trade and other payables *(note 18)*	131,926
Total	189,735

(All amounts in Renminbi thousands unless otherwise stated)

11. FINANCIAL INSTRUMENTS BY CATEGORIES *(continued)*

Company

	Loans and receivables
Assets as per balance sheet	
At 31 December 2007	
Other receivables *(note 14)*	162
Amounts due from subsidiaries *(note 14)*	291,896
Cash and cash equivalents *(note 15)*	221
Total	292,279
At 31 December 2006	
Other receivables *(note 14)*	1,166
Amounts due from subsidiaries *(note 14)*	300,626
Cash and cash equivalents *(note 15)*	256
Total	302,048

	Other financial liabilities
Liabilities as per balance sheet	
At 31 December 2007	
Amounts due to subsidiaries *(note 18)*	2,391
Other payables *(note 18)*	30
Total	2,421
At 31 December 2006	
Amounts due to subsidiaries *(note 18)*	4,388
Other payables *(note 18)*	937
Total	5,325

(All amounts in Renminbi thousands unless otherwise stated)

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2007	2006
Beginning of the year	1,050	1,750
Addition	—	500
Disposals	(50)	(1,200)
End of the year	1,000	1,050

Available-for-sale financial assets are equity investments in unlisted companies and are denominated in RMB.

There was no loss arising from disposals of available-for-sale financial assets in current year (2006: RMB233,000).

None of the available-for-sale financial assets is either past due or impaired.

13. INVENTORIES — GROUP

	2007	2006
Raw materials	131,497	128,987
Work in progress	7,967	15,154
Merchandise	17,681	24,773
Finished goods	34,050	74,496
	191,195	243,410

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB753,417,000 (2006: RMB802,554,000).

During the year, the write-down of inventory amounted to RMB2,634,000 (2006: RMB3,218,000) which has been included in cost of goods sold in the income statement.

(All amounts in Renminbi thousands unless otherwise stated)

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
Trade receivables				
— Third parties	197,107	256,090	—	—
— Related parties *(note 33)*	8,121	4,124	—	—
	205,228	260,214	—	—
Less: provision for impairment of receivables	(4,567)	(6,288)	—	—
Trade receivables — net	200,661	253,926	—	—
Prepayments				
— Third parties	30,897	23,955	—	—
— Related parties *(note 33)*	7,124	5,674	—	—
Other receivables				
— Third parties	14,552	11,154	162	1,166
— Associates	1,801	1,072	—	—
— Related parties *(note 33)*	8,960	8,510	—	—
Amounts due from subsidiaries *(note (a))*	—	—	291,896	300,626
	263,995	304,291	292,058	301,792

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

The Group's sales to corporate customers are entered into on credit terms ranging from 30 to 180 days or extended as considered appropriate by the directors of the Company. At 31 December 2007, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	2007	2006
0–30 days	109,742	136,217
31–90 days	27,805	57,817
91–180 days	28,824	14,483
181–365 days	33,198	38,597
Over 365 days	5,659	13,100
	205,228	260,214

(All amounts in Renminbi thousands unless otherwise stated)

14. TRADE AND OTHER RECEIVABLES *(continued)*

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

	Group		Company	
	2007	2006	2007	2006
RMB	245,361	277,870	—	—
US$	14,787	7,139	—	—
HK$	3,363	19,278	292,058	301,792
JPY	484	4	—	—
	263,995	304,291	292,058	301,792

As at 31 December 2007, trade receivables of RMB34,290,000 (2006: RMB45,409,000) are past due but not impaired, and trade receivables of RMB4,567,000 (2006: RMB6,288,000) are impaired. The ageing analysis of these trade receivables is as follows:

	Group	
	2007	2006
Past due but not impaired:		
181–365 days	32,486	38,597
Over 365 days	1,804	6,812
	34,290	45,409
Impaired:		
181–365 days	712	—
Over 365 days	3,855	6,288
	4,567	6,288

Trade receivables past due but not impaired relate to a number of customers for whom there is no recent history of default. Trade receivables impaired are mainly due from some customers, which are in unexpected difficult economic situations, and it was assessed that only a portion of the receivables is expected to be recovered.

