Jolimark Holdings Limited
映美控股有限公司

(Incorporated In The Cayman Islands With Limited Liability)
Stock Code: 2028

Annual Report 2015

Jolimark

CONTENTS

Corporate Information

Directors

Executive Directors

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

Independent Non-Executive Directors

Mr. Lai Ming, Joseph
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

Registered Office

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PO Box 1350 GT
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Cayman Islands

Principal Place of Business in Hong Kong

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Hong Kong

Company Secretary

Mr. Lai Sai Wo, Ricky

Authorised Representatives

Mr. Au Kwok Lun
Mr. Lai Sai Wo, Ricky

Audit Committee

Mr. Lai Ming, Joseph *(Chairman)*
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

Remuneration Committee

Mr. Yeung Kwok Keung *(Chairman)*
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Lai Ming, Joseph
Mr. Au Kwok Lun

Nomination Committee

Mr. Lai Ming, Joseph *(Chairman)*
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

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
Wan Chai
Hong Kong

Principal Bankers

China Construction Bank
Agricultural Bank of China
Xiamen International Bank
Postal Savings Bank of China
Nanyang Commercial Bank
China Everbright Bank

Stock Code

2028

Website

www.jolimark.com

Chairman's Statement

Dear Shareholders,

In 2015, the Group recorded revenue of approximately RMB496,975,000, a decrease of 9% from 2014, and recorded profit attributable to shareholders of the Company during the year of approximately RMB88,921,000, representing an increase of approximately 8% from 2014. The decrease in revenue and the increase in investment in new businesses resulted in a decrease in recurring profit, while the improvement in profit attributable to shareholders was mainly attributable to a compensation from Epson (China) Limited ("Epson").

In addition to sluggish market demands, the domestic economic slowdown accelerated during the year. The revenue from the printers and tax control equipment operation decreased by approximately 4% notwithstanding the efforts of our marketing team. Moreover, the OEM operation (other electronic products manufacturing operation) imposed more significant downward pressure to the revenue of the Company as it decreased by more than 30%. The OEM operation has ceased to be the principal business of the Company, accounting for approximately 15% of the total revenue, and this percentage is expected to decrease going forward.

In 2015, the State slowed-down the implementation of the "BT to VAT" initiatives. However, the work report from Premier Li Keqiang in 2016 has determined to fully implement the "BT to VAT" initiatives from 1 May 2016, which is a favorable move for the dot matrix printers market. Currently, there are over 60 million enterprises and industrial and commercial sole proprietorship across the country, and the tax-paying enterprises are merely a few million. But on the other hand, the State issued requirements at the end of 2015, in an attempt to implement regular electronic value added tax invoices from 2016 onwards. Although local implementation regulations are yet to be determined, this may has negative effect on the demands in dot matrix printers in the long run.

During last year, the Company has been dedicated in the development of new businesses such as mobile internet business, Android POS all-in-one terminals, passbook printers, ink jet printers and multi-functional all-in-one terminals, which all achieved successful performance. In particular, the "Kamo" prepaid card mobile payment system and the "Yingmei.me" cloud printing under the mobile internet business. In 2016, we will implement the strategy to launch "Kamo" in free version, professional version and all-in-one hardware terminal, which will provide integrated solutions ranging from hardware, industry management software, customer management platform, internet marketing platform and payment platform. The Company expects the "Kamo" to grow rapidly in terms of both of the customers and users in 2016. At the same time, by the pipeline-technologies developed over the years, the Company will enter the ink jet printer and multi-purpose all-in-one printer market in full gear in 2016 with a focus on small and medium enterprise office printing. Leveraging on our advantages in channel, brand, production capacity and technology, the Company is confident in expanding into such market successfully.

Looking into 2016, the domestic macro-economic development turns to the page of a new normal represented by a decelerated mid to high growth. The considerable investment in development of new products and new businesses also produced uncertainties to a certain extent. However, I believe that the Company has the capability to effectively overcome various challenges, and further develop the business of the Company.

Finally, on behalf of the board of directors, I would like to express our deep thanks to all the shareholders, the management team, the staff and the customers for their strong support for the Group over the past year. With the efforts, enthusiasm and optimism of all staff, the Group is confident to continuously devote itself to bringing more long-term and more satisfactory returns to our shareholders.

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

Hong Kong, 24 March 2016

Management's Discussion and Analysis

Business Review

Printer and Tax Control Equipment Business

For the year ended 31 December 2015, the revenue of Jolimark Holdings Limited (the "Company", together with its subsidiaries, the "Group") derived from the printer and tax control equipment business amounted to approximately RMB424,690,000, representing a decrease of approximately 4% as compared to 2014, accounted for approximately 85% of the total revenue of the Group. The decrease in revenue was mainly due to the slowdown in the implementation of "BT to VAT" policy (replacing business tax with value-added tax) by the Chinese government and a decrease in market demand due to the overall economic slowdown.

