Jolimark Holdings Limited
映美控股有限公司

(Incorporated In The Cayman Islands With Limited Liability)

Stock Code: 2028

Jolimark

Annual Report

2009

Contents

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

Unit 01, 23A Floor
K. Wah Centre
191 Java 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
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

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

Stock code

2028

Website

www.jolimark.com

Chairman's Statement

To all shareholders,

During the year, the Group has focused on the research and development of new products and market expansion. The launch of several new models of dot matrix printers under the Jolimark brand has received positive feedback from the market. Although the total revenue of the Group for the year decreased by approximately 26% over the previous year due to the termination of the Group's business of distribution of printers of other manufacturers, our operation result have turned from a loss to profit attributable to shareholders of the Company of approximately RMB13,733,000 owing to the optimization of management structure and operations process, substantial cut in administrative expenses and sales and marketing costs, strong control over procurement costs of raw materials, and the launch of several new models of dot matrix printers under the Jolimark brand, which greatly boosted the sales and gross profit margin of our owned brands.

Looking into 2010, the Group will continue to focus on the research and development of new products under our own brand and market expansion. The management expects that with the People's Republic of China (the "PRC") government's efforts on stimulating domestic demand and continuous investment in sectors such as taxation, education and medical care, it will bring opportunities to the Group in its 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 from 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 long-lasting, attractive returns to our shareholders.

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

Hong Kong, 31 March 2010

Management's Discussion and Analysis

Business review

Printer and Tax Control Equipment Business

The revenue of printer and tax control equipment of the Group for the year of 2009 decreased by approximately 8% from previous year to approximately RMB276,601,000, representing approximately 61% of the revenue of the Group. The decrease in revenue was mainly attributable to termination of the Group's business of distribution of printers of other manufacturers. Although the revenue of printer and tax control equipment for the year decreased, the revenue of products under owned brand experienced a significant growth over the previous year. Meanwhile, lower prices for raw materials and higher margin on owned brand products have led to a significant increase in gross profit margin of printer and tax control equipment for the year as compared to the previous year.

Other Electronic Products Manufacturing Business

The revenue of other electronic products manufacturing business of the Group decreased by approximately 43% from the previous year to approximately RMB180,089,000, representing approximately 39% of the revenue of the Group. The decrease was mainly attributable to the decrease in client orders as a result of the financial tsunami. Gross profit margin for the year increased slightly by approximately 1% over the previous year.

Future business outlook

For the printer and tax control equipment business, owing to the policies of various regions, the promotion progress of the tax control electronic cash registers was not satisfactory. While concerning such business, the Group will emphasize on the development of its own branded dot matrix printer market this year, and will develop the printing equipment and solutions related to the application in the industries such as logistics, retail, finance, medicine and taxation, by using the advantages of its existing brand, sales channels, technologies and production. There is stable demand for dot matrix printers in the PRC, especially in the areas of taxation, medicine, finance and telecommunications. The Group will continue to maintain the efforts in this business, in particular the development of new products, brand-marketing and the invention of new applications. At the same time, it will also develop the electronic manufacturing services (EMS) business of other electronic products and explore the overseas markets for its own products. For the EMS business, as the Group focused on the small-to-medium customers overseas of optoelectronic mechanical integrated products, the competition is relatively less intense. The Group will strive to enhance the competitive edges and the scale of economy of such business. The Group believes that, with the effective implementation of the economic policies by the PRC to stimulate domestic demand, 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

Results Summary

In 2009, the Group recorded a revenue of approximately RMB456,690,000, decreased by approximately 26% from last year whereas gross profit margin increased to approximately 19.4% from approximately 6.7% last year. During the year, the Group recorded profit attributable to shareholders of the Company of approximately RMB13,733,000. The Group's turning losses into gains was mainly attributed to:

(1) significant growth in the revenue of own branded products, in addition to the decrease in raw materials prices, leading to a significant increase in the gross profit margin;

(2) the optimization of the management structure and the operations process, resulting in the decrease in the administrative expenses and selling and marketing costs;

(3) the sufficiency of cash of the Company which resulted in a decrease in finance costs; and

(4) the rebound of the stock market in the PRC during the first half of the year, leading to record a gain on financial assets at fair value during the year.

The profit attributable to the shareholders of the Company was approximately RMB13,733,000 and the basic earnings per share was RMB0.024 during the year, while the Group recorded a loss attributable to shareholders of approximately RMB89,072,000 and a basic loss per share of RMB0.154 in the previous year.

Analysis on sales and gross profit

During the year, the revenue of printer and tax control equipment was still the largest contributor to the revenue of the Group, which amounted to approximately RMB276,601,000 and accounted for approximately 61% of total revenue of the Group whereas the revenue of other electronic products manufacturing amounted to approximately RMB180,089,000 and accounted for approximately 39% of the revenue of the Group respectively.

Comparing with 2008, revenue of printer and tax control equipment decreased by approximately 8%, whereas revenue of other electronic products manufacturing decreased by approximately 43%.

With regard to gross profit margin, the Group's gross profit margin increased to approximately 19.4% compared with 6.7% of last year.

Capital expenditure

For the year ended 31 December 2009, capital expenditure amounted to approximately RMB4,207,000, which mainly comprised of purchase of properties, plant and equipment.

Liquidity and financial resources

As at 31 December 2009, the total assets of the Group amounted to approximately RMB545,860,000 (2008: RMB569,907,000), comprising shareholders' fund of approximately RMB452,694,000 (2008: RMB448,642,000), minority interests of approximately RMB15,407,000 (2008: RMB13,884,000) and current liabilities of approximately RMB77,759,000 (2008: RMB107,381,000). The current ratio of the Group was approximately 5.7 (2008: 4.2).

The financial position of the Group was sound. As at 31 December 2009, the cash and cash equivalents of the Group amounted to approximately RMB184,478,000 (2008: RMB175,412,000).

As at 31 December 2009, the Group had no bank loan (2008: RMB7,161,000). The gearing ratio* was approximately 1.3% as at 31 December 2008.

* Gearing ratio = Borrowings/Total Assets

Contingent liabilities

With reference to the announcement dated 11 February 2010, on 9 February 2010, the Group has received a civil summons from the First Beijing Intermediate Court in relation to an action (the "Application") filed by a supplier (the "Supplier") which alleged that certain of the Group's products infringed on the name rights of the Supplier and constituted unfair competition. The Supplier sought suspension of the use of such names in the products of the Group, and claimed damages in an aggregate amount of RMB24,300,000.

The Board of Directors of the Company (the "Board") considers that the Application is misconceived, groundless and without merit. The Company has sought legal advice in respect of the Application and resolved to oppose the same vigorously. Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2009.

Staff

As at 31 December 2009, the Group had a workforce of 848, of which 10 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 and special dividend and closure of register of members

The Board recommended a final dividend for 2009 of HK1.4 cents per share and a special dividend of HK5.4 cents per share to shareholders whose names appear on the register of members on Thursday, 13 May 2010. The final and special dividend will be paid on Friday, 25 June 2010.

The register of members of the Company will be closed from 13 May 2010 to 17 May 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final and special dividend and be entitled to attend and vote at the 2010 Annual General Meeting, 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, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 12 May 2010.

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 2009, the audit committee held two meetings to review the accounting standards and practices adopted by the Group and to discuss on matters regarding the internal control and financial reporting (including the interim and annual results before proposing them to the Board for approval) with the management and external auditor. The audit committee has reviewed the results announcement and the Annual Report of the Company for the year ended 31 December 2009.