(All amounts in Renminbi thousands unless otherwise stated)

14. TRADE AND OTHER RECEIVABLES *(continued)*

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
Beginning of the year	6,288	3,426
Provision for impairment of receivables	1,242	2,862
Bad debts write-off	(2,963)	—
End of the year	4,567	6,288

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
Cash at bank and in hand denominated in:				
RMB	137,769	87,775	—	—
US$	19,416	10,331	—	—
HK$	3,188	1,439	221	256
Other currencies	522	1,289	—	—
	160,895	100,834	221	256
Maximum exposure to credit risk	160,895	100,834	221	256

Cash at bank and in hand are mainly deposited in four state-controlled commercial banks with no history of non-performance.

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.

(All amounts in Renminbi thousands unless otherwise stated)

16. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
At 31 December 2007 and 31 December 2006	10,000,000,000	100,000	106,000	—	106,000
Issued and fully paid					
At 1 January 2006	500,000,000	5,000	5,300	135,195	140,495
Placement of shares for cash	83,000,000	830	854	121,693	122,547
Placement of shares as consideration for the acquisition of properties	23,000,000	230	234	31,903	32,137
Share placement costs	—	—	—	(3,589)	(3,589)
Repurchase of the shares of the Company	(8,790,000)	(88)	(89)	(9,307)	(9,396)
At 31 December 2006	597,210,000	5,972	6,299	275,895	282,194
At 1 January 2007 and 31 December 2007	597,210,000	5,972	6,299	275,895	282,194

17. OTHER RESERVES

(a) Group

	Merger reserve *(note (i))*	Statutory reserve and enterprise expansion fund *(note (ii))*	Total
Balance at 1 January 2006	136,904	43,228	180,132
Transfer from retained earnings	—	5,120	5,120
Balance at 31 December 2006	136,904	48,348	185,252
Balance at 1 January 2007 and 31 December 2007	136,904	48,348	185,252

(All amounts in Renminbi thousands unless otherwise stated)

17. OTHER RESERVES *(continued)*

(a) Group *(continued)*

(i) *Merge 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 Main Board of the Stock Exchange which has been set out in the Prospectus of the Company dated 20 June 2005 (the "Reorganisation").*

(ii) *In accordance with relevant rules and regulations in the PRC, except for sino-foreign joint venture enterprises, all the PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of the companies. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the companies. The enterprise expansion fund can only be used to increase capital of respective companies or to expand their production operations upon approval by the relevant authority.*

In accordance with relevant rules and regulations in the PRC applied on sino-foreign equity joint venture enterprises, the appropriations to the statutory reserve fund and enterprise expansion fund are determined by the board of directors of the companies.

(b) Company

Other reserves of the Company represented the difference between the cost of investments in subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Reorganisation.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
Trade payables				
— Third parties	78,444	109,869	—	—
— Related parties *(note 33)*	3,366	3,417	—	—
	81,810	113,286	—	—
Amounts due to subsidiaries	—	—	2,391	4,388
Other payables to third parties	20,406	18,550	30	937
Staff welfare benefits payable	—	90	—	—
Advances from customers	7,581	2,139	—	—
	109,797	134,065	2,421	5,325

(All amounts in Renminbi thousands unless otherwise stated)

18. TRADE AND OTHER PAYABLES *(continued)*

At 31 December 2007, the ageing analysis of the trade payables, include amounts due to related parties of trading in nature, are as follows:

	2007	2006
0–30 days	34,158	25,012
31–90 days	38,973	85,696
91–180 days	1,725	1,086
181–365 days	1,391	906
Over 365 days	5,563	586
	81,810	113,286

19. BORROWINGS — GROUP

	2007	2006
Bank borrowings	56,509	57,809

The effective interest rates of short-term borrowings at the balance sheet date were 6.86% per annum (2006: 5.78% per annum).