Other Electronic Products Manufacturing Business

For the year ended 31 December 2015, the Group's other electronic products manufacturing business amounted to approximately RMB72,285,000, representing a decrease of approximately 32% as compared to 2014, accounted for approximately 15% of the total revenue of the Group. The decrease in revenue was mainly attributable to the adoption by the Group's customers of a remanufacturing approach on some of their products, which means rebuild existing products.

Future Business Outlook

"BT to VAT"

China is going to continue its efforts in implementing the "BT to VAT" tax system reform policy, which is a favorable move for the dot matrix printers market. Prime Minster Li Keqiang specifically convened and held a dedicated forum for the implementation of the "BT to VAT" policy on 22 January 2016, and clearly pointed out that: the full implementation of the "BT to VAT" policy is a critical step for further financial and taxation system reform and fostering economic restructuring and industrial transformation. In the Report on the Work of the Government announced on 5 March 2016, the demand for a comprehensive implementation of the "BT to VAT" policy was reiterated. From 1 May 2016 onwards, pilot test will be extended to the architectural, real estate, financial and daily life services sectors. And the value added tax under any additional real estate of all enterprises will become deductible, so that the tax liabilities for all industries will only go down.

Electronic Invoices

The State Administration of Taxation issued the Notice on the Issues Concerning the Implementation of the Regular Electronic Value Added Tax Invoice Issued by the Electronic Value-Added Tax Invoice System on 26 November 2015, which states that a regular value-added tax invoice may be issued electronically, and the issuer and the receiver may print the electronic invoice on regular paper, whilst the legality, basic usages and basic application requirements are same as the regular value added tax invoices under the supervision and printing of the taxation authority. The Notice became effective on 1 January 2016. The Notice is limited to the adoption of electronic invoicing for regular value added tax invoices, while the value added tax specific invoices shall remain to be printed on paper invoices under the supervision and printing of the taxation authority. The promotion and implementation of the electronic invoicing would potentially reduce the market demand for dot matrix printers, but at the same time, it would benefit the sale of the IP-800 continuous feeding inkjet printers recently launched by the Company. IP-800 is the only inkjet printer in the market equipped with both the continuous feeding and flat-bed sheet feeding functions. The printer adopts a continuous inking system which offers extremely low utilization costs to the users but provides faster, quieter and higher quality printing than the dot matrix printers, and is suitable for printing of electronic invoices.

Management's Discussion and Analysis (continued)

Android POS All-in-one Terminal

The Android POS All-in-one Terminal (with Android computer and printer functions), the latest offering of the Company, has achieved initial acceptance and has shown satisfactory effect. This product is the only Android platform product equipped with a 7″ touch-screen panel with a built-in printer, which may be applied to print invoice, commercial retailing POS and O2O mobile on-line marketing platform and is promising in gaining market share.

Passbook Printer

In line with the implementation of the policy of the Chinese government on gradual loosening of control in the establishment of financial institutions, the number of small- to medium-scale banks and internet financial institutions has been increasing, fuelling market demands for passbook printers. By the Company's practice-made-perfect tradition over the years, the Company has already made remarkable progress in passbook printer technologies, resulted in stable and reliable product quality. The Company also recorded a historically high sales volume in 2015 and became one of the main suppliers in the market of passbook printers in mainland China. As the trend for having the intelligent all-in-one passbook printer integrating the functions of a magnetic encoder reader/writer, a contact and contactless IC card reader, a color duplex scanner and an essential vouchers infrared scanner, the passbook printer market will embrace a new round of market share restructuring, wherein the Company is expected to expand its market share.

Inkjet Printer and Multi-functional Printer

In 2016, the Company will leverage on its advantages in terms of brand and sales channel coverage and the technological expertise in inkjet printing accumulated over recent years to launch inkjet printers and color multi-functional all-in-one terminals (integrating printing, photocopying and scanning functions) targeted at the small and medium enterprise offices. The product adopts a continuous inking system made possible by a larger ink cartridge which reduces the user cost for black and white printing together with the convenient mobile cloud printing feature, which will break the monopoly by foreign brands. The continuous inkjet printers command a large market size and its sales volume has been increasing in recent year, partially replacing the laser printers, and it will be one of the future key developments of the Company.

