2008
ANNUAL REPORT

JOLIMARK HOLDINGS LIMITED
映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2028

CONTENTS

Jolimark

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

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*

AUTHORISED REPRESENTATIVES

Au Kwok Lun
Li Ho Cheong

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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, the business environment in the People's Republic of China (the "PRC") was affected by the snow storm, Sichuan earthquake and global financial tsunami, the Company adopted tighter credit management policies and conducted inventories clearance activities so as to mitigate risks. These measures imposed adverse effect on the sales and gross profit of the products of the Group and the aggregate turnover decreased by approximately 26.4% compared to last year. The Company recorded a loss attributable to shareholders of the Company due to lower prices and the substantial decrease in gross profit as a result of intense market competition. However, the Group has ample cash in hand.

In 2008, the Group focused on research and development as well as market expansion, and launched various dot matrix printers of "Jolimark" brand, which gained wide acceptance in the market. With the expectation for the effective implementation of the economic policies by the PRC to stimulate domestic demand, it is anticipated that the Group can achieve improved sales results in 2009.

The management expects that the PRC government will devote additional efforts to stimulate domestic demand and continue to allocate more resources for investing in sectors such as taxation, education and medical care. This will bring opportunities to the Group for the development of its businesses in tax control registers, mini printers and invoice printers. The Group will strive to capture the excellent development opportunities and seek to obtain satisfactory return on the businesses for the shareholders.

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 longlasting, attractive returns to our shareholders.

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

Hong Kong, 20 April 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business review

Sales of Printer and Tax Control Equipment

During the year, the business environment in the PRC was affected by the snow storm, Sichuan earthquake and global financial tsunami, the sales of printer and tax control equipment of the Group in 2008 decreased by 42.6% from the previous year to approximately RMB300,530,000, representing approximately 49% of the turnover of the Group. The decrease in the gross margin of printer and tax control equipment was relatively higher, which was mainly due to the introduction of the sales policy of cash on delivery and the adoption of measures to dispose of outdated inventories. In the meantime, there had been a substantial fall in the price of comparable products in the market. The Company decreased the prices of its products which resulted in a substantial fall in the gross profit margin of the Company.

Sales of Projectors

The turnover of the projector business increased marginally by approximately 0.3% from last year to approximately RMB277,824,000, representing approximately 45% of the turnover of the Group. This was mainly due to the growth of the projector market in the PRC. Owing to the disposal of projectors inventories at a discount by the Group, the gross profit margin of projector business in the full year decreased from 9.9% of last year to 7.8%. As there is still uncertainty in the market during 2009, the Group expects that the turnover of its projector business in 2009 will decrease.

Sales of Other Electronic Products Manufacturing

The turnover of other electronic products manufactured by the Group increased by 6.6% from last year to approximately RMB35,631,000, representing approximately 6% of the turnover of the Group. The increase was mainly due to an increase in orders from certain customers. The Group's other electronic products manufacturing business mainly comprises opticalelectro-mechanical integrated products and the major customers are overseas small-middle enterprises. The Group was able to maintain a stable gross profit margin, which slightly decreased by 2.6% from last year to 19.8%.

Equity Investment

During the first half of the year, in view of the Group's cash position and taking into account the absence of any investment and acquisition plan in the near future, the Company invested approximately RMB30,000,000 in the stock market with an aim of seeking a better return for the interest of the shareholders through application of funds in an appropriate manner. However, the continued decline in the global equity market throughout 2008 led to losses of approximately RMB12,438,000 in our equity investment during the year.

Future prospects

The Company will place more emphasis to strengthen the research and development capability of new products under the "Jolimark" brand as well as focus on market expansion in the PRC in the future. The business with own brand in tax control registers, dot matrix printers, mini printers and projectors will become one of the core businesses of the Company. The branding, sales and the establishment of service network for the above products will be enhanced. This will pave the way for the above commercial equipment to occupy a leading position in the PRC market. With respect to the businesses of printers and tax control registers, the Company has its own core technologies. Moreover, as a reputable brand, the Group is fully optimistic of their prospects.

With respect to the markets of printers and tax control registers, the development strategy of the Group is to strengthen the development of new products under the "Jolimark" brand. Although the competition in the market for dot matrix printers is keen, it is expected that the sales of "Jolimark" brand products will enjoy a relatively better growth in 2009 with the Group's core technologies and cost advantages. During the second half of 2008, the Group launched a new series of products. They are expected to facilitate the Group in effectively enhancing its profit margin. With the special needs from the government, as well as industrial and commercial sectors in the PRC market, there is still a huge demand for dot matrix printers in the market. The input from the government in taxation, education and medical care have accelerated the growth of dot matrix printer in the market. The Group's dot matrix printers are widely applied for the printing of invoices, receipts and identification documents. They are targeted for application by industries such as commerce, retailing, medical care, communication, finance and education. By leveraging on its depth in technologies and service capabilities, the Group is developing towards the provision of printing solutions to its customers, which will continuously enhance the competitiveness and profitability of the Group in the printing aspect.

As to other electronic products manufacturing business, the Group mainly focuses on the manufacturing of opticalelectro-mechanical integrated products on OEM basis. The major customers are overseas small-medium enterprises. The Group will capitalize on its experiences, cost advantages as well as research and development capabilities in the manufacturing of opticalelectro-mechanical integrated products to strengthen its competitive advantages in this aspect of business and enhance its contribution to our operations.

The Group believes that, with the expectation for the effective implementation of the economic policies by the PRC to stimulate domestic demand, and the initiation of the "Golden Tax Project Phase III" in future, the development of the Group's business in printers and tax control register products is expected to be stable and will bring satisfactory return to the shareholders in future.

Financial review

The turnover of the Group for the year ended 31 December 2008 was approximately RMB613,985,000, decreased by approximately 26.4% from last year and gross margin decreased to approximately 6.7% from approximately 10.3 % of last year.

During the year, the Group recorded a loss attributable to shareholders of the Company of approximately RMB89,072,000 with a basic loss per share of RMB0.154. This was mainly attributed to:

(1) The PRC suffered from the effects of snow storms and Sichuan earthquake in the first half of 2008 and the effects of the global financial tsunami in the second half of the year, demand for the Group's product decreased, which resulted in a substantial decrease in sales;

(2) In 2008, the sales for certain products of the Group were mainly based on a cash on delivery strategy, and measures were adopted to dispose of outdated inventories. In the meantime, there had been a substantial fall in the price of comparable products in the market. The Company decreased the prices of its products which resulted in a substantial fall in the gross profit margin of the Company;

(3) Loss arising from equity investment;

(4) Provisions for bad debts and write-down of inventories.

In 2009, with the expectation of absence of factors (1) and (3) above, in addition to the previous year efforts made in working capital management from factors (2) and (4) above, the Group believes that we can achieve a better result in 2009.

Analysis on sales and gross profit

During the year, the turnover of printer and tax control equipment was still the largest contributor to the turnover of the Group, which amounted to approximately RMB300,530,000 and accounted for approximately 49% of total turnover of the Group whereas the turnover of projectors and other electronic products manufacturing amounted to approximately RMB277,824,000 and RMB35,631,000 and accounted for approximately 45% and 6% of the turnover of the Group respectively.