The carrying amounts of the borrowings are denominated in the following currencies:

	2007	2006
US$	24,105	7,809
RMB	20,000	50,000
HK$	12,404	—
	56,509	57,809

The Group has the following undrawn borrowing facilities:

	2007	2006
Floating rate		
— expiring within one year	30,000	82,091

Bank borrowings of RMB10,957,000 (2006: RMB7,809,000) and borrowing facilities of RMB30,000,000 (2006: RMB82,091,000) were secured by pledge of the equipments of the Group amounting to RMB19,443,000 as at 31 December 2007 (2006: RMB24,134,000).

(All amounts in Renminbi thousands unless otherwise stated)

20. DEFERRED INCOME TAX — GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. As at 31 December 2007, the Group had no deferred income tax liabilities. The deferred income tax assets are as follows:

	2007	2006
Deferred tax assets:		
— Deferred tax assets to be recovered within 12 months	2,005	—
— Deferred tax assets to be recovered after more than 12 months	4,404	2,005
	6,409	2,005

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

	Provision for doubtful debts	Write-down of inventories	Tax losses	Others	Total
At 31 December 2005	411	864	—	540	1,815
Credited/(charged) to the income statement	344	386	—	(540)	190
At 31 December 2006	755	1,250	—	—	2,005
Credited to the income statement	387	2,012	2,005	—	4,404
At 31 December 2007	1,142	3,262	2,005	—	6,409

The Group did not recognise deferred income tax assets of approximately RMB646,000 (2006: RMB2,572,000) in respect of the tax losses amounting to approximately RMB3,229,000 (2006: RMB10,098,000). Tax losses of approximately RMB8,020,000, for which deferred tax assets have been recognised, will expire in 2012.

21. TURNOVER

Turnover recognised during the year are as follows:

	2007	2006
Printer and tax control equipment	523,753	626,057
Projectors	277,032	289,901
Other electronic products	33,427	27,294
	834,212	943,252

(All amounts in Renminbi thousands unless otherwise stated)

22. OTHER INCOME

	2007	2006
Interest income	563	1,580
Incentive subsidy *(note (a))*	—	2,787
Tax refund on reinvestment *(note (b))*	6,881	4,311
Repair and maintenance service income — net	705	2,915
	8,149	11,593

(a) As an incentive to attract tenants, Kong Yue Industrial Park (Xinhui) Limited ("Industrial Park", a related party of the Group), signed an agreement with Kongyue Information and Kongyue Jolimark on 16 April 2002, pursuant to which Industrial Park agreed to allocate certain incentive subsidies received from local government based on a percentage of tax payable by Kongyue Information and Kongyue Jolimark to Kongyue Information and Kongyue Jolimark for subsidising their initial setting up and removal costs for establishment of premises in Kong Yue Industrial Park. The agreement was expired as at 31 December 2006 and therefore there is no such income recognised in the year.

(b) In 2007, Kongyue Information and Kongyue Jolimark issued shares from capitalisation of its retained earnings to their respective shareholders totalling RMB51,696,000 (2006: RMB33,280,000). Pursuant to relevant PRC income tax regulation, Kong Yue Investment and Ying Mei Investment, the shareholders of Kongyue Information and Kongyue Jolimark, respectively, are entitled to refunds of the income tax of approximately RMB6,881,000 (2006: RMB4,311,000) previously levied on Kongyue Information and Kongyue Jolimark in relation to corresponding retained earnings.

23. EXPENSES BY NATURE

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

	2007	2006
Depreciation for property, plant and equipment and amortisation of land use right and intangible assets *(notes 6, 7 and 8)*	14,523	13,157
Raw materials and consumables recognised in cost of goods sold and expenses	454,599	471,043
Cost of goods sold in distribution business	276,687	309,867
Write down of inventories	2,634	3,218
Provision for bad debts	1,242	2,862
Employee benefit expenses *(note 24)*	36,471	40,711
Operating leases — building	3,297	5,034
Research and development costs	5,724	5,791
Transportation expenses	7,217	7,370
Auditors' remuneration	1,542	1,472
Other miscellaneous operating expenses	25,201	35,567
	829,137	896,092