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, Mr. Meng Yan and Mr. Xu Guangmao who are all Independent Non-Executive Directors and Mr. Au Kwok Lun (Chairman) 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 2009.

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 2009.

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 2009 is set out in the Management Discussion & Analysis.

Results and appropriations

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 27.

No interim dividend was paid by the Company. The directors of the Company now recommend a final dividend of HK1.4 cents per share (2008: HK1.7 cents) and a special dividend of HK5.4 cents per share (2008: Nil) in respect of the year ended 31 December 2009.

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 2009, 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 RMB239,674,000.

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 2009, the Company purchased 9,528,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.162 to HK$0.435 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$
February 2009	8,750,000	0.165	0.165	1,443,750
March 2009	554,000	0.185	0.162	90,898
December 2009	224,000*	0.435	0.425	97,260
Total	9,528,000			1,631,908

* Shares were cancelled in January 2010.

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.

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

Name	Date of grant	Exercise price HK$	Outstanding at 1.1.2009	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.12.2009	Exercise period
Employees — Type 1	3.7.2008	0.63 (Note 3)	566,000	—	—	266,000	**300,000**	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	—	—	266,000	**800,000**	

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. Ou Guo Liang and Mr. Lai Ming, Joseph 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 new service contracts of a three-year term entered into 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 17 to page 18.

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 required to contribute 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 2009, 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 2009, 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 2009, 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)	65.91%(L)
Tai Noi Kit	Kytronics	Interest in controlled corporation	374,325,533 (Note 2)	65.91%(L)
Martin Currie (Holdings) Limited	Company	Interest in controlled corporation	40,264,000 (Note 3)	7.09%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	39,878,000 (Note 4)	7.02%(L)
Credit Suisse Group	Company	Interest in controlled corporation	28,532,000 (Note 5)	5.02%(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 Ms. Tai Noi Kit ("Ms. Tai") and her spouse Mr. Au. Ms. Tai 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.

4. The 39,878,000 shares were held by Kent C. McCarthy Revocable Trust and Jayhawk Private Equity Fund II. L.P., both being companies wholly owned by Kent C McCarthy.

5. The 28,532,000 shares were held through wholly owned subsidiaries of Credit Suisse Group. By virtue of the SFO, Credit Suisse Group was deemed to have interest in the shares held by its wholly owned subsidiaries.

Saved as disclosed above, the Directors and the Chief Executive of the Company are not aware of any person (other than a Director or Chief Executive of the Company) who, as at 31 December 2009, 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	32%
— five largest suppliers combined	50%
Sales	
— the largest customer	29%
— five largest customers combined	48%

In the Group's five largest suppliers, it included Guangdong Kong Yue Zhongding Rubber Component Limited 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)	385
(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)	1,684
	(b) Export sale amount	(ii)	3,698
(III)	Supply agreements with Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision")	(iii)	12,235
(IV)	Supply agreement with Guang Dong Jotech Kong Yue Precision Industries Limited ("Jiangmen Yida")	(iv)	9,532

Notes:

(i) Leasing agreement entered into between the connected party as landlord and the Group company as tenant represents dormitory leasing agreement between Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information") and Kong Yue Industrial Park (Xinhui) Limited ("Industrial Park");

(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) Jiangmen Kong Yue Jolimark Information Technology Limited ("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 2009.

Subsequent events

Save as disclosed in the section of contingent liabilities, there have been no material events which took place subsequent to 31 December 2009.

Model code for securities transactions by directors

The Company had adopted the Model Code for Securities Transactions by Directors of 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 2009 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 13 May 2010 to 17 May 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final and special dividend and be entitled to attend and vote at the 2010 AGM, 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 12 May 2010.

On behalf of the Board
Au Pak Yin
Chairman

Hong Kong, 31 March 2010

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Au Pak Yin, aged 64, 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 24 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 38, 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 12 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, member in the Executive Committee of Jiangmen Division, Pearl River Delta Industries Committee, Hong Kong Federation of Industries, and CEO Fellow of the Institute for Enterprise CEO Club under the Hong Kong Polytechnic University. 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 34, the deputy general manager in sales of the Company, is responsible for distribution business in the PRC. He has over 12 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 65, 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 and Independent Non-Executive Directors of Chen's Holdings Limited and Sheng Fung Company Limited (成豐有限公司).

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 63, graduated in 1968 from the department of Tsinghua University majoring computer science. Mr. Xu has over 29 years of experience in computer and peripheral equipment development and research positions. He has also been a director of Beijing CCID information 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 47, is the vice president and the general manager of the Group's information equipment business division. He is responsible for the development of printer products and the overall management of the after-sales services 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 14 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 49, is the Project Administration Director for the Group's EMS Project. He is responsible for the administration of EMS projects. 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 17 years of experience in production management of SMT. Before joining the Group, Mr. Sng has worked for Richgold Industries Pte Limited in Singapore. Mr. Sng joined the Group in December 1998.

Mr. Rao Zi Neng, aged 50, 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 14 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 35, 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 12 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 2009, 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 2009. The Board also confirmed receipt of annual confirmation letter from each of the Independent Non-Executive Director confirming his independence as at 31 December 2009.

Board of directors

As at 31 December 2009, the Board comprises three Executive Directors, being Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang and three Independent Non-Executive Directors, being 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 17 to 18 of the annual report.

During the year ended 31 December 2009, 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
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"), previously 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 2009, RC had reviewed the remuneration policy and remuneration packages. The RC also appointed Mr. Au Kwok Lun as the new chairman of RC during the year.

For the year ended 31 December 2009, the Remuneration Committee held two meetings. The individual attendance records of each member are as follow:

Name of Director	Attendance
Mr. Au Kwok Lun (Chairman of RC)	2/2
Mr. Lai Ming, Joseph	2/2
Mr. Meng Yan	2/2
Mr. Xu Guangmao	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 2009, total fee of RMB1,178,000 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.

Two meetings were convened by the Audit Committee during the year ended 31 December 2009 and the attendance list is as follows:

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

During the year ended 31 December 2009, the Audit Committee reviewed the final results of 2008 and interim results of 2009 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.

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

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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 25 to 78, which comprise the consolidated and company balance sheets as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, 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 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2010

Balance Sheets

As at 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Group 2009	Group 2008	Company 2009	Company 2008
ASSETS					
Non-current assets					
Property, plant and equipment	6	**89,470**	98,500	**—**	—
Land use right	7	**10,611**	10,900	**—**	—
Intangible assets	8	**936**	1,498	**—**	—
Investments in subsidiaries	9	**—**	—	**211,878**	211,830
Interests in associates	10	**179**	470	**—**	—
Available-for-sale financial assets	12	**500**	1,000	**—**	—
Deferred income tax assets	21	**4,264**	5,347	**—**	—
		105,960	117,715	**211,878**	211,830
Current assets					
Inventories	13	**159,532**	158,374	**—**	—
Trade and other receivables	14	**74,100**	114,951	**128**	153
Amounts due from subsidiaries	14	**—**	—	**245,534**	262,876
Financial assets at fair value through profit or loss	15	**21,790**	3,455	**—**	—
Cash and cash equivalents	16	**184,478**	175,412	**2,598**	108
		439,900	452,192	**248,260**	263,137
Total assets		**545,860**	569,907	**460,138**	474,967
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	17	**261,455**	271,226	**261,455**	271,226
Other reserves	18	**191,704**	190,036	**211,957**	211,867
Accumulated losses		**(465)**	(12,620)	**(15,750)**	(10,547)
		452,694	448,642	**457,662**	472,546
Minority interests		**15,407**	13,884	**—**	—
Total equity		**468,101**	462,526	**457,662**	472,546

