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 2011

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Corporate Information

Directors

Executive Directors

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

Non-Executive Director

Mr. Yeung Kwok Keung

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, FCCA*

Authorised representatives

Au Kwok Lun
Li Ho Cheong *CPA, FCCA*

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

China Construction Bank
Agricultural Bank of China
Xiamen International Bank
Bank of China

Stock code

2028

Website

www.jolimark.com

Chairman's Statement

To all shareholders,

During the year, the Group recorded revenue of approximately RMB559,600,000, representing an increase of approximately 20% over 2010, the gross profit margin surged significantly to approximately 24.8% from about 22.6% in 2010, which is mainly attributable to the satisfactory performance of our owned brand products with a substantial increase in sales of approximately 29% as compared to 2010. During the year, the Group generated profit attributable to shareholders of the Company of approximately RMB55,042,000, representing a significant rise of approximately 93% over 2010.

With the enhancement in the enforcement of the national tax control policies and the continuous and rapid rise in internal demand, the prospect of the invoice printers and mini printers of the Group is bright and promising. Looking into 2012, the Group will continue to gear up our efforts in the research and development and market exploration of new products under our own brand. We will also continue to upgrade product quality and cost competitiveness and improve operational efficiency. At the same time, the management expects that under the influence of the macro-economic factors, the listless market condition of the second half of 2011 will only improve gradually in the second half of 2012. Coupled with the competition in prices posed by similar products of other brands, the Group will face a lot of operational challenges in 2012. However, I am full of confidence that the Group can face up to the challenges and realise further business development.

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 and attractive returns to our shareholders.

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

Hong Kong, 27 March 2012

Management's Discussion and Analysis

Business Review

Printer and Tax Control Equipment Business

The revenue of printer and tax control equipment business of the Group for the year ended 31 December 2011 increased by approximately 25% from the previous year to approximately RMB456,610,000, representing approximately 82% of the revenue of the Group. The increase in revenue was mainly attributable to the significant growth in the revenue of the Group's owned brand products by approximately 29% over the previous year. Meanwhile, stable gross profit margins of owned brand products have led to an increase in the gross profit margin of printer and tax control equipment business for the year as compared with the previous year.

Other Electronic Products Manufacturing Business

The revenue of other electronic products manufacturing business of the Group was basically the same as the previous year, amounting to approximately RMB102,990,000, representing approximately 18% of the revenue of the Group.

Future business outlook

The requirement of issuing machine-printed value-added tax invoice has been enforced by the State Administration of Taxation for years and was further applied to business tax invoice in recent years. Besides introducing the online invoice, in 2011, the authority has also carried out pilot tests on replacing business tax with value-added tax in the transportation industry in specific locations and certain modern service industries. The State is set to continue its established tax control policy of replacing manually issued invoice with machine-printed invoice. On the other hand, benefiting from the existing strategies of perking up domestic demand and increasing income level of the people, the retail and service industries were among the PRC industries which grew at a blistering speed that significantly increase the demand for transaction invoice printer. As such, the long-term and general prospects of invoice printer and mini-printer are expected to be promising and bright. In the past year, the international economic environment was challenging, also, small and medium enterprises encountered cash strain with the continuous implementation of the domestic macro-control measures and the tightening of credits. In the second half of 2011, the printer market also showed sign of slowdown and the State also decelerated the pace of implementing tax control policies. The Group expects that in the first half of 2012, the printer market will remain weak and would only recover gradually starting from the second half of the year. At the same time, due to the price competition posed by other brands of similar products, the Group is expected to face numerous challenges in 2012. As a result, while continuing to improve the quality of its existing products, the Group will also focus on developing dot matrix and ink-jet invoice printers with superior price competitiveness specifically for Chinese market. With respect to the business transaction small-scale invoice printer market, the Group has also formulated research and development plan pinpointing at mini-printer, which emphasizes on enriching our product line. A number of new products will be introduced to the market consecutively in the second half of 2012 to adapt to the changing market. At the same time, demand for projectors by the education, commerce and government sectors have been growing robustly, China's policy of encouraging the development of cultural industry and cultural information resources sharing project will further promote the rapid increase in demand for projectors. Setting its sight on enlarging market share, the object projector newly developed by the Group will be introduced to the market in the second half of 2012. Having successfully venturing into the overseas printer market in 2011, the Group expects the growth rate in 2012 will be still high. For other Electronic Manufacturing Services (EMS) business, the Group will continue to focus on overseas small and medium customers of optoelectronic mechanical integrated products and will keep its effort in exploring and developing new businesses with higher gross profit margin. In general, on the basis of the market development prospect and own strengths, the Group will on one hand devote more resources in the marketing of owned brand products and speed up the development of new products, while on the other hand, continue to improve its operation efficiency and strengthen internal management zealously, trim down inventory levels and operation costs with a view to enhancing its market competitiveness and return on capital of the Group.

FINANCIAL REVIEW

Results Summary

In 2011, the Group recorded a revenue of approximately RMB559,600,000, an increase of approximately 20% from last year, whereas gross profit margin increased to approximately 24.8% from approximately 22.6% last year. During the year, the Group recorded profit attributable to shareholders of the Group of approximately RMB55,042,000, representing a significant increase of approximately 93% over last year, which was mainly attributed to the significant growth in the sales of owned brand products comparing to last year and the steady gross profit margin of products.

During the year, the profit attributable to the shareholders of the Group was approximately RMB55,042,000 (2010: RMB28,463,000) and the basic earnings per share was RMB0.098 (2010: RMB0.051).

ANALYSIS ON SALES AND GROSS PROFIT

During the year, the revenue of the printer and tax control equipment business was the largest contributor to the revenue of the Group, which amounted to approximately RMB456,610,000 and accounted for approximately 82% of the total revenue of the Group, whereas the revenue of other electronic products manufacturing amounted to approximately RMB102,990,000 and accounted for approximately 18% of the revenue of the Group.

Comparing with 2010, the revenue of the printer and tax control equipment business increased by approximately 25%, whereas revenue of other electronic products was steady. With regard to gross profit margin, the Group's gross profit margin increased to approximately 24.8%, compared with approximately 22.6% of last year, which was mainly due to the substantial increase in revenue of approximately 29% recorded by owned brand products of the Group with higher gross profit margin.

CAPITAL EXPENDITURE

For the year ended 31 December 2011, capital expenditure of the Group amounted to approximately RMB5,728,000, which mainly comprised of purchase of machinery and equipment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the total assets of the Group amounted to approximately RMB524,990,000 (2010: RMB649,112,000), shareholders' fund of approximately RMB422,946,000 (2010: RMB444,162,000), non-controlling interests of approximately RMB24,000 (2010: RMB15,982,000) and current liabilities of approximately RMB98,234,000 (2010: RMB188,968,000). The current ratio of the Group was approximately 4.4 (2010: 2.9).

The financial position of the Group was sound. As at 31 December 2011, the cash and cash equivalents including restricted cash of the Group amounted to approximately RMB170,702,000 (2010: RMB330,015,000).

As at 31 December 2011, the Group had no borrowings (2010: RMB67,819,000). The gearing ratio* was approximately 10.4% as at 31 December 2010.

* Gearing ratio = Borrowings/Total Assets

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Staff

As at 31 December 2011, the Group had a workforce of 1,152, of which 11 were employed in Hong Kong and overseas, while the remaining were employed in the PRC. The Group implemented its remuneration policy, bonus and share option schemes based on its results and the performance of individual staff. In addition, fringe benefits such as insurance, medical allowance and pension were provided to ensure the competitiveness of the Group.

Proposed final dividend and closure of register of members

The Board recommended a final dividend for 2011 of HK6.2 cents per share to shareholders whose names appear on the register of members on Thursday, 17 May 2012. The final dividend will be paid on Friday, 22 June 2012.

The annual general meeting of the Company will be held on Tuesday, 8 May 2012. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 4 May 2012 to 8 May 2012, both days inclusive during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 3 May 2012.

For determining entitlement to the proposed final dividend, the register of members of the Company will be closed from 15 May 2012 to 17 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 14 May 2012.

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, all are Independent Non-Executive Directors. For the year ended 31 December 2011, 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 of the Company for the year ended 31 December 2011.

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 an Executive Director. The Remuneration Committee has reviewed the remuneration policy and remuneration packages of the Executive Directors for the year ended 31 December 2011.