"Kamo" mobile payment

In respect of the mobile internet business, the Company launched the "Jolimark Kamo" pre-paid card system in 2015, with several hundreds of merchants joined the on-line applications and achieved sound initial performance. Following the success of version 1.0, version 2.0 also went online in 2016, which integrates the functions of prepaid card management, membership management and marketing, creating a self-controlling O2O marketing and payment platform for the merchants. The product is available in free version and professional charge-based version, whereby the free version can expand the size of the on- line merchants and users in a rapid pace. The merchants can either use their own mobile phone to access the Kamo system or choose to use the Android POS all-in-one terminal of the Company as a hardware platform. On the back of the Android POS all-in-one terminal, the Company will launch the Kamo platform integrating the management software functions across different sectors, such as make-up and skin care, hair treatment, catering and retailing, so as to offer an integrated solution which covers hardware, industry management software, customer management platform, internet marketing platform and payment platform. The Company expects that Kamo's merchants and user base will expand rapidly in 2016.

Management's Discussion and Analysis (continued)

"Yingmei.me" Cloud Printing

Similarly, after the successful launching of on-line free version of the "Yingmei.me" cloud printing, the charge-based "Yingmei.me" cloud printing O2O version was launched in 2016 to enable customers to perform confidential printing by connecting to the "Yingmei.me" franchise printing stores via mobile APP.

2016 Outlook

Looking forward to 2016, "BT to VAT" will bring along favorable conditions, but the macro economy is still subject to downward pressures. The considerable investment in development of new products and new businesses also bring along some uncertainties. Thus, the Company takes a prudent attitude towards its business throughout 2016.

Financial Review

Results Summary

For the year ended 31 December 2015, the Group's turnover amounted to approximately RMB496,975,000, representing a decrease of approximately 9% as compared to last year. The profit attributable to shareholders of the Company enjoyed an increase of approximately 8% over the previous year and amounted to approximately RMB88,921,000. As at 31 December 2015 the basic earnings per share was approximately RMB0.147 (31 December 2014: RMB0.147), which remained stable as compared with last year.

Analysis on Sales and Gross Profit

For the year ended 31 December 2015, the revenue from printer and tax control equipment business, which was the main contributor to the total revenue of the Group, amounted to approximately RMB424,690,000, accounted for approximately 85% of total revenue of the Group, whereas the revenue from other electronic products manufacturing amounted to approximately RMB72,285,000, and accounted for approximately 15% of the total revenue of the Group. Comparing with 2014, the comprehensive income of the Group decreased by approximately 9%, in which, the revenue from the printer and tax control equipment business decreased by approximately 4%, and revenue from other electronic products manufacturing business decreased by approximately 32%.

The Group's gross profit margin increased from approximately 35% last year to approximately 38% in 2015. The increase in gross profit margin was mainly attributable to an increase in proportion of product revenue from Jolimark branded products and a decrease in the cost of Jolimark branded products.

Capital Expenditure

For the year ended 31 December 2015, capital expenditure of the Group amounted to approximately RMB10,541,000 (2014: RMB13,420,000), which was mainly used to acquire production equipment and moulds for new products.

Management's Discussion and Analysis (continued)

Financial and Liquidity Position

As at 31 December 2015, the total assets of the Group amounted to approximately RMB596,154,000 (31 December 2014: RMB607,404,000), shareholder's fund amounted to approximately RMB448,613,000 (31 December 2014: RMB388,687,000), non-controlling interests amounted to approximately RMB60,000 (31 December 2014: RMB75,000), and current liabilities amounted to approximately RMB146,682,000 (31 December 2014: RMB190,746,000), the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 3.2 (31 December 2014: 2.4). The increase in current ratio was mainly attributable to a decrease in long term borrowing due within one year by RMB53,974,000 in 2015.

As at 31 December 2015, the cash and cash equivalents, restricted cash and the structured deposits of the Group amounted to approximately RMB339,188,000 (31 December 2014: RMB344,135,000) in aggregate, whereas the bank loans of the Group which is repayable within one year amounted to approximately RMB29,625,000 (31 December 2014: RMB111,495,000, out of which RMB83,599,000 was repayable within one year). The Group was in a net cash position after deducting the loans.

As at 31 December 2015, the Group held financial assets at fair value through profit or loss in the amount of approximately RMB5,426,000 (31 December 2014: RMB8,779,000), representing the Group's investment of securities of A-share company listed and traded on China A-share securities market. The outstanding bank acceptance bills received from customers amounted to approximately RMB2,739,000 (31 December 2014: RMB2,430,000).