(All amounts in Renminbi thousands unless otherwise stated)

24. EMPLOYEE BENEFIT EXPENSES

	2007	2006
Wages and salaries	31,013	35,529
Staff welfare and insurance	4,015	4,162
Pension costs — defined contribution plans	1,443	1,020
	36,471	40,711

(a) Directors' and senior management's emoluments

The remuneration of directors of the Company for the year ended 31 December 2007 is set out below:

	Fees	Salaries	Bonus	Inducement fees	Other benefits	Contribution to pension scheme	Compensation for loss of office	Total
Mr. Au Pak Yin	233	545	—	—	—	12	—	790
Mr. Au Kwok Lun	233	876	—	—	117	12	—	1,238
Ms. Ou Guo Liang	233	476	—	—	—	2	—	711
Mr. Ng Shu Kai	233	197	—	—	—	12	—	442
Mr. Lai Ming, Joseph*	233	—	—	—	—	—	—	233
Mr. Meng Yan*	117	—	—	—	—	—	—	117
Mr. Xu Guangmao*	117	—	—	—	—	—	—	117
	1,399	2,094	—	—	117	38	—	3,648

The remuneration of directors of the Company for the year ended 31 December 2006 is set out below:

	Fees	Salaries	Bonus	Inducement fees	Other benefits	Contribution to pension scheme	Compensation for loss of office	Total
Mr. Au Pak Yin	246	574	—	—	—	12	—	832
Mr. Au Kwok Lun	246	779	—	—	121	12	—	1,158
Ms. Ou Guo Liang	246	267	—	—	147	—	—	660
Mr. Ng Shu Kai	246	207	—	—	—	12	—	465
Mr. Lai Ming, Joseph*	246	—	—	—	—	—	—	246
Mr. Meng Yan*	123	—	—	—	—	—	—	123
Mr. Xu Guangmao*	123	—	—	—	—	—	—	123
	1,476	1,827	—	—	268	36	—	3,607

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

(All amounts in Renminbi thousands unless otherwise stated)

24. EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2006: two) individual during the year are as follows:

	2007	2006
Salaries and other benefits	506	1,523
Retirement scheme contributions	—	12
	506	1,535

The emoluments fell within the following bands:

	2007	2006
Nil to RMB1,000,000	1	2

25. OTHER GAINS — NET

	2007	2006
Losses from disposal of available-for-sale financial assets	—	(233)
Net foreign exchange gains	1,114	665
	1,114	432

26. FINANCE COSTS

	2007	2006
Interest expenses on bank borrowings	6,462	7,168
Exchange gains on bank borrowings	(2,420)	—
	4,042	7,168

(All amounts in Renminbi thousands unless otherwise stated)

27. INCOME TAX EXPENSES

	2007	2006
Current income tax		
— Hong Kong profits tax	328	289
— PRC enterprise income tax	4,422	7,749
	4,750	8,038
Deferred income tax	(4,404)	(190)
	346	7,848

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 country of the Group companies as follows:

	2007	2006
Profit before tax	6,488	51,145
Tax calculated at tax rates applicable to profits in the respective entities of the Group	6,499	16,623
Income tax exemption and reduction *(note (a))*	(4,959)	(10,089)
Tax losses for which no deferred income tax asset was recognised	257	1,068
Tax effect of shares of results of associates and impairment charge	457	105
Expenses not deductible for tax purposes	263	141
Effect of change of income tax rate *(note (b))*	(2,171)	—
Tax expenses	346	7,848

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% for the year ended 31 December 2007 (2006: 17.5%).

(All amounts in Renminbi thousands unless otherwise stated)

27. INCOME TAX EXPENSES *(continued)*

PRC enterprise income tax

(a) PRC enterprise income tax of the Group's entities established in the mainland China, mainly Kongyue Jolimark and Kongyue Information, is provided on the basis of the profit for statutory financial reporting purposes, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. As Kongyue Jolimark and Kongyue Information are established in the Coastal Open Economic Zones of the PRC, their applicable enterprise income tax rate is 27%, which comprised 24% attributable to national tax and 3% attributable to local municipal income tax.