Comparing with 2007, turnover of printer and tax control equipment decreased by approximately 42.6% whereas turnover of projectors and other electronic products manufacturing increased by approximately 0.3% and 6.6% respectively.

With regard to gross profit margin, the gross profit margin of printer and tax control equipment, projectors and other electronic products manufacturing decreased to approximately 4.2%, 7.8% and 19.8% respectively, compared with 9.7%, 9.9% and 22.4% respectively of the last year.

	For the year ended 31 December 2008			For the year ended 31 December 2007		
	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	**300,530**	**12,680**	**4.2%**	523,753	50,688	9.7%
Projectors	**277,824**	**21,661**	**7.8%**	277,032	27,468	9.9%
Other electronic products manufacturing	**35,631**	**7,063**	**19.8%**	33,427	7,482	22.4%
Total	**613,985**	**41,404**	**6.7%**	834,212	85,638	10.3%

Capital expenditure

For the year ended 31 December 2008, capital expenditure amounted to approximately RMB10,825,000, which mainly comprised of purchase of properties, plant and equipment.

Liquidity and financial resources

As at 31 December 2008, the total assets of the Group amounted to approximately RMB569,907,000 (2007: RMB741,414,000), comprising shareholders' fund of approximately RMB448,642,000 (2007: RMB552,595,000), minority interests of approximately RMB13,884,000 (2007: RMB14,261,000) and current liabilities of approximately RMB107,381,000 (2007: RMB174,558,000). The current ratio of the Group was approximately 4.2 (2007: 3.5).

The financial position of the Group was sound. As at 31 December 2008, the cash and cash equivalents of the Group amounted to approximately RMB175,412,000 (2007: RMB160,895,000).

As at 31 December 2008, the bank loans of the Group amounted to approximately RMB7,161,000 (2007: RMB56,509,000), and the gearing ratio* was approximately 1.3% (2007: 7.6%). During the year, the Group had no assets held under finance leases.

* Gearing ratio = Borrowings/Total Assets

Contingent liabilities

As at 31 December 2008, the Group had no material contingent liabilities.

Staff

As at 31 December 2008, the Group had a workforce of 897, of which 11 were employed in Hong Kong and overseas, while the remaining were employed in the PRC. 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 2008 of HK1.7 cents per share to shareholders whose names appear on the register of members on Friday, 22 May 2009. The final dividend will be paid on Friday, 26 June 2009.

The register of members of the Company will be closed from 22 May 2009 to 25 May 2009, 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 21 May 2009.

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 of Hong Kong Limited (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 2008 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 2008, 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 auditor. The audit committee has reviewed the results announcement and Annual Report of the Company for the year ended 31 December 2008.

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 of the Executive Directors for the year ended 31 December 2008.

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 2008.

Principal activities and analysis of operations

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

An analysis on sales and gross profit for the year ended 31 December 2008 is set out in the Management Discussion & Analysis.

Results and appropriations

The results of the Group for the year ended 31 December 2008 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 HK1.7 cents per ordinary share (2007: HK0.8 cents) in respect of the year ended 31 December 2008.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 18 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 17 to the financial statements.

Distributable reserves

As at 31 December 2008, 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 RMB254,564,000.

Pre-emptive rights

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

Purchase, sale or redemption of the company's listed securities

During the year ended 31 December 2008, the Company purchased 20,000,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.55 to HK$0.64 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	**Number of shares repurchased**	**Purchase price per share Highest**	**Lowest**	**Aggregate purchase consideration (excluding charges)**
		HK$	HK$	HK$
January 2008	4,632,000	0.60	0.55	2,693,600
February 2008	8,292,000	0.64	0.55	4,942,140
March 2008	7,076,000	0.60	0.57	4,240,220
Total	20,000,000			11,875,960

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 ended 31 December 2008, there were a total of 1,066,000 share options granted to the employees of the Company, details of which are as follows:

Name	**Date of grant**	**Exercise price** HK$	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31.12.2008**	**Exercise period**
Employees — Type 1	3.7.2008	0.63 (Note 3)	566,000	—	—	**566,000**	Six years from the date of grant (Note 1)
Employees — Type 2	3.7.2008	0.63 (Note 3)	500,000	—	—	**500,000**	Six years from the date of grant (Note 2)
Total			1,066,000	—	—	**1,066,000**	

Notes:

1. The first 25% of the option can be exercised from the date of grant. The next 25% of the option will become exercisable on end of nine months after the date of grant. The third 25% of the option will become exercisable on end of 21 months after the date of grant. The remaining 25% of the option will become exercisable on end of 33 months after the date of grant.

2. The first 34% of the option can be exercised on end of 3 months after the date of grant. The next 33% of the option will become exercisable on end of 15 months after the date of grant. The remaining 33% of the option will become exercisable on end of 27 months after the date of grant.

3. The closing price immediately before the date of grant was HK$0.60.

4. Fair values of the options granted during the year are set out in Note 18 to the consolidated financial statements as included in this annual report.

5. The exercise price is determined by the Directors of the Company and was fixed at HK$0.63 per share.

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

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 Kwok Lun and Mr. Xu Guangmao 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 re-appointed for another three-year term on 13 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 and re-appointed for another three-year term on 13 June 2008. 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

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 26% 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 2008, 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)	374,325,533 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)

Notes:

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

2. 374,325,533 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 2008, 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 2008, 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	374,325,533(Note 2)	64.85%(L)
Tai Noi Kit	Kytronics	Interest in controlled corporation	374,325,533(Note 2)	64.85%(L)
Martin Currie (Holdings) Limited	Company	Interest in controlled corporation	40,264,000(Note 3)	6.98%(L)

Notes:

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

2. 374,325,533 Shares were owned by Kytronics. The issued share capital of Kytronics 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 40,264,000 shares were held by Martin Currie Inc. and Martin Currie Investment Management, both being companies wholly owned by Martin Currie Ltd which is wholly owned by Martin Currie (Holdings) Limited.

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 2008, 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	69%
— five largest suppliers combined	86%
Sales	
— the largest customer	45%
— five largest customers combined	63%

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

Connected transactions

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

	Note	**Amount** RMB'000
Continuing connected transactions		
(I) Leasing agreements	(i)	512
(II) Import and Export Agency Agreement with Jiangmen Kong Yue Information Product Import Export Limited ("KY Import/Export")		
(a) Handling fees for import services	(ii)	1,437
(b) Export sale amount	(ii)	4,884
(III) Supply agreements with Guangdong Precision	(iii)	11,716
(IV) Supply agreement with Guang Dong Jotech Kong Yue Precision Industries Limited ("Jiangmen Yida")	(iv)	5,782

Notes:

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

(1) Property leasing agreements between Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information") and Kong Yue Industrial Park (Xinhui) Limited ("Industrial Park");

(2) Dormitory leasing agreements between Industrial Park and Kongyue Information; and

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

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

(iii) 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.

(iv) 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

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

Subsequent events

There have been no material events which took place subsequent to 31 December 2008.

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 2008 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 22 May 2009 to 25 May 2009, 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 21 May 2009.