Foreign Currency Risks

The Group mainly operates in mainland China with most of the transactions denominated and settled in RMB, however, the Group is exposed to foreign exchange risks for assets and liabilities denominated in United States dollars ("US$"), Japanese Yen ("JPY"), Euro and Hong Kong dollars ("HK$") arising from importation of certain raw materials and machinery from overseas suppliers, sales of goods to overseas customers and borrowing that are denominated in foreign currencies. As at 31 December 2015, the Group had more monetary financial liabilities than financial assets outside the mainland China.

The Group manages and monitors its foreign exchange risks by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact from exchange rate fluctuations by reducing the financial liabilities if needed.

Acquisition

In 2015, Kong Yue Electronics & Information Industry (Xin Hui) Ltd., a wholly-owned subsidiary of the Group, acquired 20% of the shares of Wuhan Hong Ruida Information Technology Limited Company at the agreed consideration of RMB10,000,000. The company is a platform provider of internet interactive video entertainment products.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2015 (2014: nil).

Management's Discussion and Analysis (continued)

Staff

As at 31 December 2015, the Group employed a total of 1,397 staff (2014: 1,220 staff). Apart from 27 employees employed in Hong Kong and overseas, the rest were based in mainland China. The Group determined its remuneration and bonus policies for all employees with reference to the business results and individual performance of the staff. In addition, fringe benefits, such as social security insurance, medical allowance and housing provident fund, were provided to ensure the competitiveness of the Group. In addition, the Group has adopted a share option scheme with the objective to reward and incentivize its employees.

Proposed final dividend and closure of register of members

The board of directors of the Company (the "Board") recommended a final dividend of RMB0.053 per share for the year ended 31 December 2015 to shareholders whose names appear on the register of members on Friday, 27 May 2016. The final dividend will be paid on or before Friday, 24 June 2016.

There is no arrangement under which a shareholder has waived or agreed to waive any dividend.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB to Hong Kong dollars based on an exchange rate which was the average middle exchange rates for RMB to Hong Kong dollars announced by the People's Bank of China for the week prior to the date of the declaration of the final dividend.

The average of the middle exchange rate for RMB to Hong Kong dollars as announced by the People's Bank of China for the week from Thursday, 17 March 2016 to Wednesday, 23 March 2016 prior to 24 March 2016, the date on which the final dividend was declared RMB0.8364 to HK$1.00. Accordingly, the amount of final dividend payable in Hong Kong dollars will be HK$0.063 per share.

The annual general meeting of the Company will be held on Tuesday, 17 May 2016. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 12 May 2016 to 17 May 2016, 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 Wednesday, 11 May 2016.

For determining entitlement to the proposed final dividend, the register of members of the Company will be closed from 25 May 2016 to 27 May 2016, 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, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 24 May 2016.

Audit committee

The audit committee of the Company comprises Mr. Lai Ming, Joseph as the chairman, and Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung. All of them are independent non-executive directors of the Company (the "Directors", each a "Director"). For the year ended 31 December 2015, the audit committee held three meetings to review the accounting standards and practices adopted by the Group and to discuss on matters regarding the internal control and financial reporting (including the interim and annual results before proposing them to the Board for approval) with the management and external auditor. The audit committee has reviewed the results of the Group for the year ended 31 December 2015.

Report of the Directors

The Board is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2015.

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 of the Group using financial key performance indicators for the year ended 31 December 2015 is set out in the section headed "Management Discussion & Analysis" of this report.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 37.

Interim dividend of RMB0.078 per share for the six months ended 30 June 2015 was paid by the Company. At the Board meeting held on 24 March 2016, the Board recommended to declare a final dividend of RMB0.053 per share (2014: final dividend of RMB0.083 and special dividend for RMB0.025 per ordinary share) for the year ended 31 December 2015, subject to approval by shareholders at the annual general meeting.

Reserves

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

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 6 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in Note 19 to the financial statements.

Distributable Reserves

As at 31 December 2015, the Company's reserve available for cash distribution as computed in accordance with the Companies Law of the Cayman Islands (2013 Revision), amounted to approximately RMB186,744,000.

Report of the Directors (continued)

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-rata basis to existing shareholders.