Moreover, since Kongyue Jolimark and Kongyue Information are currently recognised as "Advance Technology Enterprise", they are entitled to 50% tax reduction in national enterprise income tax and full exemption of local municipal income tax for the year ended 31 December 2007. Therefore, the effective enterprise income tax rate of Kongyue Jolimark and Kongyue Information is 12%.

(b) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which unified the corporate income tax rate for domestic and foreign enterprises at 25% with effective from 1 January 2008.

Since the deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised and liability is settled, the change in the applicable tax rate affected the determination of the carrying values of deferred tax assets of the subsidiaries located in mainland China. Deferred tax assets of Kongyue Jolimark and Kongyue Information to be realised after 1 January 2008 has been adjusted to the amounts calculated basing on enterprise income rate of 25% with a credit to income tax of RMB2,171,000 for the year ended 31 December 2007.

28. RETAINED EARNINGS OF THE COMPANY

	2007	2006
As at 1 January	14,561	34,371
Profit for the year	4,955	1,298
Dividends	(11,820)	(21,108)
As at 31 December	7,696	14,561
Representing		
— Proposed final dividend	4,311	11,820
— Unappropriated retained earnings	3,385	2,741
	7,696	14,561

(All amounts in Renminbi thousands unless otherwise stated)

29. EARNINGS PER SHARE

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

	2007	2006
Profit attributable to shareholders of the Company	4,690	42,426
Weighted average number of ordinary shares in issue (thousands)	597,210	544,626
Basic earnings per share (RMB per share)	0.008	0.078

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive shares in issue during the years ended 31 December 2007 and 2006.

30. DIVIDENDS

	2007	2006
Interim dividend *(note (a))*	—	6,288
Proposed final dividend *(note (b))*	4,311	11,820
	4,311	18,108

(a) At a meeting held on 18 September 2007 the directors of the Company determined that no interim dividend would be declared for the six months ended 30 June 2007.

An interim dividend for the six months ended 30 June 2006 of HK\$0.0103 per ordinary share, totaling approximately HK\$6,173,000 (equivalent to RMB6,288,000) has been approved in the meeting of board of directors of the Company on 18 September 2006.

(b) At a meeting held on 18 April 2008, the directors of the Company proposed a final dividend of HK\$0.008 per share, totalling approximately HK\$4,778,000 (equivalent to RMB4,311,000 which is translated based on exchange rate prevailing at 18 April 2008) for the year ended 31 December 2007. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2008.

A final dividend in respect of 2006 of HK\$0.02 per ordinary share, totalling approximately HK\$11,944,000 (equivalent to RMB11,820,000) has been declared in the Company's Annual General Meeting on 29 May 2007 and paid in the year.

(All amounts in Renminbi thousands unless otherwise stated)

31. CASH FLOWS FROM OPERATING ACTIVITIES

	2007	2006
Profit for the year	6,142	43,297
Adjustments for:		
— Income tax expenses	346	7,848
— Depreciation of property, plant and equipment	14,048	12,918
— Amortisation of land use right and intangible assets	475	239
— Loss on disposal of property, plant and equipment	350	473
— Write-off of intangible asset	1,692	—
— Interest income	(563)	(1,580)
— Finance cost	4,042	7,168
— Losses from disposal of available-for-sale financial assets	—	233
— Exchange losses on cash and cash equivalents	1,144	526
— Share of loss from associates and impairment charge	3,808	872
	31,484	71,994
Changes in working capital:		
— Inventories	51,750	(72,620)
— Trade and other receivables	39,996	(37,467)
— Trade and other payables	(26,533)	26,127
Cash generated from/(used in) operations	96,697	(11,966)

32. COMMITMENTS — GROUP

Operating lease commitments

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

	2007	2006
No later than 1 year	1,523	2,511
Later than 1 year and not later than 5 years	2,435	6,865
Later than 5 years	295	771
	4,253	10,147

(All amounts in Renminbi thousands unless otherwise stated)

32. COMMITMENTS — GROUP *(continued)*

Financial commitments

	2007	2006
Contributions to paid-in-capital of Jolimark Information Technology (China) Limited	—	27,494

The Group has contributed the share capital of RMB27,494,000 to Jolimark Information Technology (China) Limited during the year.