On behalf of the Board
Au Pak Yin
Chairman

Hong Kong, 20 April 2009

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Au Pak Yin, aged 62, 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 19 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 37, 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 10 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. Au Kwok Lun is the son of Mr. Au Pak Yin and the brother of Mr. Ou Guo Liang.

Mr. Ou Guo Liang, aged 33, the deputy general manager in sales of the Company, is responsible for distribution business in the PRC. He has over 10 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. Ou is the son of Mr. Au Pak Yin and the brother of Mr. Au Kwok Lun.

Independent non-executive directors

Mr. Lai Ming, Joseph, aged 64, 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.

Mr. Meng Yan, aged 53, 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 11 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 62, graduated in 1968 from the department of Tsinghua University majoring computer science. Mr. Xu has over 23 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 46, is the vice president and the general manager of production of the Group in development of printer products and the management of the entire production and manufacturing system. Mr. Liang graduated from Huazhong Polytechnic (華中工學院) (now known as Huazhong University of Science & Technology (華中科技大學). Mr. Liang has over 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 48, is the deputy general manager of overseas marketing of the Group responsible for daily administration of overseas marketing activities. 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 57, 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 49, is the vice president of the Group, director of business systems development and director of the president's office responsible for the business systems products development and the management of the administration department. 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 34, is the financial controller and company secretary of the Company. He is responsible for the financial management and company secretarial matters of the Group. Mr. Li has over 11 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 2008, 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 2008. The Board also confirmed receipt of annual confirmation letter from each of the Independent Non-Executive Director confirming his independence as at 31 December 2008.

Board of directors

As at 31 December 2008, 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. Mr. Au Kwok Lun and Mr. Ou Guo Liang is the son of Mr. Au Pak Yin. 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 2008, four board meetings were held and the attendance was as follows:

Name of Director	Attendance
Executive Director	
Mr. Au Pak Yin	4/4
Mr. Au Kwok Lun	4/4
Mr. Ou Guo Liang	4/4
Mr. Ng Shu Kai	4/4
Independent Non Executive Director	
Mr. Lai Ming, Joseph	4/4
Mr. Meng Yan	4/4
Mr. Xu Guangmao	4/4

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 re-appointed for another three-year term on 13 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. During the year ended 31 December 2008, RC had reviewed the remuneration policy and remuneration packages.

For the year ended 31 December 2008, the Remuneration Committee held two meetings. The individual attendance records of each member are as follow:

Name of Director	Attendance
Mr. Lai Ming, Joseph	2/2
Mr. Meng Yan	2/2
Mr. Xu Guangmao	2/2
Mr. Au Kwok Lun	2/2

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 2008, total fee of RMB1,500,000 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. The Company confirmed receipt of acknowledgement from all directors of their responsibility for preparing the accounts.

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 31 December 2008 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 2008, the Audit Committee reviewed the final results of 2007 and interim results of 2008 and discussed and approved financial and other reports for the year. Also, the Audit Committee met with the external auditor to 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

Independent Auditor's Report
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 2008, 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 2008 and of the Group's loss 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, 20 April 2009

BALANCE SHEETS

As at 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Group 31 December 2008	Group 31 December 2007	Company 31 December 2008	Company 31 December 2007
ASSETS					
Non-current assets					
Property, plant and equipment	6	**98,500**	99,851	**—**	—
Land use right	7	**10,900**	11,189	**—**	—
Intangible assets	8	**1,498**	1,681	**—**	—
Investments in subsidiaries	9	**—**	—	**211,830**	211,751
Interests in associates	10	**470**	5,199	**—**	—
Available-for-sale financial assets	12	**1,000**	1,000	**—**	—
Deferred income tax assets	21	**5,347**	6,409	**—**	—
		117,715	125,329	**211,830**	211,751
Current assets					
Inventories	13	**158,374**	191,195	**—**	—
Trade and other receivables	14	**114,951**	263,995	**153**	162
Amounts due from subsidiaries	14	**—**	—	**262,876**	291,896
Financial assets at fair value through profit or loss	15	**3,455**	—	**—**	—
Cash and cash equivalents	16	**175,412**	160,895	**108**	221
		452,192	616,085	**263,137**	292,279
Total assets		**569,907**	741,414	**474,967**	504,030
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	17	**271,226**	282,194	**271,226**	282,194
Other reserves	18	**190,036**	185,252	**211,867**	211,719
Retained earnings					
— Proposed final dividend		**—**	4,311	**—**	4,311
— (Accumulated losses)/retained earnings		**(12,620)**	80,838	**(10,547)**	3,385
		448,642	552,595	**472,546**	501,609
Minority interests		**13,884**	14,261	**—**	—
Total equity		**462,526**	566,856	**472,546**	501,609

BALANCE SHEETS (CONTINUED)

As at 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	**31 December 2008**	31 December 2007	**31 December 2008**	31 December 2007
LIABILITIES					
Current liabilities					
Trade and other payables	19	**100,028**	109,797	**2,421**	2,421
Current income tax liabilities		**192**	8,252	**—**	—
Borrowings	20	**7,161**	56,509	**—**	—
Total liabilities		**107,381**	174,558	**2,421**	2,421
Total equity and liabilities		**569,907**	741,414	**474,967**	504,030
Net current assets		**344,811**	441,527	**260,716**	289,858
Total assets less current liabilities		**462,526**	566,856	**472,546**	501,609

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 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2008	2007
Turnover	22	**613,985**	834,212
Cost of goods sold	24	**(572,581)**	(748,574)
Gross profit		**41,404**	85,638
Other income	23	**3,675**	8,149
Selling and marketing costs	24	**(60,978)**	(27,649)
Administrative expenses	24	**(56,609)**	(52,914)
Other (losses)/gains — net	26	**(15,492)**	1,114
Operating (loss)/profit		**(88,000)**	14,338
Finance income/(costs) — net	27	**1,164**	(4,042)
Share of losses of associates and impairment charge	10	**(4,729)**	(3,808)
(Loss)/profit before income tax		**(91,565)**	6,488
Income tax credit/(expenses)	28	**2,116**	(346)
(Loss)/profit for the year		**(89,449)**	6,142
Attributable to:			
Shareholders of the Company		**(89,072)**	4,690
Minority interests		**(377)**	1,452
		(89,449)	6,142
Basic and diluted (loss)/earnings per share for (loss)/profit attributable to shareholders of the Company during the year (expressed in Renminbi per share)	30	**(0.154)**	0.008
Dividends	31	**8,514**	4,311

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 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium note (17)	Other reserves note (18)	Retained earnings/ (accumulated losses)	Minority interests	Total
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	—	—	(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
Balance at 1 January 2008	282,194	185,252	85,149	14,261	566,856
Loss for the year	—	—	(89,072)	(377)	(89,449)
Transfer to the statutory reserve and enterprise expansion fund	—	4,636	(4,636)	—	—
Share option granted to employees	—	148	—	—	148
Re-purchase and cancellation shares of the Company	(10,968)	—	—	—	(10,968)
Final dividends for 2007	—	—	(4,061)	—	(4,061)
Balance at 31 December 2008	271,226	190,036	(12,620)	13,884	462,526