Buy Back, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries bought back, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

Issue of new Shares and use of proceeds

First Placing

On 14 January 2015, the Company entered into a placing agreement (the "First Placing Agreement") with Orient Securities (Hong Kong) Limited as placing agent, pursuant to which the Company allotted and issued an aggregate of 40,000,000 shares of the Company (the "Shares") at the price of HK$1.70 per Share (the "First Placing"). The First Placing had been completed on 5 February 2015. The placing shares placed under the First Placing represent (i) approximately 7.10% of the issued share capital of the Company as at the date of the First Placing Agreement; and (ii) approximately 6.63% of the issued share capital of the Company as enlarged by the issue of such placing shares. The placing shares under the First Placing have a market value of approximately HK$70.80 million based on the closing price of the Shares of HK$1.77 on 14 January 2015, the date of the First Placing Agreement. The placing price of HK$1.70 per placing share represents: (i) a discount of approximately 3.95% to the closing price of HK$1.77 per Share as quoted on the Stock Exchange on the date of the First Placing Agreement; (ii) a discount of approximately 5.56% to the average of the closing prices of approximately HK$1.8 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 13 January 2015, the last trading day immediately preceding the date of the First Placing Agreement; and (iii) a discount of approximately 5.56% to the average of the closing prices of approximately HK$1.8 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 13 January 2015, the last trading day immediately preceding the date of the First Placing Agreement.

The gross proceeds of the First Placing was approximately HK$68 million, and the net proceeds (after deducting all applicable costs and expenses of the First Placing) was approximately HK$66 million. The bulk of the net proceeds from the First Placing will be applied in compliance with the intended use (i.e. for the business development of the Company in "Kamo" mobile payment business and O2O cloud printing business). As at 31 December 2015, approximately HK$10 million of the net proceeds has been utilised and the unutilised portion of the net proceeds from the First Placing is currently held in cash and cash equivalents. It will be applied in the manner consistent with the proposed allocations.

Report of the Directors (continued)

Second Placing

On 26 November 2015, the Company entered into a placing agreement (the "Second Placing Agreement") with Changjiang Securities Brokerage (HK) Limited as placing agent, pursuant to which the Company allotted and issued an aggregate of 18,000,000 shares of the Company (the "Shares") at the price of HK$1.60 per Share (the "Second Placing"). The Second Placing had been completed on 4 December 2015. The placing shares placed under the Second Placing represent (i) approximately 2.97% of the issued share capital of the Company as at the date of the Second Placing Agreement; and (ii) approximately 2.88% of the issued share capital of the Company as enlarged by the issue of such placing shares. The placing shares under the Second Placing have a market value of approximately HK$31.50 million based on the closing price of the Shares of HK$1.75 on 26 November 2015, the date of the Second Placing Agreement. The placing price of HK$1.60 per placing share represents: (i) a discount of approximately 8.57% to the closing price of HK$1.75 per Share as quoted on the Stock Exchange on the date of the Second Placing Agreement; (ii) a discount of approximately 5.88% to the average of the closing prices of approximately HK$1.70 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 25 November 2015, the last trading day immediately preceding the date of the Second Placing Agreement; and (iii) a discount of approximately 5.88% to the average of the closing prices of approximately HK$1.70 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 25 November 2015, the last trading day immediately preceding the date of the Second Placing Agreement.

The gross proceeds of the Second Placing was approximately HK$28.80 million, and the net proceeds (after deducting all applicable costs and expenses of the Second Placing) was approximately HK$28 million. The net proceeds from the Second Placing will be applied in compliance with the intended use (i.e. approximately HK$24.3 million for the development of the Company's "Kamo" mobile payment business and the "Yingmei.me" cloud printing business, and as to approximately HK$3.7 million as general working capital of the Company). As at 31 December 2015, all the net proceeds is currently held in cash and cash equivalents and will be applied in the manner consistent with the proposed allocations.

Issue of shares pursuant to share option scheme

During the year ended 31 December 2015, the Company has allotted and issued 1,522,513 and 1,092,500 new shares at an exercise prices of HK$1.00 and HK$1.18 each, respectively, pursuant to the exercise of the share options granted pursuant to the share option scheme adopted by the Company on 13 June 2005.

Major Risk and Uncertain Factors

The operations and results of the Group are subject to the effects of various factors, some are specific to the dot matrix printer sector and some are external. The following are the major risk and uncertain factors identified by the Group:

(a) Policy Risk

The sale of dot matrix invoice printers is one of the principal businesses of the Group, the PRC State's taxation policies may affect the above-mentioned business of the Group, in particular, the implementation of the "BT to VAT" policy by the State may increase the market demand for the above-mentioned printers, especially for the daily life services and decoration and improvement sectors. However, the implementation schedule of the "BT to VAT" policy involves many complementary policies and relevant preparation and the details and scope of such policy and implementation is uncertain to some extent.

Report of the Directors (continued)

The electronic invoicing (limited to regular value added tax invoice) currently under pilot testing of the State may reduce the market demand for dot matrix printers. The materialization of electronic evidence accounting of electronic invoicing requires complementary policies and relevant technical preparation, and may need some time before extension to full utilization. In response to such risk, the Company has launched the continuous cum paper feed inkjet printers which are more suitable for electronic invoice printing.