As at 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	2009	2008	2009	2008
LIABILITIES					
Current liabilities					
Trade and other payables	19	77,652	100,028	2,476	2,421
Current income tax liabilities		107	192	—	—
Borrowings	20	—	7,161	—	—
Total liabilities		77,759	107,381	2,476	2,421
Total equity and liabilities		545,860	569,907	460,138	474,967
Net current assets		362,141	344,811	245,784	260,716
Total assets less current liabilities		468,101	462,526	457,662	472,546

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

The notes on pages 31 to 78 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2009	2008
Revenue	5	**456,690**	613,985
Cost of goods sold	23	**(368,221)**	(572,581)
Gross profit		**88,469**	41,404
Other income	22	**7,136**	3,675
Selling and marketing costs	23	**(30,677)**	(60,978)
Administrative expenses	23	**(48,320)**	(56,609)
Other gains/(losses) — net	25	**2,782**	(15,492)
Operating profit/(loss)		**19,390**	(88,000)
Finance (costs)/income — net	26	**(210)**	1,164
Share of losses of associates and impairment charge	10	**(291)**	(4,729)
Profit/(loss) before income tax		**18,889**	(91,565)
Income tax (expenses)/credit	27	**(3,633)**	2,116
Profit/(loss) for the year		**15,256**	(89,449)
Attributable to:			
Shareholders of the Company		**13,733**	(89,072)
Minority interests		**1,523**	(377)
		15,256	(89,449)
Basic and diluted earning/(loss) per share for profit/(loss) attributable to shareholders of the Company during the year (expressed in Renminbi per share)	29	**0.024**	(0.154)
Dividend	30	**33,480**	8,329

The notes on pages 31 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

	2009	2008
Profit/(loss) for the year	**15,256**	(89,449)
Other comprehensive income for the year	—	—
Total comprehensive income for the year	**15,256**	(89,449)
Attributable to:		
Shareholders of the Company	**13,733**	(89,072)
Minority interests	**1,523**	(377)
	15,256	(89,449)

The notes pages 31 to 78 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009
(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 2008	282,194	185,252	85,149	14,261	566,856
Loss for the year	—	—	(89,072)	(377)	(89,449)
Other comprehensive income for the year	—	—	—	—	—
Transfer to the statutory reserve and enterprise expansion fund	—	4,636	(4,636)	—	—
Share option granted to employees	—	148	—	—	148
Re-purchase and cancellation of 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
Balance at 1 January 2009	**271,226**	**190,036**	**(12,620)**	**13,884**	**462,526**
Profit for the year	**—**	**—**	**13,733**	**1,523**	**15,256**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**
Transfer to the statutory reserve and enterprise expansion fund	**—**	**1,578**	**(1,578)**	**—**	**—**
Share option granted to employees	**—**	**90**	**—**	**—**	**90**
Re-purchase of shares of the Company	**(1,442)**	**—**	**—**	**—**	**(1,442)**
Final dividends for 2008 (note 30(b))	**(8,329)**	**—**	**—**	**—**	**(8,329)**
Balance at 31 December 2009	**261,455**	**191,704**	**(465)**	**15,407**	**468,101**

The notes on pages 31 to 78 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2009	2008
Cash flows from operating activities			
Cash generated from operation	31	31,043	91,644
Income tax paid		(2,635)	(4,882)
Interest paid		(238)	(2,730)
Net cash generated from operating activities		28,170	84,032
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,207)	(10,062)
Interest received		2,041	1,906
Net cash used in investing activities		(2,166)	(8,156)
Cash flows from financing activities			
Re-purchase of shares of the Company		(1,442)	(10,968)
Proceeds from borrowings		—	113,496
Repayments of borrowings		(7,133)	(158,950)
Dividend paid to shareholders of the Company		(8,329)	(4,061)
Net cash used in financing activities		(16,904)	(60,483)
Net increase in cash and cash equivalents		9,100	15,393
Cash and cash equivalents at beginning of the year		175,412	160,895
Exchange loss on cash and cash equivalents		(34)	(876)
Cash and cash equivalents at end of the year	16	184,478	175,412

The notes on pages 31 to 78 are an integral part of these consolidated financial statements.

(All amounts in Renminbi thousands unless otherwise stated)

1. General information

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

(b) The Company and its subsidiaries (the "Group") is a provider of business equipment and tax control equipment based in the People's Republic of China (the "PRC"). The Group's principal activities are manufacture and sale of printers, tax control equipment 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 (the "Board") on 31 March 2010.

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, as modified by the revaluation of financial assets at fair value through profit or loss.

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.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following amended HKFRSs as of 1 January 2009:

- HKAS 1 (revised), "Presentation of financial statements" (effective from 1 January 2009). The revised standard requires "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

The Group has elected to present two statements: a consolidated income statement and a consolidated statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

- 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 is removed. The amendment does not have material impact on the Group's consolidated financial statements, because the Group is already applying the capitalisation option on the borrowing costs for qualifying assets.

- 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 amendment does not have material impact on the Group's consolidated financial statements because the Group is already applying the effective interest method on the borrowing costs.

- Amendment to HKFRS 7, "Financial instruments: disclosures" (effective from 1 January 2009). The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group has adopted this amendment in 2009 and made the required disclosure in the Group's consolidated financial statements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has adopted HKFRS 8 in 2009. Operating segments are now reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM").

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(a) ***New and amended standards adopted by the Group (Continued)***

- HKAS 2 (amendment), "Share-based payment". 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. This amendment does not have a material impact on the Group's financial statements.

- 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 amendment does not have material impact on the Group's consolidated financial statements.

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

The following standards and amendments to existing standards, which are relevant to the Group's business, have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods, but the Group has not early adopted them. It is not expected to have a material impact on the Group's or the Company's financial statements when applying the following standards and amendments.

- HKAS 27 (revised) "Consolidated and separate financial statements" (effective for annual period beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with minority interest 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 income statement.

- HKAS 1 (amendment) "Presentation of financial statements" (effective for annual period beginning on or after 1 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- HKAS 7 "Classification of expenditures on unrecognised assets" (effective for annual period beginning on or after 1 January 2010). Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

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

- HKAS 17 "Classification of leases of land and buildings" (effective for annual period beginning on or after 1 January 2010). Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of HKAS 17.

- HKFRS 9 "Financial Instruments" (effective for annual period beginning on or after 1 January 2013). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost, which is determined at initial recognition basing on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

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. Unrealised losses are also 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).

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *Consolidation (Continued)*

(b) Associates (Continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

(c) Transactions with minority interests

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

2.3 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and senior management of the Group that make strategic decisions.

2.4 *Foreign currency translation*

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates 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.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance (cost)/income — net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains/(losses) — net".

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. When the property, plant and equipment is acquired through transfers of equity instruments of the group 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	Lower of lease term or estimated useful life of 2–5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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 considered as prepaid operating lease and is recorded as land use rights in the balance sheet. Land use rights with specific term are recognised as an expense on a straight-line basis over the unexpired period of the rights.

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 acquired subsidiary or associate 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.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(a) Goodwill (Continued)

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) Proprietary technology

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

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but 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.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets as the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. 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) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(b) 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" and "cash and cash equivalents" in the balance sheet.

(c) 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.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 *Financial assets (Continued)*

2.9.2 Recognition and measurement

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. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loan and receivables are subsequently carried at amortised cost using the effective interest method. 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 within other income when the Group's right to receive payments is established.

Gains or losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are presented in the income statement within "other gains/(losses) — net" in the period in which they arise.