Compliance with the code on corporate governance practices

For the year ended 31 December 2011, 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 (the "Board") is pleased to present its report together with the audited financial statements for the year ended 31 December 2011.

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 2011 is set out in the Management Discussion & Analysis.

Results and appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 28.

Interim dividend for 2011 of HK6.1 cents was paid by the Company. The directors of the Company now recommend a final dividend of HK6.2 cents per share (2010: final dividend of HK3.0 cents and special dividend of HK7.2 cents) in respect of the year ended 31 December 2011.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 16 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 15 to the financial statements.

Distributable reserves

As at 31 December 2011, 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 RMB202,435,000.

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 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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, options 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 in the Company. The total number of Shares which may be issued upon the 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. Subject to the requirements of the Listing Rules, the total number of Shares that may be granted to a participant in any 12-month period must not exceed 1% of the issued share capital of the Company.

The offer for the grant of options ("Offer") must be taken up within 28 days from the date of offer, with a payment of HK$1.00 as consideration for the option. The exercise price of the share option will be determined at the higher of (i) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (iii) the nominal value of the Shares. The total number of shares available for issue should be 50 million which is equivalent to 10% of the shares in issue when the 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 January 2011	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2011	Exercise period
Employees — Type 1	3 July 2008	0.63 (Note 3 and 5)	300,000	—	—	—	**300,000**	Six years from the date of grant (Note 1)
Employees — Type 2	3 July 2008	0.63 (Note 3 and 5)	500,000	—	(500,000)	—	**—**	Six years from the date of grant (Note 2)
Employee — Type 3	22 July 2011	1.00 (Note 6 and 8)	—	5,490,000	—	—	**5,490,000**	Six years from the date of grant (Note 7)
Total			800,000	5,490,000	(500,000)	—	**5,790,000**	

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 at the end of nine months after the date of grant. The third 25% of the option will become exercisable at the end of 21 months after the date of grant. The remaining 25% of the option will become exercisable at the end of 33 months after the date of grant.

2. The first 34% of the option can be exercised at the end of 3 months after the date of grant. The next 33% of the option will become exercisable at the end of 15 months after the date of grant. The remaining 33% of the option will become exercisable at the 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 16 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.

6. The closing price immediately before the date of grant was HK$0.80.

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

8. The exercise price is determined by the Directors of Company and was fixed at HK$1.00 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

Non-Executive Director

Mr. Yeung Kwok Keung

Independent Non-Executive Directors

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

Pursuant to Article 108(a) of the Articles of Association, at each of the annual general meeting, one third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every 3 years. Mr. Au Kwok Lun, Mr. Xu Guangmao and Mr. Yeung Kwok Keung will 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 and Mr. Meng Yan are Independent Non-Executive Directors and were re-appointed for another three-year term on 13 June 2011.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has renewed their service agreement with the Company for another term of 3 years commencing from 13 June 2011. 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

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

Director's rights to acquire shares

Apart 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 18 to page 20.

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 2011, 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)	394,285,533 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. 394,285,533 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 2011, 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 2011, 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	394,285,533 (Note 2)	70.41%(L)
Tai Noi Kit	Kytronics	Interest in controlled corporation	394,285,533 (Note 2)	70.41%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	44,960,000 (Note 3)	8.03%(L)

Notes:

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

2. 394,285,533 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 44,960,000 shares were held by Jayhawk Private Equity Fund II. L.P., which is wholly owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the Chief Executive of the Company are not aware of any person (other than a Director or Chief Executive of the Company) who, as at 31 December 2011, 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	13%
— five largest suppliers combined	34%

Sales

— the largest customer	17%
— five largest customers combined	38%

In the Group's five largest suppliers, it included Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision") and Guang Dong Jotech Kong Yue Precision Industries Limited ("Jiangmen Yida") which are 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) Import and Export Agency Agreement with Jiangmen Kong Yue Information Product Import Export Limited ("KY Import/Export")		
— Handling fees for import services	(i)	946
(II) Supply agreements with Guangdong Kong Yue Precision Industry ("Guangdong Precision")	(ii)	19,975
(III) Supply agreement with Guang Dong Jotech Kong Yue Precision Industry Limited ("Jiangmen Yida")	(iii)	19,356

Notes:

(i) The service fee charged by KY Import/Export in relation to materials imported are at a "mark-up" equal to approximately 1% contract price of materials; KY Import/Export is wholly owned by Mr. Au, Ms. Tai, Mr. Au Kwok Lun, Ms. Ou Ri Ai and Mr. Ou Guo Liang and their associates.

(ii) Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information") and Jiangmen Kong Yue Jolimark Information Technology Limited ("Kongyue Jolimark", a subsidiary of the Company) and Guangdong Precision entered into two agreements on 17 December 2010, respectively, (collectively referred to as the "Precision Agreements") on normal commercial terms and in their respective ordinary course of business. Pursuant to the Precision Agreements, Guangdong Precision agreed to supply precision plastic parts to Kongyue Information and Kongyue Jolimark from time to time as requested by the Kongyue Information and Kongyue Jolimark.

(iii) Kongyue Information and Jiangmen Yida entered into an agreement on 17 December 2010 on normal commercial terms and in their respective ordinary course of business, pursuant to which Jiangmen Yida agreed to supply metal stamped parts to Kongyue Information 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 continuing 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.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Sufficiency of public float

On 27 January 2011, the Company announced that it noted from the disclosure of interest form filed by Mr. McCarthy pursuant to Part XV of the SFO that he has acquired an additional 300,000 shares in the Company on 21 January 2011 and thereby increasing his interest in the Company from approximately 9.99% to 10.05%. Following such increase, Mr. McCarthy became a substantial shareholder of the Company within the meaning of the Listing Rules, and his interest when aggregated with the shareholding interest of Kytronics is approximately 80.52% of the total issued share capital of the Company. Accordingly, the Company's public float has fallen below 25% as required by Rule 8.08 of the Listing Rules.

On 3 May 2011, the Company further announced that it noted from the disclosure of interest forms filed by Mr. McCarthy pursuant to Part XV of the SFO that Mr. McCarthy holds 44,960,000 shares in the Company after the relevant event on 26 April 2011. Mr. McCarthy's interest in our Company has been reduced to 8.03% and he is no longer a substantial shareholder of the Company within the meanings of the Listing Rules. As such, Mr. McCarthy's interest in the Company could be counted towards the public float of the Company. As at 31 December 2011, as far as the Company is aware, Kytronics is interested in 394,285,533 Shares, and the public is interested in 165,706,467 Shares. As public shareholders are holding approximately 29.59% of the issued share capital of the Company, the public float of the Company has been restored and the Company is in compliance with the requirements of Rule 8.08 of the Listing Rules.

Subsequent events

There have been no material events which took place subsequent to 31 December 2011.

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 2011 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 FOR ENTITLEMENT TO ATTEND AND VOTE AT AGM

The register of members of the Company for entitlement to attend and vote at AGM will be closed from 4 May 2012 to 8 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2011 AGM to be held on 8 May 2012, 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 shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 May 2012.

CLOSURE OF REGISTER OF MEMBERS TO QUALITY FOR THE FINAL DIVIDEND

The register of members of the Company to qualify for the final dividend will be closed from 15 May 2012 to 17 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all the 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 at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 14 May 2012.

On behalf of the Board
Au Pak Yin
Chairman

Hong Kong, 27 March 2012

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Au Pak Yin, aged 66, 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 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 40, an executive Director and the chief executive officer of the Company, 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 a standing member of the China Computer Industry Association, the Vice Chairman of the Printer Profession Committee of the China Computer Industry Association and a standing member of the China Computer Users Association and a standing member of the Printing and Image Display Application Sub-Committee of the China Computer Users Association, a member of the Executive Committee of Jiangmen Division, Pearl River Delta Industries Committee, Hong Kong Federation of Industries, and the Chinese People's Political Consultative Conference of Jiangmen City. In 2005, Mr. Au received the 2005 Young Industrialist Awards of Hong Kong from the Federation of Hong Kong Industries. Mr. Au Kwok Lun is the son of Mr. Au Pak Yin and the brother of Mr. Ou Guo Liang.

Mr. Ou Guo Liang, aged 36, 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.