33. RELATED-PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Au Family	Beneficial owner of the Company which include Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Ms. Ou Ri Ai
Close Au Family Members	Close family members of Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Ms. Ou Ri Ai
Guangdong Kong Yue Precision Manufacturing Limited ("Guangdong Precision")	Company under significant influence of Au Family
Jiangmen Kong Yue Information Products Import Export Limited ("KY Import/Export")	Company directly controlled by Jiangmen Kongyue Information Technology Limited (company beneficially owned by Mr. Ou Guo Liang and Close Au Family Members) and Close Au Family Members
Industrial Park	Company beneficially owned by Mr. Au Pak Yin and Close Au Family Members
Xinhui Kong Yue Printing Equipment Manufacturing Limited ("Kongyue Printing")	Company directly controlled by Kong Yue Technology Limited (company beneficially owned by Mr. Au Pak Yin and Close Au Family Members)
Guangdong Kong Yue Zhongding Rubber Component Limited ("Guangdong Zhongding")	Company under significant influence of Au Family
Guang Dong Jotech Kong Yue Precision Industries Limited ("Jiangmen Yida")	Company under significant influence of Au Family

(All amounts in Renminbi thousands unless otherwise stated)

33. RELATED-PARTY TRANSACTIONS *(continued)*

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

		2007	2006
i)	Sales of goods ***(note (1))***		
	— KY Import/Export	—	1,208
	— Industrial Park	214	214
		214	1,422
ii)	Purchase of goods ***(note (1))***		
	— KY Import/Export	—	2,383
	— Guangdong Precision	13,807	9,348
	— Guangdong Zhongding	7,477	9,964
	— Jiangmen Yida	7,017	6,469
		28,301	28,164
iii)	Purchase of properties, plant and equipment ***(note (1))***		
	— Industrial Park	—	62,460
iv)	Key management compensation ***(exclusive of directors' emoluments)***		
	Salary and other short-term employee benefits	1,431	3,372
v)	Other transactions		
	Rental expenses due to		
	— Industrial Park *(note (2))*	495	2,745
	— Mr. Ou Guo Liang *(note (3))*	1,513	1,651
		2,008	4,396
	Handling fee due to		
	— KY Import/Export *(note (4))*	1,221	1,910
	Incentives granted by		
	— Industrial Park (note 22(a))	—	2,787
vi)	Year-end balances ***(note (5))***		
	Receivables from related parties ***(note 14)***		
	— KY Import/Export	8,121	4,124
	— Industrial Park	8,960	8,510
	— Guangdong Precision	7,124	5,674
		24,205	18,308
	Payables to related parties ***(note 18)***		
	— Guangdong Zhongding	1,669	2,152
	— Jiangmen Yida	1,697	1,265
		3,366	3,417

(All amounts in Renminbi thousands unless otherwise stated)

33. RELATED-PARTY TRANSACTIONS *(continued)*

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

Notes:

(1) The above sales and purchase transactions were negotiated with related parties in a normal cause of business with a margin on the same basis with non-related parties.

(2) Rental expenses for the year ended 31 December 2007 were in connection with the lease of a staff dormitory in Kong Yue Industrial Park and were determined with reference to the prevailing rental market price and in accordance with the terms of underlying agreement. The rental contract of land and buildings in Kong Yue Industrial Park was terminated upon the Group acquiring relevant land and buildings in September 2006, which resulted in a significant decrease in the rental expenses in current year.

(3) Rental expenses due to Mr. Ou Guo Liang were related to lease of an office building of which the renal charges were determined with reference to the prevailing rental market price. This rental agreement was terminated in November 2007.