Changes in fair value of available-for-sale financial assets are recognised in other comprehensive income. 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 labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 *Trade and other receivables*

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

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of income taxes), is deducted from 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 tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 *Current and deferred income tax (Continued)*

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 and associates, 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*

(a) 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.

(b) Pension obligations

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

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

The contributions are recognised as employee benefit 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.

(c) Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets) and any non vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity reassesses its estimates the number of options that are expected to vest, and recognises the impact of the revision of original estimates, if any, in the consolidated 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.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 *Employee benefits (Continued)*

(c) Share-based compensation (Continued)

The grant by the Company of options over its equity instruments to the employees of subsidiaries of the Group is treated as capital contribution. The fair value of employee services received, measured by reference to the fair value of the options granted, is recognised over the vesting period as an increase to investment in subsidiary, with a corresponding credit to equity.

2.17 *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.

2.18 *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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group based its estimates on historical results, taking into consideration the type of customers, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are 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.

(All amounts in Renminbi thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

(d) Incentive subsidy

Incentive subsidy is recognised as income of the period in which it is reasonably assured that the subsidy will be received and the Group will comply with the conditions attaching to those (if any) 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, cash flow, interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US$"), Japanese Yen ("JPY"), Euro and Hong Kong dollars ("HK$"). The Group's businesses are principally conducted in RMB, except for import of certain raw materials and machinery from overseas suppliers and sales of goods to overseas customers that are conducted in US$, JPY, Euro or HK$. Given the amounts of import of goods are larger than export sales and the general expectations of 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 2009, if RMB had weakened/strengthened by 1% against the US$ and HK$ with all other variables held constant, post-tax profit for the year would decrease/increase by RMB36,000 (2008: if RMB had weakened/strengthened by 10% against the US$ and HK$ with all other variables held constant, post-tax loss would increase/decrease by RMB1,994,000), which is mainly attributable to net result of foreign exchange gains/losses on translation of US$ and HK$ denominated trade receivables, cash and cash equivalents, borrowings and trade payables.

(ii) Interest rate risk

The Group's major interest-bearing assets are cash and cash equivalents. The maturity term of cash and cash equivalents is within 12 months so there would be no significant interest rate risk for these financial assets.

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

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale financial assets or financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversified its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

If the market price of the listed equity securities had been 10% higher/lower with all other variables held constant, post-tax profit for the year would increase/decrease by RMB1,852,000 (2008: if the market price of the listed equity securities had been 10% higher/lower with all other variables held constant, post-tax loss would decrease/increase by RMB294,000) as a result of the changes in the listed equity securities.

The carrying amounts of available-for-sale financial assets represent the Group's maximum exposure to price risk.

(b) Credit risk

The carrying amount of cash and cash equivalents and trade and other receivables represent the Group's maximum exposure to credit risk at the reporting date in relation to financial assets. The Group does not hold any collateral as security.

The cash and cash equivalents of the Group are deposited in those financial institutions without significant credit risk, most of which are state-controlled commercial banks with no history of non-performance. Management do not expect any losses from non-performance by these finance institutions.

Credit risk related to trade and other receivables is the risk that the receivables cannot be collected on the due date. As at 31 December 2009, 39% of trade receivables are due from three major customers of the Group (2008: 61%). 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.

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by arranging banking facilities; the Company aims to maintain flexibility by settlement of amounts due from subsidiaries.

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows of the financial liabilities.

	Less than one year
Group	
At 31 December 2009	
Trade and other payables, excluding advances from customers	70,534
At 31 December 2008	
Borrowings	7,209
Trade and other payables, excluding advances from customers	94,820
	102,029
Company	
At 31 December 2009	
Trade and other payables	2,476
At 31 December 2008	
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 2009, the Group's strategy, which is unchanged from 2008, is to maintain a stable gearing ratio. The gearing ratios at 31 December 2009 and 2008 are as follows:

	2009	2008
Total borrowings (note 20)	**—**	7,161
Total assets	**545,860**	569,907
Gearing ratio	**—**	1.3%

Decrease in the gearing ratio during 2009 resulted primarily from the repayments of borrowings.

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is , as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial assets at fair value through profit or loss of the Group are measured at fair value in level 1 as at 31 December 2009. The financial assets at fair value through profit or loss of the Group are traded in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets at fair value through profit or loss held by the Group is the current bid price.

The carrying amounts less impairment provision of trade and other receivable and the carrying amounts of trade and other payables approximate their fair values due to their short term nature.

(All amounts in Renminbi thousands unless otherwise stated)

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) Net realisable value of inventories

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

(b) Provision for impairment of trade and other receivables

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

(c) Income tax and deferred tax

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

(d) Financial implication of pending litigation

The Group has received a civil summons, whereby the plaintiff has claimed damages from the Group (the "Application"). As at the date of approval of these consolidated financial statements, the result of the Application resolution process is not yet available. Management's estimation of the impact of the Application is based on the interpretation of laws and regulations and evaluation of the evidences available to defend the Application, and is subject to change in the different process of the lawsuit. Where the estimation is significantly changed or the final outcome of the Application is different from management's estimation, the provision for damages, if any, will impact the net income in the period in which such determination is made.

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION

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

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

The CODM assesses the performances of the operating segments based on a measure of segment revenue and segment results. Segment results excludes other income, administrative expenses, other gains/(losses), finance (costs)/income and income tax (expenses)/credit, which are centrally managed for the Group. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

Total segment assets exclude deferred income taxes, financial assets at fair value through profit and loss, cash and cash equivalents and other assets shared by all segments, which are managed on a central basis.

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2009 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	276,601	180,089	456,690
Segment results	39,014	17,987	57,001
Other income			7,136
Administrative expenses			(48,320)
Other gains, excluding impairment loss of available-for-sale financial assets			3,282
Finance costs — net			(210)
Income tax expenses			(3,633)
Profit for the year			15,256
Segment results include:			
Impairment loss of available-for-sale financial assets	(500)	—	(500)
Share of losses of associates	(291)	—	(291)
Depreciation, amortisation and impairment charge	(5,170)	(4,797)	(9,967)

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

The segment revenue and results and the reconciliation with loss for the year ended 31 December 2008 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	300,530	313,455	613,985
Segment results	(53,027)	28,724	(24,303)
Other income			3,675
Administrative expenses			(56,609)
Other losses — net			(15,492)
Finance income — net			1,164
Income tax credit			2,116
Loss for the year			(89,449)
Segment results include:			
Share of losses of associates and impairment charge	(4,729)	—	(4,729)
Depreciation and amortisation charge	(5,832)	(2,925)	(8,757)

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

The segment assets and the reconciliation with total assets as at 31 December 2009 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Segment assets	193,384	45,535	238,919
Unallocated assets			
Property, plant and equipment and land use right (note (b))			77,480
Deferred income tax assets			4,264
Other receivables			18,929
Financial assets at fair value through profit and loss			21,790
Cash and cash equivalents			184,478
			306,941
Total assets			545,860
Segment assets include:			
Investments in associates	179	—	179
Additions of property, plant and equipment during the year ended 31 December 2009	3,963	—	3,963

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

The segment assets and the reconciliation with total assets as at 31 December 2008 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Segment assets	193,205	90,088	283,293
Unallocated assets			
Property, plant and equipment and land use right (note (b))			84,157
Deferred income tax assets			5,347
Other receivables			18,243
Financial assets at fair value through profit or loss			3,455
Cash and cash equivalents			175,412
			286,614
Total assets			569,907
Segment assets include:			
Investments in associates	470	—	470
Additions of property, plant and equipment during the year ended 31 December 2008	5,611	796	6,407

(a) *Revenues from external customers are for sales of goods. There is no inter-segment sales for the years ended 31 December 2009 and 2008.*

(b) *Amounts represent the portion of the property, plant and equipment and land use right that are shared by all segments.*

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

	2009	2008
In the PRC	**398,246**	531,179
In other countries	**58,444**	82,806
	456,690	613,985

As at 31 December 2009 and 2008, non-current assets, other than deferred tax assets, are mainly located in the PRC.