Non-Executive Director

Mr. Yeung Kwok-Keung, aged 64, was appointed a non-executive director of the Company on 1st August 2011. He has been involved in IT, logistics and venture capital investment until his retirement in 2008. A Distinguished Fellow of the Hong Kong Computer Society, Mr. Yeung had also served as its President. He was also Chairman of the IT Committee of the Hong Kong SAR Government.

Mr. Yeung has participated broadly in public and community services, and has served on professional bodies for many years. He has also served on a variety of high level advisory bodies in academia, industry and government. He was a member of the Hong Kong Productivity Council, the Hong Kong Vocational Council and the Hong Kong Logistics Council.

He is a Justice of the Peace and a Honourary Citizen of Changchun.

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 67, 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 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. Lai was also an Independent Non-Executive Director of Dynasty Fine Wines Group Limited (a company listed on the Stock Exchange of Hong Kong) from August 2004 and resigned with effect on 1 January 2011.

Mr. Meng Yan, aged 55, 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 17 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 65, graduated in 1968 from the computer science department of Tsinghua University. Mr. Xu has over 35 years of experience in computer and peripheral equipment development and research positions. He has served as a managing deputy chairman of China Computer Industry Association for eight years. He has also been a director and president 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 49, 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 18 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 51, 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 52, is the assistant to 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-Tech Co. Limited (深圳北大方正數碼科技有限公司). Mr. Rao joined the Group in July 2001.

Mr. Li Ho Cheong, aged 37, is the company secretary of the Company. He is responsible for the company secretarial matters of the Group. Mr. Li has over 14 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.

Corporate Governance Report

The Company has, throughout the year ended 31 December 2011, complied with the Code of Corporate Governance Practices ("CG Code") set out in Appendix 14 of the Listing Rules.

The following summarises 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 2011. The Board also confirmed receipt of annual confirmation letter from each of the Independent Non-Executive Director confirming his independence as at 31 December 2011.

Board of directors

As at 31 December 2011, the Board comprises three Executive Directors, being Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang, one Non-Executive Director, being Yeung Kwok Keung 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 pages 18 to 19 of the annual report.

During the year ended 31 December 2011, 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
Non Executive Director	
Mr. Yeung Kwok Keung	1/4
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.

Independent non-executive directors

Independent Non-Executive Directors of the Company are re-appointed for another three-year term on 13 June 2011.

Remuneration of directors

The Board has established a Remuneration Committee ("RC"). 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. During the year ended 31 December 2011, RC had reviewed the remuneration policy and remuneration packages.

For the year ended 31 December 2011, the Remuneration Committee held one meeting. The individual attendance records of each member are as follow:

Name of Director	**Attendance**
Mr. Au Kwok Lun *(Chairman of RC)*	1/1
Mr. Lai Ming, Joseph	1/1
Mr. Meng Yan	1/1
Mr. Xu Guangmao	1/1

The principal responsibility of Remuneration Committee is to determine the remuneration of the Executive Directors and members of the senior management.

Nomination of directors

The Company had not established a Nomination Committee and retained such functions to the Board.

Auditor's remuneration

PricewaterhouseCoopers had been appointed as the auditor of the Group. During the year ended 31 December 2011, total fee of RMB1,320,000 paid/payable to PricewaterhouseCoopers were related to annual audit and interim review 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 were 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 2011 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 2011, the Audit Committee reviewed the final results of 2010 and interim results of 2011 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

羅兵咸永道

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 26 to 78, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011, 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, 27 March 2012

Balance Sheets

As at 31 December 2011

(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	**2011**	2010	**2011**	2010
ASSETS					
Non-current assets					
Property, plant and equipment	*6*	**84,127**	88,843	**—**	—
Land use rights	*7*	**10,033**	10,322	**—**	—
Intangible assets	*8*	**662**	807	**—**	—
Investments in subsidiaries	*9*	**—**	—	**212,086**	211,895
Investment in an associate		**97**	161	**—**	—
Available-for-sale financial assets		**500**	500	**—**	—
Deferred income tax assets	*17*	**—**	61	**—**	—
		95,419	100,694	**212,086**	211,895
Current assets					
Inventories	*11*	**180,014**	137,499	**—**	—
Trade and other receivables	*12*	**66,972**	62,216	**—**	—
Amounts due from subsidiaries	*12*	**—**	—	**210,441**	202,073
Financial assets at fair value through profit or loss	*13*	**11,883**	18,688	**—**	—
Restricted cash		**586**	72,532	**—**	—
Cash and cash equivalents	*14*	**170,116**	257,483	**1,282**	1,347
		429,571	548,418	**211,723**	203,420
Total assets		**524,990**	649,112	**423,809**	415,315
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	*15*	**176,649**	224,428	**176,649**	224,428
Other reserves	*16*	**197,066**	193,879	**212,054**	211,989
Retained earnings/(accumulated losses)	*25*				
— proposed final dividend	*27*	**28,123**	—	**28,123**	—
— unappropriated retained earnings/ (accumulated losses)		**21,108**	25,855	**3,626**	(23,385)
		422,946	444,162	**420,452**	413,032
Non-controlling interests		**24**	15,982	**—**	—
Total equity		**422,970**	460,144	**420,452**	413,032

As at 31 December 2011

(All amounts in Renminbi thousands unless otherwise stated)

		Group		Company	
	Note	**2011**	2010	**2011**	2010
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	*17*	**3,786**	—	**—**	—
Current liabilities					
Trade and other payables	*18*	**96,948**	120,399	**930**	26
Amounts due to subsidiaries	*18*	**—**	—	**2,427**	2,257
Current income tax liabilities		**1,286**	750	**—**	—
Borrowings		**—**	67,819	**—**	—
		98,234	188,968	**3,357**	2,283
Total liabilities		**102,020**	188,968	**3,357**	2,283
Total equity and liabilities		**524,990**	649,112	**423,809**	415,315
Net current assets		**331,337**	359,450	**208,366**	201,137
Total assets less current liabilities		**426,756**	460,144	**420,452**	413,032

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

The notes on pages 32 to 78 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2011
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2011	2010
Revenue	5	559,600	467,491
Cost of goods sold	20	(421,066)	(361,975)
Gross profit		138,534	105,516
Other income	19	7,704	6,657
Selling and marketing costs	20	(30,816)	(25,680)
Administrative expenses	20	(51,179)	(45,296)
Other gains/(losses) — net	22	502	(3,862)
Operating profit		64,745	37,335
Finance income — net	23	985	1,220
Share of losses of an associate		(64)	(18)
Profit before income tax		65,666	38,537
Income tax expenses	24	(10,102)	(7,840)
Profit for the year		55,564	30,697
Profit attributable to:			
— Shareholders of the Company		55,042	28,463
— Non-controlling interests		522	2,234
		55,564	30,697
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)			
— Basic	26	0.098	0.051
— Diluted	26	0.098	0.051

Details of dividends payable to the shareholders of the Company for the year are set out in note 27.

The notes on pages 32 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(All amounts in Renminbi thousands unless otherwise stated)

	2011	2010
Profit for the year	**55,564**	30,697
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**55,564**	30,697
Total comprehensive income for the year attributable to:		
— Shareholders of the Company	**55,042**	28,463
— Non-controlling interests	**522**	2,234
	55,564	30,697

The notes on pages 32 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium (note 15)	Other reserves (note 16)	(Accumulated losses)/ retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2010	261,455	191,704	(465)	15,407	468,101
Comprehensive income					
Profit for the year	—	—	28,463	2,234	30,697
Total contributions by and distributions to the shareholders of the Company recognised directly in equity:					
Transfer to the statutory reserve and enterprise expansion fund	—	2,143	(2,143)	—	—
Share options granted to employees	—	32	—	—	32
Re-purchase and cancellation of shares of the Company	(3,830)	—	—	—	(3,830)
Dividends	(33,197)	—	—	—	(33,197)
Dividends declared to non-controlling interests	—	—	—	(1,659)	(1,659)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	(37,027)	2,175	(2,143)	(1,659)	(38,654)
Balance at 31 December 2010	224,428	193,879	25,855	15,982	460,144
Balance at 1 January 2011	**224,428**	**193,879**	**25,855**	**15,982**	**460,144**
Comprehensive income					
Profit for the year	**—**	**—**	**55,042**	**522**	**55,564**
Total contributions by and distributions to the shareholders of the Company recognised directly in equity:					
Transfer to the statutory reserve and enterprise expansion fund	**—**	**3,642**	**(3,642)**	**—**	**—**
Share options granted to employees	**—**	**193**	**—**	**—**	**193**
Exercise of share options	**395**	**(128)**	**—**	**—**	**267**
Dividends (note 27)	**(48,174)**	**—**	**(28,024)**	**—**	**(76,198)**
Acquisition of additional interests in a subsidiary (note 28)	**—**	**(520)**	**—**	**(16,480)**	**(17,000)**
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	**(47,779)**	**3,187**	**(31,666)**	**(16,480)**	**(92,738)**
Balance at 31 December 2011	**176,649**	**197,066**	**49,231**	**24**	**422,970**