(b) Risk of New Business

The mobile internet business (including "Kamo" mobile payment and "Yingmei. me" cloud printing), Android POS integrated terminals and inkjet printers and multi-function integrated printers are new businesses to the Group, the development and prospects of which are subject to uncertainties.

(c) Risk of Supply Chain

To guarantee that the products are of high quality, the Group procures part of the highly sophisticated parts or chips from overseas, (amongst others) the quality, delivery schedule and the production capacity of the manufacturers of the relevant parts and components may affect the product quality, production capacity and sales and the implementation of marketing strategies of the Group to a certain extent. The Group controls or reduces the supply chain risk that may exist by measures such as entering into quality guarantee agreement and procurement framework agreement with the suppliers, stocking buffer inventories, enhancing communications with suppliers as well as enhancing administration and control over the quality of the manufacturing system.

(d) Risk of Macro-Economy

The domestic macro-economy has been seizing down since 2015, which may led to expenses tightening by the government or other sectors, and the demand in dot matrix printers may decrease. Accordingly, the Group need to monitor the changes in macro-economic environment to formulate reasonable operation plan and strategy, step up the efforts in development of products under proprietary brand, optimize product structure and marketing strategies as well as expand both of the domestic and overseas sales channels.

(e) Risks of Competition

As on-line marketing becomes popular, together with the emergence of new small scale dot matrix printer manufacturers, the competition of the dot matrix printer sector which the Group operates has continuously becoming more intensified and price competition among other competitors and other marketing measures may affect the gross profit and market share of the products of the Group to a certain extent. Therefore, the Group is required to continuously improve the core technology of the products, optimize suppliers resources, reasonably reduce procurement cost, enhance administration of the supply chain and product quality, step up marketing efforts, strengthen the administration of distribution channel and outlet terminals, strengthen the cooperation with e-commerce platforms such as JD.com, Suning and Gome and (amongst others) Wechat Mall as well as strengthen the development of Tmall store and Jolimark wechat shop, thereby expanding sales in various channels and enhancing core competitiveness continuously, so as to maintain earnings at reasonable level and enlarge market shares.

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

Report of the Directors (continued)

Discussion on Environmental, Social and Governance Issues

Important relationship

(i) Employee

The Board recognises that human resources is one of the valuable assets of the Group. The Group adheres to its people-orientated philosophy, and promotes the personal career development and plan of employee in line with the development of the Group. The Group aims to become an attractive employer.

The Group strives to motivate its employees by offering clear career development path and opportunities to enhance and improve their skills. The Group provides orientation trainings and in-house trainings, as well as development opportunities for employees. Training programmes cover different areas including management skill, sale and production, customer service, quality control, exhibition planning, code of conduct and other trainings related to the industry.

The Group conducts annual employee satisfaction survey for its operations in Hong Kong and the mainland China, and carefully considers all valuable feedbacks from employees with an aim to enhance operating efficiency and create harmony working environment in the long run.

In addition, the Group offers employees with competitive remuneration packages. The Group has also adopted the share option scheme in order to honour and provide incentive for employees who have contributed to the growth and development of the Group.

(ii) Supplier

The Group has established long-term cooperation relationship with numerous suppliers, and ensure those suppliers fulfilled their commitments in respect of quality, environment protection, low-carbon operation and ethic conducts. The Group also selects its suppliers carefully. Suppliers are required to meet several assessment indicators, including track record, experience, financial capability, reputation, capability in producing high quality products, efficiency in quality control, as well as environment protection and safety requirements. Upon selection, suppliers are also required to comply with the Group's anti-corruption policy.

(iii) Distributor

The Group sells its products to terminal customers through third party distributors, and closely cooperates with distributors in conducting its operations, so as to reach a mutual consent in adding value to the Group's brand and improving customer services, especially in attracting and keeping customers as to achieve sales growth. Before placing orders, distributors will have to reach an agreement with the Group in respect of retail goals and store expansion plans.

(iv) Customer

The Group strives to offer different types of computer peripherals with different specifications at low price which provide excellent product quality and after-sale services to customers. The Group maintains a VIP database, and communicates with customers through various channels such as the Company’s website, phone calls, mails, marketing materials and social media. The Group also cooperates with distributors in providing trainings for their front-line sale personnel, aiming to provide quality and value-added services for its terminal consumers at retail stores.

Report of the Directors (continued)

Environment protection policy

The Group focuses on preservation of natural resources and strives to create an environmentally-friendly working environment. Through saving electricity consumption and promoting the recycling of packaging materials, office supplies and other materials, the Group adheres to lower harm to the environment. Moreover, all of the Group's dot matrix printers have obtained the environmental labelling and energy conservation labelling.