In 2009, revenue of approximately RMB130,491,000 (2008: RMB274,911,000) are derived from a single external customer, which revenue is attributable to the segment of other electronic products manufacturing.

(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
At 1 January 2008						
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
Year ended 31 December 2009						
Opening net book amount	51,666	37,925	5,776	437	2,696	98,500
Additions	14	3,963	230	—	—	4,207
Disposals	—	(151)	(57)	(8)	—	(216)
Depreciation	(1,449)	(9,554)	(1,278)	(195)	(545)	(13,021)
Closing net book amount	50,231	32,183	4,671	234	2,151	89,470
At 31 December 2009						
Cost	56,665	102,632	13,052	1,335	6,094	179,778
Accumulated depreciation	(6,434)	(70,449)	(8,381)	(1,101)	(3,943)	(90,308)
Net book amount	50,231	32,183	4,671	234	2,151	89,470

(All amounts in Renminbi thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT — GROUP (CONTINUED)

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

	2009	2008
Cost of goods sold	8,389	7,807
Selling and marketing costs	727	478
Administrative expenses	3,905	3,741
	13,021	12,026

7. LAND USE RIGHT — GROUP

At 1 January 2008	
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
Year ended 31 December 2009	
Opening net book amount	10,900
Amortisation	(289)
Closing net book amount	10,611
At 31 December 2009	
Cost	11,550
Accumulated amortisation	(939)
Net book amount	10,611

(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, with remaining useful life of 36.7 years (2008: 37.7 years).

Amortisation of RMB289,000 (2008: RMB289,000) is included in the cost of goods sold in the consolidated income statement.

8. INTANGIBLE ASSETS — GROUP

	Proprietary technology
At 1 January 2008	
Cost	1,884
Accumulated amortisation	(203)
Net book amount	1,681
Year ended 31 December 2008	
Opening net book amount	1,681
Amortisation	(183)
Closing net book amount	1,498
At 31 December 2008	
Cost	1,884
Accumulated amortisation	(386)
Net book amount	1,498
Year ended 31 December 2009	
Opening net book amount	1,498
Amortisation	(184)
Impairment charge	(378)
Closing net book amount	936
At 31 December 2009	
Cost	1,884
Accumulated amortisation	(570)
Impairment charge	(378)
Net book amount	936

Amortisation of RMB184,000 (2008: RMB183,000) is included in the cost of goods sold in the consolidated income statement.

(All amounts in Renminbi thousands unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES — COMPANY

	2009	2008
Investments in unlisted shares, at cost	**211,751**	211,751
Share option granted to employees of subsidiaries	**127**	79
	211,878	211,830

The following is a list of the principal subsidiaries at 31 December 2009:

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	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

	2009	2008
Balance at 1 January	**470**	5,199
Share of losses of associates	**(291)**	(996)
Impairment charge	**—**	(3,733)
Balance at 31 December	**179**	470

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
2009						
Beijing Stone Business Information Technology Ltd.	PRC	1,732	842	2,344	1,456	20%
Shanghai Liang Biao Business Appliances Limited	PRC	588	2,475	—	—	35%
		2,320	3,317	2,344	1,456	
2008						
Beijing Stone Business Information Technology Ltd.	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	

(All amounts in Renminbi thousands unless otherwise stated)

11. FINANCIAL INSTRUMENTS BY CATEGORIES — GROUP AND COMPANY

Group

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale	Total
Assets as per consolidated balance sheet				
At 31 December 2009				
Available-for-sale financial assets (note 12)	—	—	500	500
Trade and other receivables, excluding prepayments (note 14)	—	60,937	—	60,937
Financial assets at fair value through profit or loss (note 15)	21,790	—	—	21,790
Cash and cash equivalents (note 16)	—	184,478	—	184,478
	21,790	245,415	500	267,705
At 31 December 2008				
Available-for-sale financial assets (note 12)	—	—	1,000	1,000
Trade and other receivables, excluding prepayments (note 14)	—	94,312	—	94,312
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
	3,455	269,724	1,000	274,179

	Other financial liabilities
Liabilities as per consolidated balance sheet	
At 31 December 2009	
Trade and other payables, excluding advances from customers (note 19)	70,534
At 31 December 2008	
Borrowings (note 20)	7,161
Trade and other payables, excluding advances from customers (note 19)	94,820
	101,981

(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 2009	
Trade and other receivables (note 14)	128
Amounts due from subsidiaries (note 14)	245,534
Cash and cash equivalents (note 16)	2,598
	248,260
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
	263,137

	Other financial liabilities
Liabilities as per balance sheet	
At 31 December 2009	
Amounts due to subsidiaries (note 19)	2,449
Other payables (note 19)	27
	2,476
At 31 December 2008	
Amounts due to subsidiaries (note 19)	2,350
Other payables (note 19)	71
	2,421

(All amounts in Renminbi thousands unless otherwise stated)

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2009	2008
Beginning of the year	**1,000**	1,000
Impairment charge	**(500)**	—
End of the year	**500**	1,000

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

13. INVENTORIES — GROUP

	2009	2008
Raw materials	**133,275**	128,759
Work in progress	**2,540**	4,024
Merchandise	**881**	4,883
Finished goods	**22,836**	20,708
	159,532	158,374

The cost of inventories recognised in the consolidated income statement amounted to RMB374,494,000 (2008: RMB579,608,000).

During the year, there is no write-down of inventory (2008: RMB5,727,000, which has been included in cost of goods sold in the consolidated income statement).

(All amounts in Renminbi thousands unless otherwise stated)

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
Trade receivables				
— Third parties	**39,544**	91,806	**—**	—
— Related parties (note 34)	**8,341**	6,944	**—**	—
	47,885	98,750	**—**	—
Less: provision for impairment of receivables	**(5,877)**	(22,681)	**—**	—
Trade receivables — net	**42,008**	76,069	**—**	—
Prepayments				
— Third parties	**9,896**	16,218	**—**	—
— Related parties (note 34)	**3,267**	4,421	**—**	—
Other receivables				
— Third parties	**12,612**	10,811	**128**	153
— Amounts due from associates	**178**	819	**—**	—
— Related parties (note 34)	**6,139**	6,613	**—**	—
Amounts due from subsidiaries (note (a))	**—**	—	**245,534**	262,876
	74,100	114,951	**245,662**	263,029

(a) *Amounts due from subsidiaries were unsecured, interest free and repayable 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 2009, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	2009	2008
0–30 days	**22,341**	54,293
31–90 days	**16,179**	7,538
91–180 days	**1,097**	2,656
181–365 days	**511**	1,599
Over 365 days	**7,757**	32,664
	47,885	98,750

(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	
	2009	2008	**2009**	2008
RMB	**56,101**	98,314	**—**	—
US$	**16,478**	13,075	**—**	—
HK$	**204**	—	**245,662**	263,029
Other currencies	**1,317**	3,562	**—**	—
	74,100	114,951	**245,662**	263,029

The Group assesses impairment of trade receivables mainly basing on their aging.