The notes on pages 32 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities			
Cash generated from operation	29	**7,525**	124,667
Income tax paid		**(5,719)**	(2,994)
Interest paid		**(1,252)**	(4)
Net cash generated from operating activities		**554**	121,669
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,728)**	(11,281)
Interests received		**6,130**	2,525
Net cash generated from/(used in) investing activities		**402**	(8,756)
Cash flows from financing activities			
Acquisition of additional interests in a subsidiary		**(17,000)**	—
Re-purchase and cancellation of the shares of the Company		**—**	(3,830)
Exercise of share options		**267**	—
Bank deposits pledged for borrowings		**72,290**	(72,290)
Proceeds from borrowings		**—**	69,860
Repayments of borrowings		**(66,399)**	—
Dividends paid to shareholders of the Company		**(75,268)**	(33,197)
Dividends paid to non-controlling interests		**(1,659)**	—
Net cash used in financing activities		**(87,769)**	(39,457)
Net (decrease)/increase in cash and cash equivalents		**(86,813)**	73,456
Cash and cash equivalents at beginning of the year		**257,483**	184,478
Exchange losses on cash and cash equivalents		**(554)**	(451)
Cash and cash equivalents at end of the year	14	**170,116**	257,483

The notes on pages 32 to 78 are an integral part of these consolidated financial statements.

1. General information

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

(b) The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacture and sale of printers, tax control equipment and other electronic products manufacturing in the People's Republic of China (the "PRC").

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

(d) These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 27 March 2012.

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 "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

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

Changes in accounting policy and disclosures

(a) Amendments to existing standards and revised standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It clarifies and simplifies the definition of a related party and introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. This amendment has no significant impact on the Group's financial statements as the Group does not have any transactions with government related entities.

(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) Amendments to existing standards and revised standards adopted by the Group (continued)

- HKAS 32 (Amendment), "Classification of rights issues" is effective for annual periods beginning on or after 1 February 2010. This amendment is not relevant to the Group, as it has not made any rights issue which fall into the scope of the amendment during the year.

- HK(IFRIC)-Int 14 (Amendment), "Prepayments of a minimum funding requirement" is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it has not made any prepayment for the pension contributions during the year.

- HK(IFRIC)-Int 19, "Extinguishing financial liabilities with equity instruments" is effective for annual periods beginning on or after 1 July 2010. This is not relevant to the Group, as it has no extinguishment of financial liabilities with equity instruments during the year.

- HKFRS 1 (Amendment), "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" is effective for annual periods beginning on or after 1 July 2010. This is not relevant to the Group as it is existing HKFRS preparer.

- Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA. All improvements are effective for annual periods beginning on or after 1 January 2011 and are not currently relevant to the Group.

(b) New and amended standards issued but are not effective in 2011 and have not been early adopted

		Effective for annual periods beginning on or after
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets	1 July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 12 (Amendment)	Deferred tax: Recovering of underlying assets	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Associate and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2014
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) New and amended standards issued but are not effective in 2011 and have not been early adopted (Continued)

The directors of the Company anticipate that the adoption of the new standards, interpretation and amendments to the standards will not result in a significant impact on the results and financial position of the Group.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2011.

(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 (note 2.8). 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 associate includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associate's 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(b) Associates (Continued)

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

(c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity holders of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management of the 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 consolidated income statement.

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

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, 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 in equity are measured at the fair value of the equity instruments granted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

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 consolidated income statement during the period in which they are incurred.

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

Buildings	40 years
Plant and machinery	10–20 years
Furniture and fixtures	5 years
Leasehold improvements	Lower of lease term or estimated useful life of 2–5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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 consolidated 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 are recognised as an expense on a straight-line basis over the unexpired period of the rights.

2.7 Intangible assets

Proprietary technology

Proprietary technology is recognised 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 investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life — for example, goodwill — are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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", "restricted cash" 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.

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 consolidated 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 consolidated 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 consolidated income statement within "other gains/(losses) — net" in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the equity investments below its cost is evidence that the 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 in profit or loss — is recognised in the consolidated income statement. Impairment losses recognised on equity instruments are not reversed.

2.11 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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 consolidated income statement.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks.

2.14 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.

Certain group entities can distribute dividends out of share premium according to the applicable laws and regulations of the relevant jurisdictions. Where dividends are declared out of share premium, the amount is deducted from share premium account.

2.15 Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 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 consolidated 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated 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.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences
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.

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.

Outside basis differences
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.

(c) Offsetting

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.20 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.

2.21 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.

(b) Provision of services

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

(c) Incentive subsidy

Incentive subsidy is recognised as income of the period in which the Group has complied with the conditions attaching to those (if any) in accordance with the relevant agreements and the subsidy has been received or it is reasonably assured that the subsidy will be received.

2.22 Interest income

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

2.23 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24 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 consolidated income statement on a straight-line basis over the period of the lease.

2.25 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, interest rate risk and price risk), credit risk and liquidity risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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, sales of goods to overseas customers and borrowing that are denominated in US$, JPY, Euro or HK$. Management anticipated the amounts of import of goods are larger than the amounts of export sales and RMB would continued to be strengthening, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

At 31 December 2011, if RMB had strengthened/weakened by 5% against the US$ and HK$ with all other variables held constant, post-tax profit for the year would decrease/increase by RMB54,000 (2010: if RMB had weakened/strengthened by 3% against the US$ and HK$ with all other variables held constant, post-tax profit would decrease/increase by RMB1,435,000), which is mainly attributable to net result of exchange differences on translation of US$ and HK$ denominated trade receivables, cash and cash equivalents, borrowings and trade payables.

(ii) Interest rate risk

The Group's major interest-bearing assets are cash and cash equivalents and restricted cash. The maturity term of cash and cash equivalents and restricted cash 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.

(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.

As at 31 December 2011, 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 RMB1,010,000 (2010: RMB1,588,000) 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, restricted cash and trade and other receivables represent the Group's maximum exposure to credit risk at the reporting date in relation to financial assets. The Group does not hold any collateral as security.

(All amounts in Renminbi thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

Credit risk related to trade and other receivables is the risk that the receivables cannot be collected on the due date. The Group has policies in place to ensure that sales of goods are made to customers with a good credit quality based on assessment of ageing of trade receivables, repayment history, the customers' financial position and other factors. As at 31 December 2011, 53% of trade receivables are due from three major customers of the Group (2010: 42%). For bills receivable, the Group will only accept selected bank acceptance bills issued by large or medium sized commercial banks in the PRC, and with maturity periods normally not more than 6 months. Management considers the default risk from these bank acceptance bills are low as they consider that PRC capital market is highly regulated and bankruptcy or default of PRC financial institutions should be rare.

(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 2011	
Trade and other payables	79,143
At 31 December 2010	
Borrowings	68,355
Trade and other payables	90,269
Company	
At 31 December 2011	
Amounts due to subsidiaries	2,427
Trade and other payables	930
At 31 December 2010	
Amounts due to subsidiaries	2,257
Trade and other payables	26

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. As at 31 December 2011, the Group did not have any borrowing.

3.3 Fair value estimation

The table below analyses financial instruments carries at fair value, by valuation methods. The different levels have been defined as follows:

- 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 2011. 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.