The Group also requires its suppliers to strictly comply with relevant environment protection laws and regulations, and obtain all necessary permits and approvals from relevant regulators in China.

Compliance in laws and regulations

The operations of the Group are primarily conducted by subsidiaries of the Company in mainland China, and the Company is listed in the Stock Exchange. Therefore, the establishment and operations of the Group is subject to relevant laws and regulations in the mainland China and Hong Kong. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations.

For the year ended 31 December 2015 and as at the date of this report, the Group has complied with all relevant laws and regulations in the mainland China and Hong Kong that have significant impact on the operations of the Group.

Share Options

Pursuant to the share option scheme approved by a written resolution of all shareholders of the Company on 13 June 2005 (the "2005 Scheme"), the Company may grant to, amongst others, the Directors and employees of the Company and its subsidiaries, for the recognition of their contribution to the Group, options to subscribe for the Shares. According to the 2005 Scheme, the Board may, at its discretion, invite any eligible participants, including employees and directors, to take up options to subscribe for the Shares in the Company. The total number of Shares which may be issued upon the exercise of all options to be granted under the 2005 Scheme and any other scheme must not, in aggregate, exceed 10% of the number of Shares in issue as at the date dealings in the Shares first commence on the Stock Exchange unless further shareholders' approval had been obtained pursuant to the conditions set out in the 2005 Scheme. Subject to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the total number of Shares that may be granted to a participant in any 12-month period must not exceed 1% of the issued share capital of the Company.

The offer for the grant of options ("Offer") must be taken up within 28 days from the date of offer, with a payment of HK$1.00 as consideration for the option. The exercise price of the share option will be determined at the higher of (i) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (iii) the nominal value of the Shares. The total number of shares available for issue should be 50 million which is equivalent to 10% of the shares in issue when the 2005 Scheme was adopted by the shareholders. The share options are exercisable at any time during a period of no more than 10 years from the date of Offer, subject to the terms and conditions of the 2005 Scheme and any conditions of grant as may be stipulated by the Board. Unless terminated by the Company by resolution in general meeting, the 2005 Scheme shall be valid and effective for a period of 10 years commencing on the date on which the 2005 Scheme becomes unconditional. The 2005 Scheme has terminated on 18 May 2015.

Report of the Directors (continued)

In the annual general meeting of the Company held on 18 May 2015, as the 2005 Scheme was due to expire on 26 June 2015, the shareholders approved to terminate the 2005 Scheme and adopted a new share option scheme (the "2015 Scheme"). The adoption of the 2015 Scheme and the termination of the 2005 Scheme will not in any way affect the terms of the options already granted under the 2005 Scheme, which will continue to be valid and subject to the terms of the 2005 Scheme. The total number of shares available for issue in the 2015 Scheme should be 60,481,950 which is equivalent to 10% of the shares in issue when the 2015 Scheme was adopted by the shareholders. Since adoption, no options have been granted under the 2015 Scheme.

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

Name	Date of grant	Exercise price HK$	Outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 31 December 2015	Percentage of the issued share capital of the Company as at the date of this report	Exercise period
Employees – Type 3	22 July 2011	1.00 (Note 3 and 4)	2,080,013	–	(1,522,513) (Note 11)	–	557,500	0.09%	Six years from the date of grant (Note 1)
Employees – Type 3	10 December 2013	1.18 (Note 5 and 6)	5,500,000	–	(1,092,500) (Note 12)	(390,000)	4,017,500	0.64%	Six years from the date of grant (Note 1)
Employees – Type 3	17 December 2014	1.70 (Note 7 and 8)	19,800,000	–	–	(1,000,000)	18,800,000	3.01%	Six years from the date of grant (Note 1)
Employees – Type 4	15 May 2015	2.17 (Note 9 and 10)	–	17,980,000	–	(5,260,000)	12,720,000	2.04%	Six years from the date of grant (Note 2)
Total			27,380,013	17,980,000	(2,615,013)	(6,650,000)	36,095,000	5.78%	

Notes:

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

2. Out of 17,980,000 options, 12,980,000 options shall be exercisable in four tranches. The first 25% of the option can be exercisable at any time on and after the first anniversary of the date of grant. The next 25% of the option can be exercisable at any time commencing from the second anniversary of the date of grant. The third 25% of the option can be exercisable at any time commencing from the third anniversary of the date of grant. The remaining 25% of the option can be exercisable at any time commencing from the fourth anniversary of the date of grant.