The credit quality of trade receivables within credit limit are assessed by reference to historical information about counterparty default rates. As at 31 December 2009, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 31 December 2009, trade receivables of RMB2,461,000 (2008: RMB11,908,000) are past due but not impaired, trade receivables of RMB5,877,000 (2008: RMB22,681,000) are impaired. The ageing analysis of these trade receivables is as follows:

	Group	
	2009	2008
Past due but not impaired:		
181–365 days	**428**	1,237
Over 365 days	**2,033**	10,671
	2,461	11,908
Impaired:		
91–180 days	**70**	326
181–365 days	**83**	362
Over 365 days	**5,724**	21,993
	5,877	22,681

Trade receivables past due but not impaired relate to a number of customers with no recent history of default. Trade receivables impaired are mainly due from certain customers who are in unexpected difficult economic situations, 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	
	2009	2008
Balance at 1 January	**22,681**	4,567
Provision for receivable impairment during the year	**6,433**	19,764
Unused amounts reversed as the receivables are collected during the year	**(396)**	—
Receivables written off as uncollectable during the year	**(22,841)**	(1,650)
Balance at 31 December	**5,877**	22,681

The other receivables do not contain impaired assets.

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

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	2009	2008
Listed equity securities in the PRC — stated at market value	**21,790**	3,455

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

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains/(losses) — net" in the consolidated income statement (note 25).

The fair value of all equity securities is based on their current bid prices in an active market.

(All amounts in Renminbi thousands unless otherwise stated)

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
Cash at bank and in hand	**181,922**	175,412	**42**	108
Cash deposits in a financial institution	**2,556**	—	**2,556**	—
	184,478	175,412	**2,598**	108
Dominated in:				
RMB	**170,376**	160,982	**—**	—
US$	**8,136**	13,335	**—**	—
HK$	**4,372**	727	**2,598**	108
Other currencies	**1,594**	368	**—**	—
	184,478	175,412	**2,598**	108

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

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

(All amounts in Renminbi thousands unless otherwise stated)

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					
Balance at 31 December 2009 and 2008	10,000,000,000	100,000			
Issued and fully paid					
Balance 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)
Balance at 31 December 2008	577,210,000	5,772	6,115	265,111	271,226
Balance at 1 January 2009	577,210,000	5,772	6,115	265,111	271,226
Repurchase of the shares of the Company (note(a))	(9,528,000)	(95)	(84)	(1,358)	(1,442)
Final dividends for 2008 (note 30(b))	—	—	—	(8,329)	(8,329)
Balance at 31 December 2009	567,682,000	5,677	6,031	255,424	261,455

(a) The Company repurchased 9,528,000 (2008: 20,000,000) own shares through purchases on the Stock Exchange during the year ended 31 December 2009 of which 9,304,000 (2008: 20,000,000) shares have been cancelled upon being repurchased and 224,000 (2008: nil) shares have been cancelled in January 2010. The total consideration inclusive of handling fee paid to acquire the shares amounted to approximately HK$1,636,000 (equivalent to RMB1,442,000) (2008: 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 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
Balance at 1 January 2009	136,904	52,984	148	190,036
Share option granted to employees	—	—	90	90
Transfer from retained earnings	—	1,578	—	1,578
Balance at 31 December 2009	136,904	54,562	238	191,704

(i) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange pursuant to the reorganisation undertaken by the Group in preparation of the listing of the shares of the Company on the Stock Exchange which has been set out in the Prospectus of the Company dated 20 June 2005 (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 the registered capital of the companies; 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 accumulated losses brought forward from prior years or to increase the capital of the companies.

(All amounts in Renminbi thousands unless otherwise stated)

18. OTHER RESERVES (CONTINUED)

(a) Group (Continued)

(ii) *(Continued)*

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 production scale of the companies upon approval by the relevant authority.

(iii) Share options of 1,066,000 shares were granted to selected employees on 3 July 2008. The exercise price of the options is HK$0.63 per share, which approximates 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. Share options of 266,000 shares are forfeited in 2009 (2008: nil). All share options would expire in 6 years from the grant date. All the share options are outstanding as at 31 December 2009 and 2008. Share options of 485,000 shares were exercisable as at 31 December 2009 (2008: 311,500). The Group has no legal or constructive obligation to re-purchase or settle the options in cash.

The fair value of options granted was RMB272,000 (equivalent to HK$310,000) determined using the "binomial valuation model", of which RMB90,000 was charged to the consolidated income statement for the year ended 31 December 2009 (2008: RMB148,000).

(b) Company

	Merger reserve (note (i))	**Share option reserve** (note (a)(iii))	**Total**
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
Balance at 1 January 2009	211,719	148	211,867
Share option granted to employees	—	90	90
Balance at 31 December 2009	211,719	238	211,957

(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 during the Reorganisation.

(All amounts in Renminbi thousands unless otherwise stated)

19. Trade and other payables

	Group		Company	
	2009	2008	**2009**	2008
Trade payables				
— Third parties	**38,979**	75,074	**—**	—
— Related parties (note 34)	**5,677**	3,577	**—**	—
	44,656	78,651		
Amounts due to subsidiaries	**—**	—	**2,449**	2,350
Other payables to third parties	**25,878**	16,169	**27**	71
Advances from customers	**7,118**	5,208	**—**	—
	77,652	100,028	**2,476**	2,421

At 31 December 2009, the ageing analysis of the trade payables, including amounts due to related parties of trading nature, are as follows:

	2009	2008
0–30 days	**18,286**	35,231
31–90 days	**9,502**	38,064
91–180 days	**11,431**	3,959
181–365 days	**3,788**	440
Over 365 days	**1,649**	957
	44,656	78,651

20. Borrowings — Group

	2009	2008
Bank borrowings — unsecured	**—**	7,161

The effective interest rates of short-term borrowings at 31 December 2008 were 4.25% per annum. The fair value of borrowings equals their carrying amounts as at 31 December 2008, as the impact of discounting is not significant.

(All amounts in Renminbi thousands unless otherwise stated)

20. BORROWINGS — GROUP (CONTINUED)

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

	2009	2008
6 months or less	—	7,161

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

	2009	2008
US$	—	7,161

The Group has the following undrawn borrowing facilities:

	2009	2008
Floating rate		
— expiring within one year	—	28,115

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 2009, the Group had no deferred income tax liabilities. The deferred income tax assets are as follows:

	2009	2008
Deferred tax assets:		
— Deferred tax assets to be recovered within 12 months	—	—
— Deferred tax assets to be recovered after more than 12 months	**4,264**	5,347
	4,264	5,347

(All amounts in Renminbi thousands unless otherwise stated)

21. DEFERRED INCOME TAX — GROUP (CONTINUED)

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

	Provision for doubtful debts	Write-down of inventories	Tax losses	Others	Total
Balance at 1 January 2008	1,142	3,262	2,005	—	6,409
Credited/(charged) to the consolidated income statement	1,388	(445)	(2,005)	—	(1,062)
Balance at 31 December 2008	2,530	2,817	—	—	5,347
Balance at 1 January 2009	2,530	2,817	—	—	5,347
(Charged)/credited to the consolidated income statement	(502)	(759)	—	178	(1,083)
Balance at 31 December 2009	2,028	2,058	—	178	4,264

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB9,762,000 (2008: RMB7,270,000) in respect of the tax losses amounting to approximately RMB44,003,000 (2008: RMB31,202,000) included in which tax losses of RMB22,977,000 and RMB11,603,000 will expire in 2013 and 2014, respectively.

22. OTHER INCOME

	2009	2008
Interest income	**2,465**	1,906
Subsidy income (note (a))	**3,218**	425
Repair and maintenance service income — net	**1,453**	1,344
	7,136	3,675

(a) The subsidy income represents funds provided by government as incentive for research and development of new products.