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 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2008	2007
Cash flows from operating activities			
Cash generated from operation	32	**91,644**	96,697
Income tax paid		**(4,882)**	(6,005)
Interest paid		**(2,730)**	(6,462)
Net cash generated from operating activities		**84,032**	84,230
Cash flows from investing activities			
Purchase of property, plant and equipment		**(10,062)**	(11,883)
Purchase of intangible assets		**—**	(540)
Disposal of available-for-sale financial assets		**—**	350
Acquisition of equity interests in a subsidiary from a minority interest		**—**	(2,170)
Interest received		**1,906**	563
Net cash used in investing activities		**(8,156)**	(13,680)
Cash flows from financing activities			
Re-purchase of shares of the Company		**(10,968)**	—
Contribution from a minority interest		**—**	1,355
Proceeds from borrowings		**113,496**	152,090
Repayments of borrowings		**(158,950)**	(150,970)
Dividend paid to shareholders of the Company		**(4,061)**	(11,820)
Net cash used in financing activities		**(60,483)**	(9,345)
Net increase in cash and cash equivalents		**15,393**	61,205
Cash and cash equivalents at beginning of the year		**160,895**	100,834
Exchange loss on cash and cash equivalents		**(876)**	(1,144)
Cash and cash equivalents at end of the year	16	**175,412**	160,895

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 and tax control equipment, projectors and other electronic products manufacturing.

(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 20 April 2009.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Company 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 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) Amendments and interpretations effective in 2008

- The HKAS 39, "Financial instruments: Recognition and measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met . The related amendment to HKFRS 7, "Financial instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements as the Group has not reclassified any financial assets.

- HK(IFRIC) - Int 11, "HKFRS 2 — Group and treasury share transactions", provides guidance on whether share-based payment 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 financial statements of the parent and group entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) 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 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- 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 (Revised) 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.

- HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) from 1 January 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

- HKFRS 2 (Amendment), "Share-based payment" (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009, but it is not expected to have a material impact on the Group's financial statements.

- HKFRS 3 (Revised), "Business combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) from 1 January 2010.

- 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.

- HKICPA's improvements to HKFRS published in October 2008

  > HKAS 1 (Amendment), "Presentation of financial statements" (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, "Financial instruments: Recognition and measurement" are examples of current assets and liabilities respectively. The Group will apply the HKAS 1 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

- HKICPA's improvements to HKFRS published in October 2008 (Continued)

> HKAS 19 (Amendment), "Employee benefits" (effective from 1 January 2009).

— The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

— The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

— The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

— HKAS 37, "Provisions, contingent liabilities and contingent assets" requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

The Group will apply the HKAS 19 (Amendment) from 1 January 2009.

> HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 "Financial instruments: Recognition and measurement". This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) 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.

> HKAS 28 (Amendment), "Investments in associates" (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

- HKICPA's improvements to HKFRS published in October 2008 (Continued)

  > HKAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

  > HKAS 38 (Amendment), "Intangible assets" (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the HKAS 38 (Amendment) from 1 January 2009.

  > HKFRS 5 (Amendment), "Non-current assets held for sale and discontinued operations" (and consequential amendment to HKFRS 1, "First-time adoption") (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) from 1 January 2010.

  > There are a number of minor amendments to HKFRS 7, "Financial instruments: Disclosures", HKAS 8, "Accounting policies, changes in accounting estimates and errors", HKAS 10, "Events after the balance sheet date", HKAS 18, "Revenue" and HKAS 34, "Interim financial reporting" which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

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 entities 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(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.

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 entities

The exchange differences arising from translation of results and financial position of group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Company are recognised as a separate component of equity.

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 entities 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.

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 arises (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, which are at least tested annually for impairment and 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.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 entity 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. 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.

2.15 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred income tax (Continued)

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.

(ii) Pension obligations

The Group participates in a number of defined contribution plans in the PRC and Hong Kong, the assets of which are generally administrated by the relevant authority of the PRC or held in separate trustee-administered funds in Hong Kong. The pension plans are generally funded by payments from employees and the relevant group entities. The Group pays contributions to the pension plans on a mandatory, 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.

2. Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

(iii) Share-based compensation

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

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

(iv) 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.

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.

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$, JPY, Euro or HK$. 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 2008, if RMB had weakened/strengthened by 10% against the US$ and HK$ with all other variables held constant, post-tax loss for the year would increase/decrease by RMB1,994,000 (2007: post-tax profit would decrease/increase by RMB3,741,000), 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 2008, the Group's borrowings of approximately RMB7,161,000 (2007: RMB56,509,000) are at variable rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 20.

At 31 December 2008, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, post-tax loss for the year would increase/decrease by RMB72,000 (2007: post-tax profit would decrease/increase by RMB497,000), 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.

(b) Credit risk

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.

(All amounts in Renminbi thousands unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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. As at 31 December 2008, 61% of trade receivables are due from three major customers of the Group (2007: 45%). 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.

An analysis of the financial liabilities of the Group and the Company by their maturity date is set out below. 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 2008	
Borrowings	7,209
Trade and other payables	94,820
	102,029
At 31 December 2007	
Borrowings	57,860
Trade and other payables	102,216
	160,076
Company	
At 31 December 2008	
Trade and other payables	2,421
At 31 December 2007	
Trade and other payables	2,421

(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 2008, the Group's strategy, which is unchanged from 2007, is to maintain a stable gearing ratio. The gearing ratios at 31 December 2008 and 2007 are as follows:

	2008	2007
Total borrowings (note 20)	7,161	56,509
Total assets	569,907	741,414
Gearing ratio	1.3%	7.6%

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 are prepared with reference to market conditions, as stated in note 10. It would change significantly as a result of changes in market conditions.

4. Critical accounting estimates and judgements (Continued)

(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 tax and deferred tax

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

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 are of the view that the presentation of geographical segment information is not meaningful since the Group's production is based in the PRC.

(All amounts in Renminbi thousands unless otherwise stated)

6. Property, plant and equipment — Group

	Buildings	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
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
Year ended 31 December 2008						
Opening net book amount	51,279	39,959	4,498	807	3,308	99,851
Additions	1,789	6,407	2,624	—	5	10,825
Disposals	—	(31)	(1)	(118)	—	(150)
Depreciation	(1,402)	(8,410)	(1,345)	(252)	(617)	(12,026)
Closing net book amount	51,666	37,925	5,776	437	2,696	98,500
At 31 December 2008						
Cost	56,651	98,992	13,120	1,455	6,094	176,312
Accumulated depreciation	(4,985)	(61,067)	(7,344)	(1,018)	(3,398)	(77,812)
Net book amount	51,666	37,925	5,776	437	2,696	98,500

(All amounts in Renminbi thousands unless otherwise stated)

6. Property, plant and equipment — Group (Continued)

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

	2008	2007
Cost of goods sold	7,807	10,054
Selling and marketing costs	478	695
Administrative expenses	3,741	3,299
	12,026	14,048
Add: change of depreciation capitalised in finished goods	—	(465)
	12,026	13,583

7. Land use right — Group

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
Year ended 31 December 2008	
Opening net book amount	11,189
Amortisation	(289)
Closing net book amount	10,900
At 31 December 2008	
Cost	11,550
Accumulated amortisation	(650)
Net book amount	10,900

(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 (2007: RMB289,000) is included in the cost of goods sold in the income statement.