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

(c) Income tax and deferred tax

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

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION

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 exclude other income, administrative expenses, other gains/(losses), finance income — net and income tax expenses, which are centrally managed for the Group. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2011 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	456,610	102,990	559,600
Segment results	91,584	16,070	107,654
Other income			7,704
Administrative expenses			(51,179)
Other gains			502
Finance income — net			985
Income tax expenses			(10,102)
Profit for the year			55,564
Segment results include:			
Share of losses of an associate	(64)	—	(64)
Depreciation and amortisation	(4,763)	(3,185)	(7,948)

(All amounts in Renminbi thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2010 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	365,254	102,237	467,491
Segment results	70,773	9,045	79,818
Other income			6,657
Administrative expenses			(45,296)
Other losses			(3,862)
Finance income — net			1,220
Income tax expenses			(7,840)
Profit for the year			30,697
Segment results include:			
Share of losses of an associate	(18)	—	(18)
Depreciation and amortisation	(5,662)	(3,715)	(9,377)

(a) Revenues from external customers are for sales of goods. There is no inter-segment sales for the year ended 31 December 2011 (2010: nil).

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

	2011	2010
In the PRC	**414,788**	376,550
In other countries	**144,812**	90,941
	559,600	467,491

(c) In 2011, approximately 17% of total revenue (2010: approximately 15%) are derived from a single external customer, which is in 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 2010						
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
Year ended 31 December 2010						
Opening net book amount	50,231	32,183	4,671	234	2,151	89,470
Additions	—	9,658	505	583	535	11,281
Disposals	—	—	(52)	—	—	(52)
Depreciation	(1,464)	(8,664)	(1,160)	(92)	(476)	(11,856)
Closing net book amount	48,767	33,177	3,964	725	2,210	88,843
At 31 December 2010						
Cost	56,665	112,290	13,424	1,918	6,629	190,926
Accumulated depreciation	(7,898)	(79,113)	(9,460)	(1,193)	(4,419)	(102,083)
Net book amount	48,767	33,177	3,964	725	2,210	88,843
Year ended 31 December 2011						
Opening net book amount	**48,767**	**33,177**	**3,964**	**725**	**2,210**	**88,843**
Additions	**—**	**4,742**	**480**	**180**	**326**	**5,728**
Disposals	**—**	**(282)**	**—**	**—**	**(1)**	**(283)**
Depreciation	**(1,449)**	**(7,146)**	**(956)**	**(205)**	**(405)**	**(10,161)**
Closing net book amount	**47,318**	**30,491**	**3,488**	**700**	**2,130**	**84,127**
At 31 December 2011						
Cost	**56,665**	**116,658**	**13,904**	**2,098**	**6,944**	**196,269**
Accumulated depreciation	**(9,347)**	**(86,167)**	**(10,416)**	**(1,398)**	**(4,814)**	**(112,142)**
Net book amount	**47,318**	**30,491**	**3,488**	**700**	**2,130**	**84,127**

(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:

	2011	2010
Cost of goods sold	**7,232**	8,569
Administrative expenses	**2,647**	2,897
Selling and marketing costs	**282**	390
	10,161	11,856

7. LAND USE RIGHTS — GROUP

At 1 January 2010	
Cost	11,550
Accumulated amortisation	(939)
Net book amount	10,611
Year ended 31 December 2010	
Opening net book amount	10,611
Amortisation	(289)
Closing net book amount	10,322
At 31 December 2010	
Cost	11,550
Accumulated amortisation	(1,228)
Net book amount	10,322
Year ended 31 December 2011	
Opening net book amount	**10,322**
Amortisation	**(289)**
Closing net book amount	**10,033**
At 31 December 2011	
Cost	**11,550**
Accumulated amortisation	**(1,517)**
Net book amount	**10,033**

The land is outside Hong Kong and held on leases of 40 years, with remaining useful life of 34.7 years (2010: 35.7 years).

Amortisation of RMB289,000 (2010: RMB289,000) is included in the cost of goods sold in the consolidated income statement.

(All amounts in Renminbi thousands unless otherwise stated)

8. INTANGIBLE ASSETS — GROUP

	Proprietary technology
At 1 January 2010	
Cost	1,884
Accumulated amortisation	(570)
Impairment charge	(378)
Net book amount	936
Year ended 31 December 2010	
Opening net book amount	936
Amortisation	(129)
Closing net book amount	807
At 31 December 2010	
Cost	1,344
Accumulated amortisation	(537)
Net book amount	807
Year ended 31 December 2011	
Opening net book amount	**807**
Amortisation	**(145)**
Closing net book amount	**662**
At 31 December 2011	
Cost	**1,344**
Accumulated amortisation	**(682)**
Net book amount	**662**

Amortisation of RMB145,000 (2010: RMB129,000) 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

	2011	2010
Investments in unlisted shares, at cost	211,751	211,751
Share options granted to employees of subsidiaries	335	144
	212,086	211,895

The following is a list of the subsidiaries at 31 December 2011:

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%
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	100%
Xin Yue Logistics Limited	Hong Kong	Logistics agent/Hong Kong	HK$2	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%
Jolimark Printing Solutions (Hong Kong) Limited	Hong Kong	Wholesale of business equipment and tax control equipment/Hong Kong	HK$10,000	100%

All the subsidiaries are limited liability companies.

(All amounts in Renminbi thousands unless otherwise stated)

10. FINANCIAL INSTRUMENTS BY CATEGORIES

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 2011				
Available-for-sale financial assets	**—**	**—**	**500**	**500**
Trade and other receivables, excluding prepayments (note 12)	**—**	**59,283**	**—**	**59,283**
Financial assets at fair value through profit or loss (note 13)	**11,883**	**—**	**—**	**11,883**
Restricted cash	**—**	**586**	**—**	**586**
Cash and cash equivalents (note 14)	**—**	**170,116**	**—**	**170,116**
	11,883	**229,985**	**500**	**242,368**
At 31 December 2010				
Available-for-sale financial assets	—	—	500	500
Trade and other receivables, excluding prepayments (note 12)	—	57,692	—	57,692
Financial assets at fair value through profit or loss (note 13)	18,688	—	—	18,688
Restricted cash	—	72,532	—	72,532
Cash and cash equivalents (note 14)	—	257,483	—	257,483
	18,688	387,707	500	406,895

	Other financial liabilities
Liabilities as per consolidated balance sheet	
At 31 December 2011	
Trade and other payables	**79,143**
At 31 December 2010	
Borrowings	67,819
Trade and other payables	90,269
	158,088

(All amounts in Renminbi thousands unless otherwise stated)

10. FINANCIAL INSTRUMENTS BY CATEGORIES (CONTINUED)

Company

	Loans and receivables
Assets as per balance sheet	
At 31 December 2011	
Amounts due from subsidiaries (note 12)	**210,441**
Cash and cash equivalents (note 14)	**1,282**
	211,723
At 31 December 2010	
Amounts due from subsidiaries (note 12)	202,073
Cash and cash equivalents (note 14)	1,347
	203,420

	Other financial liabilities
Liabilities as per balance sheet	
At 31 December 2011	
Amounts due to subsidiaries (note 18)	**2,427**
Trade and other payables (note 18)	**930**
	3,357
At 31 December 2010	
Amounts due to subsidiaries (note 18)	2,257
Trade and other payables (note 18)	26
	2,283

(All amounts in Renminbi thousands unless otherwise stated)

11. INVENTORIES — GROUP

	2011	2010
Raw materials	**132,377**	116,246
Work in progress	**9,508**	3,353
Finished goods	**38,129**	17,900
	180,014	137,499

The cost of inventories recognised in the consolidated income statement amounted to RMB424,745,000 (2010: RMB365,573,000).

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
Trade receivables				
— Third parties	**33,946**	35,450	—	—
— Associate	—	193	—	—
— Related parties (note 31)	**4,710**	8,463	—	—
	38,656	44,106	—	—
Less: provision for impairment of receivables	**(4,471)**	(4,471)	—	—
Trade receivables — net	**34,185**	39,635	—	—
Bills receivable (note (b))	**16,617**	6,100		
Prepayments	**7,689**	4,524	—	—
Other receivables				
— Third parties	**7,994**	9,760	—	—
— Related parties (note 31)	**487**	2,197	—	—
Amounts due from subsidiaries (note (a))	—	—	**210,441**	202,073
	66,972	62,216	**210,441**	202,073

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

(b) As at 31 December 2011 and 2010, bills receivables represent bank acceptance bills.

(All amounts in Renminbi thousands unless otherwise stated)

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) The Group's sales to corporate customers are generally granted with credit terms ranging from 30 to 180 days or extended as considered appropriate by the directors of the Company. At 31 December 2011, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	2011	2010
Less than 30 days	**26,962**	30,887
31–90 days	**4,199**	7,150
91–180 days	**2,660**	1,027
181–365 days	**61**	—
Over 365 days	**4,774**	5,042
	38,656	44,106

(d) The Group assesses impairment of trade and other receivables mainly based on their ageing.