(All amounts in Renminbi thousands unless otherwise stated)

23. EXPENSES BY NATURE

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

	2009	2008
Depreciation for property, plant and equipment, amortisation of land use right, and amortisation and impairment charge of intangible assets (notes 6, 7 and 8)	13,872	12,498
Raw materials and consumables recognised in cost of goods sold and expenses	338,418	411,616
Cost of goods sold of distribution business	16,259	146,760
Write down of inventories	—	5,727
Provision for impairment of receivables	6,037	19,764
Employee benefit expenses (note 24)	34,903	36,064
Operating leases — building	1,548	1,730
Transportation expenses	5,373	6,721
Auditors' remuneration	1,251	1,560
Others	29,557	47,728
	447,218	690,168

24. EMPLOYEE BENEFIT EXPENSES

	2009	2008
Wages and salaries	28,882	30,258
Share option granted to employees (note 18(a)(iii))	90	148
Staff welfare and insurance	4,190	4,308
Pension costs — defined contribution plans	1,741	1,350
	34,903	36,064

(All amounts in Renminbi thousands unless otherwise stated)

24. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) *Emoluments of directors and senior management*

The remuneration of directors of the Company for the year ended 31 December 2009 is set out below:

	Fees	Salaries	Bonus	Inducement fees	Other benefits	Contribution to pension scheme	Compen-sation for loss of office	Share options	Total
Mr. Au Pak Yin	211	470	—	—	—	11	—	—	692
Mr. Au Kwok Lun	211	555	—	—	376	11	—	—	1,153
Mr. Ou Guo Liang	211	229	—	—	301	11	—	—	752
Mr. Ng Shu Kai**	—	138	—	—	—	1	—	—	139
Mr. Lai Ming, Joseph*	211	—	—	—	—	—	—	—	211
Mr. Meng Yan*	106	—	—	—	—	—	—	—	106
Mr. Xu Guangmao*	106	—	—	—	—	—	—	—	106
	1,056	1,392	—	—	677	34	—	—	3,159

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	Compen-sation 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
Mr. 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

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

** Mr. Ng Shu Kai was retired from the director of the Company in the year.

(All amounts in Renminbi thousands unless otherwise stated)

24. EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the year include three (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: one) out of the five highest paid individuals during the year are as follows:

	2009	2008
Salaries and other benefits	1,244	659
Share options	42	69
Retirement scheme contributions	—	—
	1,286	728

The emoluments fell within the following bands:

	2009	2008
Nil to RMB1,000,000	2	1

25. OTHER GAINS/(LOSSES) — NET

	2009	2008
Gains/(losses) on financial assets at fair value through profit or loss — net	4,017	(12,438)
Impairment loss of available-for-sale financial assets	(500)	—
Foreign exchange losses — net	(735)	(3,054)
	2,782	(15,492)

(All amounts in Renminbi thousands unless otherwise stated)

26. Finance (costs)/income — net

	2009	2008
Interest expenses on bank borrowings	**(238)**	(2,730)
Exchange gains on bank borrowings	**28**	3,894
	(210)	1,164

27. Income tax (expenses)/credit

	2009	2008
Current income tax		
— Hong Kong profits tax	**(253)**	—
— PRC corporate income tax	**(2,297)**	3,178
	(2,550)	3,178
Deferred income tax	**(1,083)**	(1,062)
	(3,633)	2,116

The income tax on the Group's profit before taxation differs from the theoretical amount that would arise using the enacted tax rate of the home countries of the group entities as follows:

	2009	2008
Profit/(loss) before tax	**18,889**	(91,565)
Tax calculated at tax rates applicable to profits in the respective entities of the Group	**(1,022)**	13,240
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	**(2,492)**	(6,624)
Tax effect of shares of results of associates and impairment charge	**(44)**	(709)
Expenses not deductible for tax purposes	**(75)**	(24)
Effect of change of income tax rate	**—**	(1,762)
Income tax (expenses)/credit	**(3,633)**	2,116

(All amounts in Renminbi thousands unless otherwise stated)

27. INCOME TAX (EXPENSES)/CREDIT (CONTINUED)

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 31 December 2009 (2008: 16.5%).

PRC corporate income tax

The main business of the Group is conducted in the PRC and the major subsidiary of the Group is Kongyue Information, which is a foreign investment company based in Xinhui, the PRC. Corporate income tax of Kongyue Information is provided on the basis of its profit for statutory financial reporting purposes, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. The effective corporate income tax rate of Kongyue Information is 15% for the year ended 31 December 2009 (2008: 15%). The effective corporate income tax rate of other group entities in the PRC is 25% (2008: 25%).

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, withholding income tax of 10% shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. All dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax. As at 31 December 2009, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries (2008: nil), because the Group does not have a plan to distribute earnings from its PRC subsidiaries generated in the period after 1 January 2008 to 31 December 2009 in the foreseeable future.

Overseas income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2003 Revision) of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Subsidiaries of the Company in the BVI are incorporated under the International Business Companies Act of the BVI and, accordingly, are exempted from income tax in BVI.

28. ACCUMULATED LOSSES OF THE COMPANY

	2009	2008
Balance at 1 January	**(10,547)**	7,696
Loss for the year	**(5,203)**	(14,182)
Dividends	**—**	(4,061)
Balance at 31 December	**(15,750)**	(10,547)

(All amounts in Renminbi thousands unless otherwise stated)

29. EARNING/(LOSS) PER SHARE

Basic

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

	2009	2008
Profit/(loss) attributable to shareholders of the Company	**13,733**	(89,072)
Weighted average number of ordinary shares in issue (thousands)	**569,391**	579,804
Basic earning/(loss) per share (RMB per share)	**0.024**	(0.154)

Diluted

Diluted earning/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. As the exercise price of the share options is higher than the average annual market price of the Company's shares in 2009 and 2008, there is no potential dilutive impact of the share options during the year ended 31 December 2009 and 2008.

30. DIVIDENDS

	2009	2008
Interim dividend (note (a))	**—**	—
Proposed final dividend (note (b))	**6,892**	8,329
Proposed special dividend (note (b))	**26,588**	—
	33,480	8,329

(a) At meetings held on 16 September 2009 and 22 September 2008 the directors of the Company determined that no interim dividend would be declared for the six months ended 30 June 2009 and 2008, respectively.

(b) At a meeting held on 31 March 2010, the directors of the Company proposed a final dividend of HK0.014 per ordinary share and a special dividend of HK$0.054 per ordinary share, totalling approximately HK$38,045,000 (equivalent to RMB33,480,000 translated at the exchange rate prevailing at 31 March 2010) out of share premium for the year ended 31 December 2009. 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 2010.

A final dividend in respect of 2008 of HK$0.017 per ordinary share, totalling approximately HK$9,471,000 (equivalent to RMB8,329,000) has been declared out of share premium in the Company's Annual General Meeting on 26 May 2009 and paid in the year.