8. Intangible assets — Group

	Trademark	Proprietary technology	Total
Year ended 31 December 2007			
Opening net book amount	1,742	1,277	3,019
Additions	—	540	540
Amortisation	(50)	(136)	(186)
Write-off	(1,692)	—	(1,692)
Closing net book amount	—	1,681	1,681
At 31 December 2007			
Cost	—	1,884	1,884
Accumulated amortisation	—	(203)	(203)
Net book amount	—	1,681	1,681
Year ended 31 December 2008			
Opening net book amount	—	1,681	1,681
Amortisation	—	(183)	(183)
Closing net book amount	—	1,498	1,498
At 31 December 2008			
Cost	—	1,884	1,884
Accumulated amortisation	—	(386)	(386)
Net book amount	—	1,498	1,498

Amortisation of RMB183,000 (2007: RMB186,000) is included in the cost of goods sold in the income statement.

(All amounts in Renminbi thousands unless otherwise stated)

9. Investments in subsidiaries — Company

	2008	2007
Investments in unlisted shares, at cost	**211,751**	211,751
Share option granted to employees of subsidiaries	**79**	—
	211,830	211,751

The following is a list of the principal subsidiaries at 31 December 2008:

Name	**Place of incorporation**	**Principal activities and place of operations**	**Particulars of issued share capital/ paid-in capital**	**Attributable equity interest held**
Directly held by the Company				
Ying Mei Investment Limited	The British Virgin Island (the "BVI")	Investment holdings/PRC	US$50,000	100%
Kong Yue Investment Limited	BVI	Investment holdings/PRC	US$50,000	100%
Visionic Investment Limited	BVI	Investment holdings/PRC	US$50,000	100%
Indirectly held by the Company				
Jolimark Technology Limited	Hong Kong	Investment holdings/PRC	HK$10,000	100%
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 Technology (Shanghai) Limited	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 the subsidiaries are limited liability companies.

(All amounts in Renminbi thousands unless otherwise stated)

10. Interests in associates — Group

	2008	2007
At 1 January	**5,199**	9,007
Share of losses of associates	**(996)**	(74)
Impairment charge	**(3,733)**	(3,734)
At 31 December	**470**	5,199

Interests in associates as at 31 December 2008 represent share of net assets in Beijing Stone Business Information Technology Ltd. ("Beijing Stone") of which Kongyue Information holds its 20% equity interests. Goodwill has been recognised for the excess of initial investment cost over the share of net assets in Beijing Stone. During the year, impairment provision of RMB3,733,000 (2007: RMB3,734,000) has been made to fully write off the carrying amount of goodwill based on management's assessment of recoverable amount of the investment.

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, its planned principal business activities are production and sales of tax control electronic cash registers ("ECRs") and it is a qualified manufacturer of tax control ECRs in the PRC. However, the sales of tax control ECRs were significant below management's budget since the establishment of Beijing Stone because the government has not fully implemented the tax control project which requires taxpayers to print tax invoices by tax control ECRs. Due to the significant uncertainty of implementation time table of tax control project, which is a critical assumption of cash flow projections of Beijing Stone, management has not taken into account for the contribution to sales from implementation of tax control project in cash flow projections. As a result, a full provision for impairment of goodwill has been made.

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
2008						
Beijing Stone	PRC	3,318	972	3,078	4,979	20%
Shanghai Liang Biao Business Appliances Limited	PRC	588	2,475	—	60	35%
		3,906	3,447	3,078	5,039	
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 2008			
Available-for-sale financial assets (note 12)	—	1,000	1,000
Trade and other receivables, excluding prepayments (note 14)	116,993	—	116,993
Financial assets at fair value through profit or loss (note 15)	3,455	—	3,455
Cash and cash equivalents (note 16)	175,412	—	175,412
Total	295,860	1,000	296,860
At 31 December 2007			
Available-for-sale financial assets (note 12)	—	1,000	1,000
Trade and other receivables, excluding prepayments (note 14)	230,541	—	230,541
Cash and cash equivalents (note 16)	160,895	—	160,895
Total	391,436	1,000	392,436

	Other financial liabilities
Liabilities as per consolidated balance sheet	
At 31 December 2008	
Borrowings (note 20)	7,161
Trade and other payables, excluding advances from customers (note 19)	94,820
Total	101,981
At 31 December 2007	
Borrowings (note 20)	56,509
Trade and other payables, excluding advances from customers (note 19)	102,216
Total	158,725

(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 2008	
Trade and other receivables (note 14)	153
Amounts due from subsidiaries (note 14)	262,876
Cash and cash equivalents (note 16)	108
Total	263,137
At 31 December 2007	
Trade and other receivables (note 14)	162
Amounts due from subsidiaries (note 14)	291,896
Cash and cash equivalents (note 16)	221
Total	292,279

	Other financial liabilities
Liabilities as per balance sheet	
At 31 December 2008	
Amounts due to subsidiaries (note 19)	2,350
Other payables (note 19)	71
Total	2,421
At 31 December 2007	
Amounts due to subsidiaries (note 19)	2,391
Other payables (note 19)	30
Total	2,421

(All amounts in Renminbi thousands unless otherwise stated)

12. Available-for-sale financial assets — Group

	2008	2007
Beginning of the year	**1,000**	1,050
Disposals	**—**	(50)
End of the year	**1,000**	1,000

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

None of the available-for-sale financial assets is impaired.

13. Inventories — Group

	2008	2007
Raw materials	**128,759**	131,497
Work in progress	**4,024**	7,967
Merchandise	**4,883**	17,681
Finished goods	**20,708**	34,050
	158,374	191,195

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB579,608,000 (2007: RMB753,417,000).

During the year, the write-down of inventory amounted to RMB5,727,000 (2007: RMB2,634,000) 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	
	2008	2007	**2008**	2007
Trade receivables				
— Third parties	**91,806**	197,107	**—**	—
— Related parties (note 34)	**6,944**	8,121	**—**	—
	98,750	205,228	**—**	—
Less: provision for impairment of receivables	**(22,681)**	(4,567)	**—**	—
Trade receivables — net	**76,069**	200,661	**—**	—
Prepayments				
— Third parties	**16,218**	30,897	**—**	—
— Related parties (note 34)	**4,421**	7,124	**—**	—
Other receivables				
— Third parties	**10,811**	14,552	**153**	162
— Associates	**819**	1,801	**—**	—
— Related parties (note 34)	**6,613**	8,960	**—**	—
Amounts due from subsidiaries (note (a))	**—**	—	**262,876**	291,896
	114,951	263,995	**263,029**	292,058

(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 2008, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	2008	2007
0–30 days	**54,293**	109,742
31–90 days	**7,538**	27,805
91–180 days	**2,656**	28,824
181–365 days	**1,599**	33,198
Over 365 days	**32,664**	5,659
	98,750	205,228

(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	
	2008	2007	**2008**	2007
RMB	**98,314**	245,361	**—**	—
US$	**13,075**	14,787	**—**	—
HK$	**—**	3,363	**263,029**	292,058
Other currencies	**3,562**	484	**—**	—
	114,951	263,995	**263,029**	292,058