The credit quality of trade receivables within credit limit are assessed by reference to historical information about counterparty default rates. As at 31 December 2011, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 31 December 2011, trade receivables of RMB4,835,000 (2010: RMB5,042,000) are past due, out of which RMB4,471,000 (2010: RMB4,471,000) are impaired. The ageing analysis of these trade receivables is as follows:

	Group	
	2011	2010
Past due but not impaired:		
181–365 days	**61**	—
Over 365 days	**303**	571
Impaired:		
Over 365 days	**4,471**	4,471

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.

The other receivables do not contain impaired assets.

(All amounts in Renminbi thousands unless otherwise stated)

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) The carrying amounts of trade and other receivables and amounts due from subsidiaries are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
RMB	**46,106**	45,653	**—**	—
US$	**17,697**	15,764	**—**	—
HK$	**178**	49	**210,441**	202,073
Other currencies	**2,991**	750	**—**	—
	66,972	62,216	**210,441**	202,073

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

	Group	
	2011	2010
Balance at 1 January	**4,471**	5,877
Provision for impairment during the year	**—**	68
Unused amounts reversed as the receivables were collected during the year	**—**	(218)
Receivables written off as uncollectible during the year	**—**	(1,256)
Balance at 31 December	**4,471**	4,471

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

(All amounts in Renminbi thousands unless otherwise stated)

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
Listed equity securities in the PRC — stated at market value	**11,883**	18,688

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the consolidated statement of cash flows (note 29).

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 22).

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

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
Cash at bank and in hand	**170,116**	256,190	**1,282**	54
Cash deposits in a financial institution	**—**	1,293	**—**	1,293
	170,116	257,483	**1,282**	1,347
Denominated in:				
RMB	**161,849**	240,858	**—**	—
US$	**5,805**	12,524	**—**	—
HK$	**2,021**	3,031	**1,282**	1,347
Other currencies	**441**	1,070	**—**	—
	170,116	257,483	**1,282**	1,347

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.

15. 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 2011 and 2010	10,000,000,000	100,000			
Issued and fully paid					
Balance at 1 January 2010	567,682,000	5,677	6,031	255,424	261,455
Re-purchase and cancellation of the shares of the Company	(8,190,000)	(82)	(72)	(3,758)	(3,830)
Dividends (note (a))	—	—	—	(33,197)	(33,197)
Balance at 31 December 2010	559,492,000	5,595	5,959	218,469	224,428
Balance at 1 January 2011	**559,492,000**	**5,595**	**5,959**	**218,469**	**224,428**
Dividends (note (a))	**—**	**—**	**—**	**(48,174)**	**(48,174)**
Exercise of share options (note 16(a)(iii))	**500,000**	**5**	**4**	**391**	**395**
Balance at 31 December 2011	**559,992,000**	**5,600**	**5,963**	**170,686**	**176,649**

(a) The dividends were distributed out of share premium, which was allowable under the Companies' Law of Cayman Islands (note 27).

(All amounts in Renminbi thousands unless otherwise stated)

16. OTHER RESERVES

(a) Group

	Merger reserve (note (i))	Statutory reserve and enterprise expansion fund (note (ii))	Share option reserve (note (iii))	Capital reserve (note 28)	Total
Balance at 1 January 2010	136,904	54,562	238	—	191,704
Share options granted to employees	—	—	32	—	32
Transfer from retained earnings	—	2,143	—	—	2,143
Balance at 31 December 2010	136,904	56,705	270	—	193,879
Balance at 1 January 2011	**136,904**	**56,705**	**270**	**—**	**193,879**
Share options granted to employees	**—**	**—**	**193**	**—**	**193**
Exercise of share option	**—**	**—**	**(128)**	**—**	**(128)**
Acquisition of additional interests in a subsidiary	**—**	**—**	**—**	**(520)**	**(520)**
Transfer from retained earnings	**—**	**3,642**	**—**	**—**	**3,642**
Balance at 31 December 2011	**136,904**	**60,347**	**335**	**(520)**	**197,066**

(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.

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.

16. OTHER RESERVES (CONTINUED)

(a) Group (continued)

(iii) Share options reserve

Share options are granted to certain employees. The exercise price of the granted options approximates to the average of the closing prices for the five business days immediately before the grant date. The share options are averagely divided into four batches which are vested on grant date, in 9 to 48 months from the grant date, respectively. All share options would expire in 6 years from the grant date. The Group has no legal or constructive obligation to re-purchase or settle the options in cash.

	2011		2010	
	Average exercise price in HK$ per share option	**Options (thousands)**	Average exercise price in HK$ per share option	Options (thousands)
At 1 January	**0.63**	**800**	0.63	800
Granted (note (1))	**1.00**	**5,490**	—	—
Exercised (note (2))	**0.63**	**(500)**	—	—
At 31 December (note (3))	**0.98**	**5,790**	0.63	800

(1) The fair value of share options granted in 2011 was RMB1,769,000 (equivalent to HK$2,137,000) determined using the "binomial valuation model", of which RMB193,000 was charged to the consolidated income statement for the year ended 31 December 2011. The significant inputs into the model were weighted average share prices of HK$0.80 at the grant date, exercise price shown above, expected volatility of 86.33%, expected dividend yield of 5.50%, and expected share option life of 6 years and an annual risk-free interest rate of 1.504%.

(2) The related weighted average share price at the time of exercise was HK$0.63 per share.

16. OTHER RESERVES (CONTINUED)

(a) Group (continued)

(iii) Share options reserve (continued)

(3) Out of the 5,790,000 outstanding share options (2010: 800,000), 225,000 share options (2010: 725,000 share options) were exercisable. Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price in HK$ per share option	Options (thousands) 2011	2010
3 July 2014	0.63	**300**	800
22 July 2017	1.00	**5,490**	—
At 31 December	0.98	**5,790**	800

(b) Company

	Merger reserve (note (i))	Share option reserve (note (a)(iii))	Total
Balance at 1 January 2010	211,719	238	211,957
Share options granted to employees	—	32	32
Balance at 31 December 2010	211,719	270	211,989
Balance at 1 January 2011	**211,719**	**270**	**211,989**
Share option granted to employees	—	**193**	**193**
Exercise of share option	—	**(128)**	**(128)**
Balance at 31 December 2011	**211,719**	**335**	**212,054**

(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)

17. DEFERRED INCOME TAX — GROUP

	2011	2010
Deferred income tax asset to be recovered after more than 12 months	**(530)**	(61)
Deferred income tax liabilities to be payable after more than 12 months	**4,316**	—
Deferred tax liabilities/(assets) — net	**3,786**	(61)

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

	2011	2010
Balance at 1 January	**(61)**	(4,264)
Charged in the consolidated income statement	**3,847**	4,203
Balance at 31 December	**3,786**	(61)

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

Deferred income tax liabilities	**Temporary difference between carrying amounts and tax base of inventories**
At 1 January 2011	**—**
Charged to the consolidated income statement	**4,316**
At 31 December 2011	**4,316**

(All amounts in Renminbi thousands unless otherwise stated)

17. DEFERRED INCOME TAX — GROUP (CONTINUED)

Deferred income tax assets	Difference of carrying amount of equipment over the tax bases	Difference of fair value of financial assets at fair value through profit or loss over the tax bases	Others	Total
At 1 January 2010	—	—	(4,264)	(4,264)
Charged to the consolidated income statement	—	—	4,203	4,203
At 31 December 2010	—	—	(61)	(61)
At 1 January 2011	**—**	**—**	**(61)**	**(61)**
(Credited)/charged to the consolidated income statement	**(297)**	**(233)**	**61**	**(469)**
At 31 December 2011	**(297)**	**(233)**	**—**	**(530)**

(a) 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 RMB11,588,000 (2010: RMB11,383,000) in respect of the tax losses of certain group companies amounting to approximately RMB47,503,000 (2010: RMB47,322,000).

As at 31 December 2011, the tax losses amounting to RMB17,131,000 and RMB30,372,000 will be expired within 2 years and between 2 to 5 years, respectively.