(4) Handling fee due to KY Import/Export represents service charge for handling customs documents for the Group during import process, which is based on approximately 1% of the aggregate value of goods handled by KY Import/ Export.

(5) All balances with related parties were unsecured, interest free and repayable on demand.

34. ULTIMATE HOLDING COMPANY

The directors of the Company regard Kytronics Holdings Limited, a company incorporated in the BVI, as the ultimate holding company of the Group.

FIVE-YEAR FINANCIAL SUMMARY

(All amounts in Renminbi thousand unless otherwise stated)

CONSOLIDATED BALANCE SHEETS

	31 December 2007	31 December 2006	31 December 2005	31 December 2004	31 December 2003
ASSETS					
Non-current assets					
Property, plant and equipment	99,851	101,901	57,836	55,917	50,175
Land use right	11,189	11,478	—	—	—
Intangible assets	1,681	3,019	1,842	1,942	—
Interest in associates	5,199	9,007	9,879	11,947	28
Available-for-sale financial assets	1,000	1,050	1,750	1,750	1,000
Deferred income tax assets	6,409	2,005	1,815	1,851	1,155
	125,329	128,460	73,122	73,407	52,358
Current assets					
Inventories	191,195	243,410	170,378	159,147	224,018
Trade and other receivables	263,995	304,291	266,524	189,956	197,602
Cash and cash equivalents	160,895	100,834	112,841	38,951	10,786
	616,085	648,535	549,743	388,054	432,406
Total assets	741,414	776,995	622,865	461,461	484,764
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	282,194	282,194	140,495	32	32
Other reserves	185,252	185,252	180,132	173,485	107,647
Retained earnings					
— Proposed final dividend	4,311	11,820	14,820	—	—
— Unappropriated retained earnings	80,838	80,459	61,261	20,765	32,642
	552,595	559,725	396,708	194,282	140,321
Minority interests	14,261	15,889	11,895	10,371	4,413
Total equity	566,856	575,614	408,603	204,653	144,734
LIABILITIES					
Current liabilities					
Trade and other payables	109,797	134,065	107,738	150,947	180,922
Current income tax liabilities	8,252	9,507	10,364	5,861	6,760
Dividend payable	—	—	—	—	92,348
Borrowings	56,509	57,809	96,160	100,000	60,000
	174,558	201,381	214,262	256,808	340,030
Total equity and liabilities	741,414	776,995	622,865	461,461	484,764
Net current assets	441,527	447,154	335,481	131,246	92,376
Total assets less current liabilities	566,856	575,614	408,603	204,653	144,734

FIVE-YEAR FINANCIAL SUMMARY *(continued)*

(All amounts in Renminbi thousand unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

	2007	2006	2005	2004	2003
Turnover	834,212	943,252	981,650	965,972	814,127
Cost of goods sold	(748,574)	(798,588)	(825,541)	(810,959)	(673,722)
Gross profit	85,638	144,664	156,109	155,013	140,405
Other income	8,149	11,593	14,790	5,243	7,207
Selling and marketing costs	(27,649)	(36,988)	(28,461)	(24,322)	(22,919)
Administrative expenses	(52,914)	(60,516)	(40,909)	(30,691)	(30,587)
Other gains/(losses) — net	1,114	432	(1,843)	—	—
Operating profit	14,338	59,185	99,686	105,243	94,106
Finance costs	(4,042)	(7,168)	(5,628)	(3,979)	(1,887)
Share of losses of associates and impairment charge	(3,808)	(872)	(2,418)	(1,373)	(26)
Profit before income tax	6,488	51,145	91,640	99,891	92,193
Income tax expenses	(346)	(7,848)	(11,513)	(12,590)	(12,088)
Profit for the year	6,142	43,297	80,127	87,301	80,105
Attributable to:					
Shareholders of the Company	4,690	42,426	78,603	86,225	77,480
Minority interests	1,452	871	1,524	1,076	2,625
	6,142	43,297	80,127	87,301	80,105
Basic and diluted earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	0.008	0.078	0.181	0.237	0.213
Dividends	4,311	18,108	31,460	92,275	69,000