As at 31 December 2008, trade receivables of RMB11,908,000 (2007: RMB34,290,000) are past due but not impaired, and trade receivables of RMB22,681,000 (2007: RMB4,567,000) are impaired. The ageing analysis of these trade receivables is as follows:

	Group	
	2008	2007
Past due but not impaired:		
181–365 days	**1,237**	32,486
Over 365 days	**10,671**	1,804
	11,908	34,290
Impaired:		
91–180 days	**326**	—
181–365 days	**362**	712
Over 365 days	**21,993**	3,855
	22,681	4,567

Trade receivables past due but not impaired relate to a number of customers without history of default. Trade receivables impaired are mainly due from some customers who are in unexpected difficult economic situations, and it was assessed that full amount of the receivables is not 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	
	2008	2007
Beginning of the year	**4,567**	6,288
Provision for receivable impairment	**19,764**	1,242
Bad debts write-off	**(1,650)**	(2,963)
End of the year	**22,681**	4,567

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

15. Financial assets at fair value through profit or loss — Group

	2008	2007
Listed securities		
— Equity securities — the PRC	**3,455**	—
Market value of listed securities	**3,455**	—

16. Cash and cash equivalents

	Group		Company	
	2008	2007	**2008**	2007
Cash at bank and in hand	**175,412**	160,895	**108**	221
Dominated in:				
RMB	**160,982**	137,769	**—**	—
US$	**13,335**	19,416	**—**	—
HK$	**727**	3,188	**108**	221
Other currencies	**368**	522	**—**	—
	175,412	160,895	**108**	221

16. Cash and cash equivalents (Continued)

Cash at bank and in hand are mainly deposited in 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.

17. 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 2008 and 31 December 2007	10,000,000,000	100,000			
Issued and fully paid					
At 1 January 2007 and 31 December 2007	597,210,000	5,972	6,299	275,895	282,194
At 1 January 2008	597,210,000	5,972	6,299	275,895	282,194
Repurchase and cancellation of the shares of the Company (note (a))	(20,000,000)	(200)	(184)	(10,784)	(10,968)
At 31 December 2008	577,210,000	5,772	6,115	265,111	271,226

(a) The Company repurchased 20,000,000 of its own shares through purchases on the Stock Exchange during the year ended 31 December 2008. The shares have been cancelled upon being repurchased. The total consideration inclusive of handling fee paid to acquire the shares amounted to approximately HK$11,942,000 (equivalent to RMB10,968,000).

(All amounts in Renminbi thousands unless otherwise stated)

18. Other reserves

(a) Group

	Merger reserve (note (i))	Statutory reserve and enterprise expansion fund (note (ii))	Share option reserve (note (iii))	Total
Balance at 1 January 2007 and 31 December 2007	136,904	48,348	—	185,252
Balance at 1 January 2008	136,904	48,348	—	185,252
Share option granted to employees	—	—	148	148
Transfer from retained earnings	—	4,636	—	4,636
Balance at 31 December 2008	136,904	52,984	148	190,036

(i) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange pursuant to the reorganisation undertaken by the Group in preparation of the listing of the shares of the Company on the 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 not less than 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 appropriations to the statutory reserve fund of sino-foreign joint venture enterprises are determined by the board of directors of the companies. 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.

In accordance with relevant rules and regulations in the PRC, the appropriation of 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.

(iii) Share options of 1,066,000 shares are granted to selected employees on 3 July 2008. The exercise price of the granted options at HK$0.63 per share is approximate to the average of the closing prices for the five business days immediately before the grant date. The options of 566,000 shares are averagely divided into four batches which are vested on grant date, in 9 months, 21 months and 33 months from the grant date, respectively; the options of 500,000 shares are averagely divided into three batches which are vested in 3 months, 15 months and 27 months from the grant date, respectively. All share options are expired in 6 years from the grant date. All the share options are outstanding as at 31 December 2008. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(All amounts in Renminbi thousands unless otherwise stated)

18. Other reserves (Continued)

(a) Group (Continued)

The fair value of options granted was RMB272,000 (equal to HK$310,000) determined using the "binomial valuation model", of which RMB148,000 was charged to the consolidated income statement for the year ended 31 December 2008.

(b) Company

	Merger reserve (note (i))	Share option reserve (note (a)(iii))	Total
Balance at 1 January 2007 and 31 December 2007	211,719	—	211,719
Balance at 1 January 2008	211,719	—	211,719
Share option granted to employees	—	148	148
Balance at 31 December 2008	211,719	148	211,867

(i) Merger reserve 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.

19. Trade and other payables

	Group		Company	
	2008	2007	**2008**	2007
Trade payables				
— Third parties	**75,074**	78,444	**—**	—
— Related parties (note 34)	**3,577**	3,366	**—**	—
	78,651	81,810	**—**	
Amounts due to subsidiaries	**—**	—	**2,350**	2,391
Other payables to third parties	**16,169**	20,406	**71**	30
Advances from customers	**5,208**	7,581	**—**	—
	100,028	109,797	**2,421**	2,421

(All amounts in Renminbi thousands unless otherwise stated)

19. Trade and other payables (Continued)

At 31 December 2008, the ageing analysis of the trade payables, include amounts due to related parties of trading in nature, are as follows:

	2008	2007
0–30 days	**35,231**	34,158
31–90 days	**38,064**	38,973
91–180 days	**3,959**	1,725
181–365 days	**440**	1,391
Over 365 days	**957**	5,563
	78,651	81,810

20. Borrowings — Group

	2008	2007
Bank borrowings		
— secured	**—**	10,957
— unsecured	**7,161**	45,552
	7,161	56,509

The effective interest rates of short-term borrowings at the balance sheet date were 4.25% per annum (2007: 6.86% per annum).

The exposure of the borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2008	2007
6 months or less	**7,161**	56,509

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

	2008	2007
US$	**7,161**	24,105
RMB	**—**	20,000
HK$	**—**	12,404
	7,161	56,509

(All amounts in Renminbi thousands unless otherwise stated)

20. Borrowings — Group (Continued)

The Group has the following undrawn borrowing facilities:

	2008	2007
Floating rate		
— expiring within one year	**28,115**	30,000

21. 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 2008, the Group had no deferred income tax liabilities. The deferred income tax assets are as follows:

	2008	2007
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	**5,347**	4,404
	5,347	6,409

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

	Provision for doubtful debts	Write-down of inventories	Tax losses	Total
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
Credited/(charged) to the income statement	1,388	(445)	(2,005)	(1,062)
At 31 December 2008	2,530	2,817	—	5,347

The Group did not recognise deferred income tax assets of approximately RMB7,270,000 (2007: RMB646,000) in respect of the tax losses amounting to approximately RMB56,249,000 (2007: RMB3,229,000).