(All amounts in Renminbi thousands unless otherwise stated)

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
Trade payables				
— Third parties	**43,233**	51,144	**—**	—
— An associate	**845**	—	**—**	—
— Related parties (note 31)	**3,616**	7,586	**—**	—
	47,694	58,730	**—**	—
Amounts due to subsidiaries	**—**	—	**2,427**	2,257
Other payables to third parties	**40,631**	43,343	**—**	26
Dividends payable	**975**	1,704	**930**	—
Advances from customers	**7,648**	16,622	**—**	—
	96,948	120,399	**3,357**	2,283

At 31 December 2011, the ageing analysis of the trade payables, including amounts due to related parties of trading nature, are as follows:

	2011	2010
Less than 30 days	**23,346**	33,236
31–90 days	**14,736**	15,269
91–180 days	**3,588**	5,615
181–365 days	**3,360**	2,499
Over 365 days	**2,664**	2,111
	47,694	58,730

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

	Group		Company	
	2011	2010	**2011**	2010
RMB	**69,074**	92,123	**—**	—
US$	**15,337**	16,208	**—**	—
HK$	**4,908**	4,549	**3,357**	2,283
Other currencies	**7,629**	7,519	**—**	—
	96,948	120,399	**3,357**	2,283

(All amounts in Renminbi thousands unless otherwise stated)

19. OTHER INCOME

	2011	2010
Interest income	**5,785**	2,973
Incentive subsidy	**740**	2,357
Repair and maintenance service income — net	**1,179**	1,327
	7,704	6,657

20. EXPENSES BY NATURE

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

	2011	2010
Depreciation for property, plant and equipment, amortisation of land use rights and intangible assets (notes 6, 7 and 8)	**10,595**	12,274
Raw materials and consumables recognised in cost of goods sold and expenses	**400,859**	348,963
Reversal for impairment of receivables	**—**	(150)
Employee benefit expenses (note 21)	**48,873**	38,768
— Cost of goods sold	**18,051**	10,750
— Selling and marketing costs	**5,662**	6,658
— Administrative expenses	**25,160**	21,360
Operating leases — building	**1,951**	1,260
Transportation expenses	**6,544**	3,961
Auditors' remuneration	**1,477**	1,360
Advertising and promotion fees	**4,559**	3,855
Others	**28,203**	22,660
	503,061	432,951

(All amounts in Renminbi thousands unless otherwise stated)

21. EMPLOYEE BENEFIT EXPENSES

	2011	2010
Wages and salaries	41,264	32,528
Share options granted to employees (note 16(a)(iii))	193	32
Staff welfare and insurance	4,083	4,030
Pension costs — defined contribution plans	3,333	2,178
	48,873	38,768

(a) Emoluments of directors and senior management

The remuneration of directors of the Company for the year ended 31 December 2011 is set out below:

	Fees	Salaries	Bonus	Inducement fees	Other benefits	Contribution to pension scheme	Compensation for loss of office	Share options	Total
Mr. Au Pak Yin	199	398	—	—	—	10	—	—	607
Mr. Au Kwok Lun	199	472	—	—	598	10	—	—	1,279
Mr. Ou Guo Liang	199	216	—	—	301	10	—	—	726
Mr. Lai Ming, Joseph*	199	—	—	—	—	—	—	—	199
Mr. Meng Yan*	100	—	—	—	—	—	—	—	100
Mr. Xu Guangmao*	100	—	—	—	—	—	—	—	100
Mr. Yang Guoqiang	83	—	—	—	—	—	—	—	83
	1,079	1,086	—	—	899	30	—	—	3,094

The remuneration of directors of the Company for the year ended 31 December 2010 is set out below:

	Fees	Salaries	Bonus	Inducement fees	Other benefits	Contribution to pension scheme	Compensation for loss of office	Share options	Total
Mr. Au Pak Yin	204	408	—	—	—	10	—	—	622
Mr. Au Kwok Lun	204	520	—	—	511	10	—	—	1,245
Mr. Ou Guo Liang	204	222	—	—	301	10	—	—	737
Mr. Lai Ming, Joseph*	204	—	—	—	—	—	—	—	204
Mr. Meng Yan*	102	—	—	—	—	—	—	—	102
Mr. Xu Guangmao*	102	—	—	—	—	—	—	—	102
	1,020	1,150	—	—	812	30	—	—	3,012

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

(All amounts in Renminbi thousands unless otherwise stated)

21. 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 (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) out of the five highest paid individuals during the year are as follows:

	2011	2010
Salaries and other benefits	**1,272**	1,047
Share options	**21**	—
Retirement scheme contributions	**57**	53
	1,350	1,100

The emoluments fell within the following bands:

	2011	2010
Nil to RMB1,000,000	**2**	2

22. OTHER GAINS/(LOSSES) — NET

	2011	2010
Losses on financial assets at fair value through profit or loss — net	**(930)**	(3,102)
Foreign exchange gains/(losses) — net	**1,432**	(760)
	502	(3,862)

(All amounts in Renminbi thousands unless otherwise stated)

23. FINANCE INCOME — NET

	2011	2010
Interest expenses on bank borrowings	(435)	(821)
Exchange gains on bank borrowings	1,420	2,041
	985	1,220

24. INCOME TAX EXPENSES

	2011	2010
Current income tax expenses		
— Hong Kong profits tax (note (a))	—	—
— PRC corporate income tax (note (b))	(6,005)	(3,637)
— PRC withholding income tax (note (c))	(250)	—
	(6,255)	(3,637)
Deferred income tax expenses	(3,847)	(4,203)
	(10,102)	(7,840)

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:

	2011	2010
Profit before tax	65,666	38,537
Tax calculated at tax rates applicable to profits in the respective entities of the Group	(9,441)	(4,540)
Tax losses for which no deferred income tax asset was recognised	(667)	(3,145)
Utilisation of previously unrecognised tax losses	462	—
Tax effect of share of losses of an associate	(10)	(3)
Expenses not deductible for tax purposes	(196)	(152)
PRC corporate income tax	(9,852)	(7,840)
PRC withholding income tax	(250)	—
	(10,102)	(7,840)

24. INCOME TAX EXPENSES (CONTINUED)

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2011 (2010: 16.5%).

(b) PRC corporate income tax

The main business of the Group is conducted by Kongyue Information, which is a foreign investment company based in Xinhui City, the PRC. The corporate income tax (the "CIT") of Kongyue Information is provided for on the basis of its profit reported in the PRC statutory financial statements, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the CIT rate is 25%. In addition, the CIT Law provides, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). Kongyue Information was designated as HNTE for three years from 2011 to 2013, and therefore it enjoys a preferential CIT rate at 15% for the three years ending 31 December 2013 (2010: 15%). The effective CIT rate of other group entities in the PRC is 25% (2010: 25%).

(c) PRC withholding income tax

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. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

(d) 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 the BVI.

25. RETAINED EARNINGS/(ACCUMULATED LOSSES) OF THE COMPANY

	2011	2010
Balance at 1 January	(23,385)	(15,750)
Profit/(loss) for the year	83,158	(7,635)
Interim dividend (note 27)	(28,024)	—
Balance at 31 December	31,749	(23,385)

26. EARNINGS PER SHARE

— Basic

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

	2011	2010
Profit attributable to the shareholders of the Company (RMB'000)	55,042	28,463
Weighted average number of ordinary shares in issue (shares in thousands)	559,909	560,892
Basic earnings per share (RMB per share)	0.098	0.051

— Diluted

Diluted earnings 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. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	2010
Profit attributable to the shareholders of the Company (RMB'000)	55,042	28,463
Weighted average number of ordinary shares in issue (shares in thousands)	559,909	560,892
Adjustments for share options (shares in thousands)	69	—
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	559,978	560,892
Diluted earnings per share (RMB per share)	0.098	0.051

(All amounts in Renminbi thousands unless otherwise stated)

27. DIVIDENDS

	2011	2010
Interim dividend (note (a))	**28,024**	—
Proposed final dividend (note (b))	**28,123**	14,169
Proposed special dividend (note (b))	**—**	34,005
	56,147	48,174

(a) At meeting held on 29 August 2011 the directors of the Company declared an interim dividend for the year ended 31 December 2011 of HK$0.061 per ordinary share, approximately HK$34,159,000 (equivalent to RMB28,024,000 translated at the exchange rate prevailing at 29 August 2011) out of retained earnings of the Company.