(All amounts in Renminbi thousands unless otherwise stated)

31. CASH GENERATED FROM OPERATION

	2009	2008
Profit/(loss) for the year	**15,256**	(89,449)
Adjustments for:		
— Income tax expenses/(credit)	**3,633**	(2,116)
— Depreciation of property, plant and equipment	**13,021**	12,026
— Amortisation of land use right	**289**	289
— Amortisation of intangible assets	**184**	183
— Loss on disposal of property, plant and equipment	**216**	150
— Impairment loss of intangible assets	**378**	—
— Interest income	**(2,465)**	(1,906)
— Share options granted to employees	**90**	148
— Finance costs/(income) — net	**210**	(1,164)
— Exchange losses on cash and cash equivalents	**34**	876
— Impairment loss of available-for-sale financial assets	**500**	—
— Share of loss from associates and impairment charge	**291**	4,729
	31,637	(76,234)
Changes in working capital:		
— Inventories	**(1,158)**	32,821
— Trade and other receivables	**41,275**	149,044
— Financial assets at fair value through profit or loss	**(18,335)**	(3,455)
— Trade and other payables	**(22,376)**	(10,532)
Cash generated from operations	**31,043**	91,644

32. CONTINGENCIES — GROUP

On 9 February 2010, the Group has received a civil summons from the First Beijing Intermediate Court in relation to an action (the "Application") filed by a supplier (the "Supplier") which alleged that the Group's certain products infringed on the name rights of the Supplier's products and constituted unfair competition. The Supplier sought suspension of the use of the products of the Group, and claimed damages in an aggregate amount of RMB24,300,000.

The Board considers that the Application is misconceived, groundless and without merit. The Company has sought legal advice in respect of the Application and resolved to oppose the same vigorously. As at the date of approval of these consolidated financial statements, the result of the Application resolution process is not yet available. No damages have been provided for in these consolidated financial statements. If the Group fails the Application, the Group may be required to pay damages to the Supplier, of which the amount is subject to Application resolution.

(All amounts in Renminbi thousands unless otherwise stated)

33. COMMITMENTS — GROUP

Operating lease commitments

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

	2009	2008
No later than 1 year	**1,003**	1,325
Later than 1 year and not later than 5 years	**65**	1,179
	1,068	2,504

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 Products Import Export Limited ("KY Import/Export")	Company directly controlled by Jiangmen Kongyue Information Technology Limited (company beneficially owned by Mr. Ou Guo Liang and Close Au Family Members) and Close Au Family Members
Kong Yue Industrial Park (Xinhui) Limited ("Industrial Park")	Company beneficially owned by Mr. Au Pak Yin and Close Au Family Members
Guangdong Kong Yue Zhongding Rubber Component Limited ("Guangdong Zhongding")	Company under significant influence of Au Family
Guang Dong Jotech Kong Yue Yida 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:

		2009	2008
(i)	**Purchase of goods** (note (1))		
	— Guangdong Precision	**12,235**	11,716
	— Guangdong Zhongding	**14,593**	5,768
	— Jiangmen Yida	**9,532**	5,782
		36,360	23,266
(ii)	**Purchase of properties, plant and equipment** (note (1))		
	— Jiangmen Yida	**300**	1,114
(iii)	**Key management compensation (exclusive of directors' emoluments)**		
	— Salary and other short-term employee benefits	**1,833**	1,234
	— Share options	**90**	148
		1,923	1,382
(iv)	**Other transactions**		
	Rental expenses due to		
	— Industrial Park (note (2))	**385**	512
	Handling fee due to		
	— KY Import/Export (note (3))	**1,881**	1,694
(v)	**Year-end balances**		
	Trade and other receivables from related parties (note 14)		
	— KY Import/Export	**8,341**	6,944
	— Industrial Park	**6,139**	6,613
	— Guangdong Precision	**3,267**	4,421
		17,747	17,978
	Trade payables to related parties (note 19)		
	— Guangdong Zhongding	**4,937**	2,448
	— Jiangmen Yida	**740**	1,129
		5,677	3,577

(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)

Notes:

(1) The above sales and purchase transactions were negotiated with related parties in a normal course of business.

(2) Rental expenses due to Industrial Park were related to lease of a staff dormitory in Kong Yue Industrial Park in accordance with relevant leasing agreements.

(3) 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.

(4) 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 BVI, as the ultimate holding company of the Group.

Five-year Financial Summary

(All amounts in Renminbi thousands unless otherwise stated)

Consolidated balance sheets

	31 December 2009	31 December 2008	31 December 2007	31 December 2006	31 December 2005
ASSETS					
Non-current assets					
Property, plant and equipment	**89,470**	98,500	99,851	101,901	57,836
Land use right	**10,611**	10,900	11,189	11,478	—
Intangible assets	**936**	1,498	1,681	3,019	1,842
Interest in associates	**179**	470	5,199	9,007	9,879
Available-for-sale financial assets	**500**	1,000	1,000	1,050	1,750
Deferred income tax assets	**4,264**	5,347	6,409	2,005	1,815
	105,960	117,715	125,329	128,460	73,122
Current assets					
Inventories	**159,532**	158,374	191,195	243,410	170,378
Trade and other receivables	**74,100**	114,951	263,995	304,291	266,524
Financial assets at fair value through profit or loss	**21,790**	3,455	—	—	—
Cash and cash equivalents	**184,478**	175,412	160,895	100,834	112,841
	439,900	452,192	616,085	648,535	549,743
Total assets	**545,860**	569,907	741,414	776,995	622,865
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	**261,455**	271,226	282,194	282,194	140,495
Other reserves	**191,704**	190,036	185,252	185,252	180,132
Retained earnings					
— Proposed final dividend	**—**	—	4,311	11,820	14,820
— (Accumulated losses)/retained earnings	**(465)**	(12,620)	80,838	80,459	61,261
	452,694	448,642	552,595	559,725	396,708
Minority interests	**15,407**	13,884	14,261	15,889	11,895
Total equity	**468,101**	462,526	566,856	575,614	408,603
LIABILITIES					
Current liabilities					
Trade and other payables	**77,652**	100,028	109,797	134,065	107,738
Current income tax liabilities	**107**	192	8,252	9,507	10,364
Borrowings	**—**	7,161	56,509	57,809	96,160
	77,759	107,381	174,558	201,381	214,262
Total equity and liabilities	**545,860**	569,907	741,414	776,995	622,865
Net current assets	**362,141**	344,811	441,527	447,154	335,481
Total assets less current liabilities	**468,101**	462,526	566,856	575,614	408,603

(All amounts in Renminbi thousands unless otherwise stated)

Consolidated income statement

	2009	2008	2007	2006	2005
Revenue	**456,690**	613,985	834,212	943,252	981,650
Cost of goods sold	**(368,221)**	(572,581)	(748,574)	(798,588)	(825,541)
Gross profit	**88,469**	41,404	85,638	144,664	156,109
Other income	**7,136**	3,675	8,149	11,593	14,790
Selling and marketing costs	**(30,677)**	(60,978)	(27,649)	(36,988)	(28,461)
Administrative expenses	**(48,320)**	(56,609)	(52,914)	(60,516)	(40,909)
Other gains/(losses) — net	**2,782**	(15,492)	1,114	432	(1,843)
Operating profit/(loss)	**19,390**	(88,000)	14,338	59,185	99,686
Finance (costs)/income — net	**(210)**	1,164	(4,042)	(7,168)	(5,628)
Share of losses of associates and impairment charge	**(291)**	(4,729)	(3,808)	(872)	(2,418)
Profit/(loss) before income tax	**18,889**	(91,565)	6,488	51,145	91,640
Income tax (expenses)/credit	**(3,633)**	2,116	(346)	(7,848)	(11,513)
Profit/(loss) for the year	**15,256**	(89,449)	6,142	43,297	80,127
Attributable to:					
Shareholders of the Company	**13,733**	(89,072)	4,690	42,426	78,603
Minority interests	**1,523**	(377)	1,452	871	1,524
	15,256	(89,449)	6,142	43,297	80,127
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to shareholders of the Company during the year (expressed in RMB per share)	**0.024**	(0.154)	0.008	0.078	0.181
Dividends	**33,480**	8,329	4,311	18,108	31,460