(All amounts in Renminbi thousands unless otherwise stated)

22. Turnover

Turnover recognised during the year are as follows:

	2008	2007
Printer and tax control equipment	**300,530**	523,753
Projectors	**277,824**	277,032
Other electronic products manufacturing	**35,631**	33,427
	613,985	834,212

23. Other income

	2008	2007
Interest income	**1,906**	563
Tax refund on reinvestment	**—**	6,881
Subsidy income	**425**	—
Repair and maintenance service income — net	**1,344**	705
	3,675	8,149

24. Expenses by nature

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

	2008	2007
Depreciation for property, plant and equipment and amortisation of land use right and intangible assets (notes 6, 7 and 8)	**12,498**	14,523
Raw materials and consumables recognised in cost of goods sold and expenses	**411,616**	454,599
Cost of goods sold of distribution business	**146,760**	276,687
Write down of inventories	**5,727**	2,634
Provision for receivables impairment	**19,764**	1,242
Employee benefit expenses (note 25)	**36,064**	36,471
Operating leases — building	**1,730**	3,297
Research and development costs	**4,996**	5,724
Transportation expenses	**6,721**	7,217
Auditors' remuneration	**1,560**	1,542
Others	**42,732**	25,201
	690,168	829,137

(All amounts in Renminbi thousands unless otherwise stated)

25. Employee benefit expenses

	2008	2007
Wages and salaries	**30,258**	31,013
Share option granted to employees (note 18)	**148**	—
Staff welfare and insurance	**4,308**	4,015
Pension costs — defined contribution plans	**1,350**	1,443
	36,064	36,471

(a) Directors' and senior management's emoluments

The remuneration of directors of the Company for the year ended 31 December 2008 is set out below:

	Fees	Salaries	Bonus	Inducement fees	Other benefits	Contribution to pension scheme	Compensation for loss of office	Share options	Total
Mr. Au Pak Yin	214	488	—	—	—	11	—	—	713
Mr. Au Kwok Lun	214	577	—	—	458	11	—	—	1,260
Ms. Ou Guo Liang	214	221	—	—	301	11	—	—	747
Mr. Ng Shu Kai	214	192	—	—	—	11	—	—	417
Mr. Lai Ming, Joseph*	214	—	—	—	—	—	—	—	214
Mr. Meng Yan*	107	—	—	—	—	—	—	—	107
Mr. Xu Guangmao*	107	—	—	—	—	—	—	—	107
	1,284	1,478	—	—	759	44	—	—	3,565

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	Share options	Total
Mr. Au Pak Yin	233	545	—	—	—	12	—	—	790
Mr. Au Kwok Lun	233	549	—	—	444	12	—	—	1,238
Ms. Ou Guo Liang	233	253	—	—	223	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	1,544	—	—	667	38	—	—	3,648

* 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)

25. Employee benefit expenses (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2007: one) out of the five highest paid individuals during the year are as follows:

	2008	2007
Salaries and other benefits	**659**	506
Share options	**69**	—
Retirement scheme contributions	**—**	—
	728	506

The emoluments fell within the following bands:

	2008	2007
Nil to RMB1,000,000	**1**	1

26. Other (losses)/gains — net

	2008	2007
Net losses on financial assets at fair value through profit or loss	**(12,438)**	—
Net foreign exchange (losses)/gains	**(3,054)**	1,114
	(15,492)	1,114

27. Finance income/(costs) — net

	2008	2007
Interest expenses on bank borrowings	**(2,730)**	(6,462)
Exchange gains on bank borrowings	**3,894**	2,420
	1,164	(4,042)

(All amounts in Renminbi thousands unless otherwise stated)

28. Income tax credit/(expenses)

	2008	2007
Current income tax		
— Hong Kong profits tax	**—**	(328)
— PRC corporate income tax	**3,178**	(4,422)
	3,178	(4,750)
Deferred income tax	**(1,062)**	4,404
	2,116	(346)

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 entities as follows:

	2008	2007
(Loss)/profit before tax	**(91,565)**	6,488
Tax calculated at tax rates applicable to profits in the respective entities of the Group	**13,240**	(6,499)
Income tax exemption and reduction	**—**	4,959
Write-off of deferred income tax asset previously recognised for tax losses	**(2,005)**	—
Tax losses for which no deferred income tax asset was recognised	**(6,624)**	(257)
Tax effect of shares of results of associates and impairment charge	**(709)**	(457)
Expenses not deductible for tax purposes	**(24)**	(263)
Effect of change of income tax rate (note (b))	**(1,762)**	2,171
Tax credit/(expenses)	**2,116**	(346)

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 31 December 2008 (2007: 17.5%).

PRC corporate income tax

PRC corporate 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.

The Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") was effective from 1 January 2008, which unified the corporate income tax rate for domestic and foreign enterprises at 25%.

28. Income tax credit/(expenses) (Continued)

PRC corporate income tax (Continued)

(a) Pursuant to the grandfathering provisions provided in the new CIT Law, Kongyue Jolimark can continue to enjoy its tax holiday in 2008 and its effective corporate income tax rate of 2008 was 12% (2007: 12%).

(b) Kongyue Information was recognised as "High-Technology Enterprise" by government in 2008. Pursuant to the new CIT law, it can enjoy a preferential corporate income tax rate of 15% for the three years from 2008 to 2010. Deferred tax assets of Kongyue Information to be realised after 31 December 2008 has been adjusted to the amounts calculated basing on preferential corporate income tax rate of 15% with a debit to income tax of RMB1,762,000.

29. (Accumulated losses)/retained earnings of the Company

	2008	2007
As at 1 January	**7,696**	14,561
(Loss)/profit for the year	**(14,182)**	4,955
Dividends	**(4,061)**	(11,820)
As at 31 December	**(10,547)**	7,696

30. (Loss)/earnings per share

Basic

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

	2008	2007
(Loss)/profit attributable to shareholders of the Company	**(89,072)**	4,690
Weighted average number of ordinary shares in issue (thousands)	**579,804**	597,210
Basic (loss)/earnings per share (RMB per share)	**(0.154)**	0.008

(All amounts in Renminbi thousands unless otherwise stated)

30. (Loss)/earnings per share (Continued)

Diluted

Diluted (loss)/earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. As the exercise price of the share options is higher than the average annual market share price of the Company's shares in 2008, there is no potential dilutive impact of the share options during the year ended 31 December 2008.

31. Dividends

	2008	2007
Interim dividend (note (a))	**—**	—
Proposed final dividend (note (b))	**8,514**	4,311
	8,514	4,311

(a) At meetings held on 22 September 2008 and 18 September 2007 the directors of the Company determined that no interim dividend would be declared for the six months ended 30 June 2008 and 2007.

(b) At a meeting held on 20 April 2009, the directors of the Company proposed a final dividend of HK$0.017 per ordinary shares, totalling approximately HK$9,654,000 (equivalent to RMB8,514,000 translated at the exchange rate prevailing at 20 April 2009) out of share premium for the year ended 31 December 2008. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2009.

A final dividend in respect of 2007 of HK$0.008 per ordinary share, totalling approximately HK$4,778,000 (equivalent to RMB4,311,000) has been declared in the Company's Annual General Meeting on 23 May 2008 and paid in the year.