(b) At a meeting held on 27 March 2012, the directors of the Company proposed a final dividend of HK$0.062 per ordinary share, approximately HK$34,720,000 (equivalent to RMB28,123,000 translated at the exchange rate prevailing at 27 March 2012) out of retained earnings of the Company for the year ended 31 December 2011. This proposed dividend is not reflected as a dividend payable in these consolidated financial information, but will be reflected as an appropriation of retained earnings of the Company for the year ending 31 December 2012.

A final dividend in respect of 2010 of HK$0.03 per ordinary share and a special dividend of HK$0.072 per ordinary share, totaling approximately HK$57,119,000 (equivalent to RMB48,174,000 translated at the exchange rate prevailing at the date of payment) have been declared out of share premium of the Company in the Company's Annual General Meeting on 20 April 2011.

(All amounts in Renminbi thousands unless otherwise stated)

28. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

(a) In February 2011, the Company acquired additional 5% of the interests in Kongyue Information at a consideration of RMB17,000,000. The carrying amount of the non-controlling interests in Kongyue Information at the date of acquisition was RMB16,480,000. The effect of changes in the ownership interest of Kongyue Information on the equity attributable to shareholders of the Company is set out as follows:

Carrying amount of non-controlling interests acquired	16,480
Consideration paid to non-controlling interests	(17,000)
Excess of consideration paid recognised within equity	(520)

(b) Effects of changes in ownership interests in subsidiaries without change of control on the equity attributable to shareholders of the Company for the year ended 31 December 2011:

Total comprehensive income of the Group attributable to the shareholders of the Company for the year	**55,042**
Excess of consideration paid to non-controlling interests for the acquisition of additional interests in subsidiary recognised within equity	**(520)**
	54,522

(All amounts in Renminbi thousands unless otherwise stated)

29. CASH GENERATED FROM OPERATING ACTIVITIES

	2011	2010
Profit for the year	**55,564**	30,697
Adjustments for:		
— Income tax expenses	**10,102**	7,840
— Depreciation of property, plant and equipment	**10,161**	11,856
— Amortisation of land use right	**289**	289
— Amortisation of intangible assets	**145**	129
— Loss on disposal of property, plant and equipment	**283**	52
— Interest income	**(5,785)**	(2,973)
— Share options granted to employees	**193**	32
— Finance income — net	**(985)**	(1,220)
— Exchange losses on cash and cash equivalents	**554**	451
— Share of loss from an associate	**64**	18
	70,585	47,171
Changes in working capital:		
— Inventories	**(42,515)**	22,033
— Trade and other receivables	**(5,101)**	12,332
— Restricted cash	**(344)**	(242)
— Financial assets at fair value through profit or loss	**6,805**	3,102
— Trade and other payables	**(21,905)**	40,271
Cash generated from operations	**7,525**	124,667

30. COMMITMENTS — GROUP

Operating lease commitments

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

	2011	2010
No later than 1 year	**1,516**	899
Later than 1 year and not later than 5 years	**439**	385
	1,955	1,284

31. RELATED-PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

(All amounts in Renminbi thousands unless otherwise stated)

31. RELATED-PARTY TRANSACTIONS (CONTINUED)

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

		2011	2010
(i)	**Purchase of goods** (note (1))		
	— Guangdong Precision	**19,975**	19,989
	— Guangdong Zhongding	**15,849**	11,844
	— Jiangmen Yida	**19,356**	13,434
		55,180	45,267
(ii)	**Handling fees** (note (2))		
	— KY Import/Export	**1,130**	1,248
(iii)	**Key management compensation (exclusive of directors' emoluments)**		
	— Salary and other short-term employee benefits	**1,821**	1,793
	— Share options	**40**	122
	— Retirement scheme contribution	**28**	58
		1,889	1,973
(iv)	**Period-end balances with related parties** (note (3))		
	Trade and other receivables from related parties (note 12)		
	— KY Import/Export	**4,253**	8,463
	— Industrial Park	**487**	2,197
	— Guangdong Precision	**457**	—
		5,197	10,660
	Trade payables to related parties (note 18)		
	— Guangdong Zhongding	**1,386**	2,312
	— Guangdong Precision	**—**	567
	— Jiangmen Yida	**2,230**	4,707
		3,616	7,586

31. RELATED-PARTY TRANSACTIONS (CONTINUED)

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

Notes:

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

(2) Handling fees represent service charges for handling customs documents for the Group during import and export processes, which are calculated based on approximately 1% of the aggregate value of goods handled by KY Import/Export. During the year ended 31 December 2011, the handling fees charged by KY Import/Export in relation to import of materials and export of materials amounted to RMB946,000 and RMB184,000, respectively.

(3) All balances with related parties are unsecured and interest free; balances due from KY Import/Export and Industrial Park are repayable on demand, balances with other related parties are repayable within 45 days.

32. 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 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
ASSETS					
Non-current assets					
Property, plant and equipment	**84,127**	88,843	89,470	98,500	99,851
Land use right	**10,033**	10,322	10,611	10,900	11,189
Intangible assets	**662**	807	936	1,498	1,681
Interest in associates	**97**	161	179	470	5,199
Available-for-sale financial assets	**500**	500	500	1,000	1,000
Deferred income tax assets	**—**	61	4,264	5,347	6,409
	95,419	100,694	105,960	117,715	125,329
Current assets					
Inventories	**180,014**	137,499	159,532	158,374	191,195
Trade and other receivables	**66,972**	62,216	74,100	114,951	263,995
Financial assets at fair value through profit or loss	**11,883**	18,688	21,790	3,455	—
Restricted cash	**586**	72,532	—	—	—
Cash and cash equivalents	**170,116**	257,483	184,478	175,412	160,895
	429,571	548,418	439,900	452,192	616,085
Total assets	**524,990**	649,112	545,860	569,907	741,414
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	**176,649**	224,428	261,455	271,226	282,194
Other reserves	**197,066**	193,879	191,704	190,036	185,252
Retained earnings/(accumulated losses)					
— Proposed final dividend	**28,123**	—	—	—	4,311
— Retained earnings/(accumulated losses)	**21,108**	25,855	(465)	(12,620)	80,838
	422,946	444,162	452,694	448,642	552,595
Non-controlling interests	**24**	15,982	15,407	13,884	14,261
Total equity	**422,970**	460,144	468,101	462,526	566,856
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	**3,786**	—	—	—	—
Current liabilities					
Trade and other payables	**96,948**	120,399	77,652	100,028	109,797
Current income tax liabilities	**1,286**	750	107	192	8,252
Borrowings	**—**	67,819	—	7,161	56,509
	98,234	188,968	77,759	107,381	174,558
Total liabilities	**102,020**	188,968	77,759	107,381	174,558
Total equity and liabilities	**524,990**	649,112	545,860	569,907	741,414
Net current assets	**331,337**	359,450	362,141	344,811	441,527
Total assets less current liabilities	**426,756**	460,144	468,101	462,526	566,856

(All amounts in Renminbi thousands unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

	2011	2010	2009	2008	2007
Revenue	**559,600**	467,491	456,690	613,985	834,212
Cost of goods sold	**(421,066)**	(361,975)	(368,221)	(572,581)	(748,574)
Gross profit	**138,534**	105,516	88,469	41,404	85,638
Other income	**7,704**	6,657	7,136	3,675	8,149
Selling and marketing costs	**(30,816)**	(25,680)	(30,677)	(60,978)	(27,649)
Administrative expenses	**(51,179)**	(45,296)	(48,320)	(56,609)	(52,914)
Other gains/(losses) — net	**502**	(3,862)	2,782	(15,492)	1,114
Operating profit/(loss)	**64,745**	37,335	19,390	(88,000)	14,338
Finance income/(costs) — net	**985**	1,220	(210)	1,164	(4,042)
Share of losses of associates and impairment charge	**(64)**	(18)	(291)	(4,729)	(3,808)
Profit/(loss) before income tax	**65,666**	38,537	18,889	(91,565)	6,488
Income tax (expenses)/credit	**(10,102)**	(7,840)	(3,633)	2,116	(346)
Profit/(loss) for the year	**55,564**	30,697	15,256	(89,449)	6,142
Attributable to:					
Shareholders of the Company	**55,042**	28,463	13,733	(89,072)	4,690
Non-controlling interests	**522**	2,234	1,523	(377)	1,452
	55,564	30,697	15,256	(89,449)	6,142
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to shareholders of the Company during the year (expressed in RMB per share)	**0.098**	0.051	0.024	(0.154)	0.008