(All amounts in Renminbi thousands unless otherwise stated)

32. Cash flows from operating activities

	2008	2007
(Loss)/profit for the year	**(89,449)**	6,142
Adjustments for:		
— Income tax (credit)/expenses	**(2,116)**	346
— Depreciation of property, plant and equipment	**12,026**	14,048
— Amortisation of land use right and intangible assets	**472**	475
— Loss on disposal of property, plant and equipment	**150**	350
— Write-off of intangible asset	**—**	1,692
— Interest income	**(1,906)**	(563)
— Share options granted to employees	**148**	—
— Fair value gains on financial assets at fair value through profit or loss	**(285)**	—
— Finance (income)/costs	**(1,164)**	4,042
— Exchange losses on cash and cash equivalents	**876**	1,144
— Share of loss from associates and impairment charge	**4,729**	3,808
	(76,519)	31,484
Changes in working capital:		
— Inventories	**32,821**	51,750
— Trade and other receivables	**149,044**	39,996
— Financial assets at fair value through profit or loss	**(3,170)**	—
— Trade and other payables	**(10,532)**	(26,533)
Cash generated from operations	**91,644**	96,697

33. Commitments — Group

Operating lease commitments

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

	2008	2007
No later than 1 year	**1,325**	1,523
Later than 1 year and not later than 5 years	**1,179**	2,435
Later than 5 years	**—**	295
	2,504	4,253

34. Related-party transactions

(a) Name and relationship with related parties

Name	**Relationship**
Au Family	Beneficial owner of the Company including 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 Industry Limited ("Guangdong Precision")	Company under significant influence of Au Family
Jiangmen Kong Yue Information Product 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
Kong Yue Industrial Park (Xinhui) Limited ("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)

34. Related-party transactions (Continued)

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

		2008	2007
(i)	**Purchase of goods** (note (1))		
	— Guangdong Precision	**11,716**	13,807
	— Guangdong Zhongding	**5,768**	7,477
	— Jiangmen Yida	**5,782**	7,017
		23,266	28,301
(ii)	**Purchase of properties, plant and equipment** (note (1))		
	— Jiangmen Yida	**1,114**	74
(iii)	**Key management compensation (exclusive of directors' emoluments)**		
	— Salary and other short-tem employee benefits	**1,234**	1,431
	— Share options	**148**	—
		1,382	1,431
(iv)	**Other transactions**		
	Rental expenses due to		
	— Industrial Park (note (2))	**512**	495
	— Mr. Ou Guo Liang (note (3))	**—**	1,513
		512	2,008
	Handling fee due to		
	— KY Import/Export (note (4))	**1,694**	1,221

(All amounts in Renminbi thousands unless otherwise stated)

34. RELATED-PARTY TRANSACTIONS (CONTINUED)

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

	2008	2007
(v) Year-end balances		
Receivables from related parties (note 14)		
— KY Import/Export	**6,944**	8,121
— Industrial Park	**6,613**	8,960
— Guangdong Precision	**4,421**	7,124
	17,978	24,205
Payables to related parties (note 18)		
— Guangdong Zhongding	**2,448**	1,669
— Jiangmen Yida	**1,129**	1,697
	3,577	3,366

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 due to Industrial Park were related to lease of a staff dormitory in Kong Yue Industrial Park of which the rental charges were determined with reference to the prevailing market price.

(3) The rental agreement of office premise owned by Mr. Ou Guo Liang was terminated in November 2007, no rental expenses incurred for the year ended 31 December 2008.

(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.

35. ULTIMATE HOLDING COMPANY

The directors of the Company regard Kytronics Holdings Limited, a company incorporated in the British Virgin Islands, 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 2008	31 December 2007	31 December 2006	31 December 2005	31 December 2004
ASSETS					
Non-current assets					
Property, plant and equipment	**98,500**	99,851	101,901	57,836	55,917
Land use right	**10,900**	11,189	11,478	—	—
Intangible assets	**1,498**	1,681	3,019	1,842	1,942
Interest in associates	**470**	5,199	9,007	9,879	11,947
Available-for-sale financial assets	**1,000**	1,000	1,050	1,750	1,750
Deferred income tax assets	**5,347**	6,409	2,005	1,815	1,851
	117,715	125,329	128,460	73,122	73,407
Current assets					
Inventories	**158,374**	191,195	243,410	170,378	159,147
Trade and other receivables	**114,951**	263,995	304,291	266,524	189,956
Financial assets at fair value through profit or loss	**3,455**	—	—	—	—
Cash and cash equivalents	**175,412**	160,895	100,834	112,841	38,951
	452,192	616,085	648,535	549,743	388,054
Total assets	**569,907**	741,414	776,995	622,865	461,461
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	**271,226**	282,194	282,194	140,495	32
Other reserves	**190,036**	185,252	185,252	180,132	173,485
Retained earnings					
— Proposed final dividend	**—**	4,311	11,820	14,820	—
— (Accumulated losses)/ retained earnings	**(12,620)**	80,838	80,459	61,261	20,765
	448,642	552,595	559,725	396,708	194,282
Minority interests	**13,884**	14,261	15,889	11,895	10,371
Total equity	**462,526**	566,856	575,614	408,603	204,653
LIABILITIES					
Current liabilities					
Trade and other payables	**100,028**	109,797	134,065	107,738	150,947
Current income tax liabilities	**192**	8,252	9,507	10,364	5,861
Borrowings	**7,161**	56,509	57,809	96,160	100,000
	107,381	174,558	201,381	214,262	256,808
Total equity and liabilities	**569,907**	741,414	776,995	622,865	461,461
Net current assets	**344,811**	441,527	447,154	335,481	131,246
Total assets less current liabilities	**462,526**	566,856	575,614	408,603	204,653

(All amounts in Renminbi thousand unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

	2008	2007	2006	2005	2004
Turnover	**613,985**	834,212	943,252	981,650	965,972
Cost of goods sold	**(572,581)**	(748,574)	(798,588)	(825,541)	(810,959)
Gross profit	**41,404**	85,638	144,664	156,109	155,013
Other income	**3,675**	8,149	11,593	14,790	5,243
Selling and marketing costs	**(60,978)**	(27,649)	(36,988)	(28,461)	(24,322)
Administrative expenses	**(56,609)**	(52,914)	(60,516)	(40,909)	(30,691)
Other (losses)/gains — net	**(15,492)**	1,114	432	(1,843)	—
Operating (loss)/profit	**(88,000)**	14,338	59,185	99,686	105,243
Finance income/(costs) — net	**1,164**	(4,042)	(7,168)	(5,628)	(3,979)
Share of losses of associates and impairment charge	**(4,729)**	(3,808)	(872)	(2,418)	(1,373)
(Loss)/profit before income tax	**(91,565)**	6,488	51,145	91,640	99,891
Income tax credit/(expenses)	**2,116**	(346)	(7,848)	(11,513)	(12,590)
(Loss)/profit for the year	**(89,449)**	6,142	43,297	80,127	87,301
Attributable to:					
Shareholders of the Company	**(89,072)**	4,690	42,426	78,603	86,225
Minority interests	**(377)**	1,452	871	1,524	1,076
	(89,449)	6,142	43,297	80,127	87,301
Basic and diluted (loss)/earnings per share for (loss)/profit attributable to shareholders of the Company during the year (expressed in RMB per share)	**(0.154)**	0.008	0.078	0.181	0.237
Dividends	**8,514**	4,311	18,108	31,460	92,275