   Out of 17,980,000 options, 5,000,000 options shall be exercisable in two tranches. The first 50% of the option can be exercisable at any time on and after the first anniversary of the date of grant. The remaining 50% of the option can be exercisable at any time commencing from the second anniversary of the date of grant.

Report of the Directors (continued)

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

4. The exercise price was determined by the Directors of the Company and was fixed at HK$1.00 per share.

5. The closing price immediately before the date of grant was HK$1.18.

6. The exercise price was determined by the Directors of the Company and was fixed at HK$1.18 per share.

7. The closing price immediately before the date of grant was HK$1.72.

8. The exercise price was determined by the Directors of the Company and was fixed at HK$1.70 per share.

9. The closing price immediately before the date of grant was HK$2.17.

10. The exercise price was determined by the Directors of the Company and was fixed at HK$2.17 per share.

11. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$1.73 per share.

12. The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$2.10 per share.

Directors

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

Executive Directors

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

Independent Non-Executive Directors

Mr. Lai Ming, Joseph
Mr. Meng Yan
Mr. Xu Guangmao
Mr. Yeung Kwok Keung

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. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao will hold office only until the coming annual general meeting of the Company to be held on Tuesday, 17 May 2016 (the "AGM") and, being eligible, will offer themselves for re-election at the AGM.

Report of the Directors (continued)

Indemnity and Insurance Provision

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

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

Directors' Service Contracts

Mr. Yeung Kwok Keung and other Directors have renewed their service contracts with the Company for another term of 3 years commencing from 1 August 2014 and 13 June 2014, respectively. Save as above, none of the Directors had entered into a service contract with any member of the Group which does not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

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

Director's Rights to Acquire Shares

Apart from the 2005 Scheme and the 2015 Scheme disclosed in the section headed "Share Options" of this report, 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 25 to page 27.

Report of the Directors (continued)

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 13% 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$1,500 by each of the employee and the Group) on a monthly basis to the fund.

Disclosure of Interests

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

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/Name of associated corporation	Capacity	Number of ordinary shares held(Note 1)	Percentage in the relative class of share capital (approx.)
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation(Note 2)	405,465,533 (L)	64.96%
Mr. Au	Kytronics Holdings Limited ("Kytronics")	Beneficial owner(Note 3)	2(L)	40%
Mr. Au Kwok Lun	Kytronics	Beneficial owner	1 (L)	20%
Mr. Ou Guo Liang	Kytronics	Beneficial owner	1 (L)	20%

REPORT OF THE DIRECTORS (CONTINUED)

Notes:

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

2. 405,465,533 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 ("Ms Tai") . 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 Ms Tai is the beneficial owner of an ordinary share in Kytronics.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, 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 2015, as far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Company/name of associated corporation	Capacity	Number of ordinary shares held	Percentage in the relevant class of share capital (approx.)(Note 1)
Kytronics	Company	Beneficial Owner	405,465,533(Note 2)	64.96%(L)
Ms. Tai Noi Kit ("Ms. Tai")	Kytronics	Interest in controlled corporation	405,465,533(Note 2)	64.96%(L)
Kent C. McCarthy	Company	Interest in controlled corporation	62,292,000(Note 3)	9.98%(L)

Notes:

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

2. 405,465,533 shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 20% each of Ms. Tai and her spouse Mr. Au. Ms. Tai and Mr. Au are therefore deemed to be interested in these shares by virtue of their interests in Kytronics pursuant to Part XV of the SFO.

3. 62,292,000 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 2015, 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.

Report of the Directors (continued)

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

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 41% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 14% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 23% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 6% of total purchases.

In the Group's five largest suppliers, it included Guangdong Kong Yue Precision Industry Limited ("Guangdong Precision") which is connected to the Company. Details of the transaction had been stated under the section headed "Connected Transactions" of this report.

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	Actual transaction amount for the year ended 31 December 2015 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 and export agency services	(i)	879
(II)	Supply agreements with Guangdong Kong Yue Precision Industry ("Guangdong Precision")	(ii)	17,250
(III)	Supply agreement with Guang Dong Jotech Kong Yue Precision Industry Limited ("Jiangmen Yida")	(iii)	6,914
(IV)	Master Services Agreement with Palace International Hotel ("Palace")	(iv)	671

Report of the Directors (continued)

Notes:

(i) Pursuant to the agreement entered into by Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information", a subsidiary of the Company) and KY Import/Export on 8 November 2013, the service fees charged by KY Import/Export in relation to import of materials for the Group are approximately 1% of purchase price of the materials. The service fees charged by KY Import/Export in relation to export products are equivalent to 1% of the full contract price of the products. The annual cap of the transactions is RMB2,529,000 for the year ended 31 December 2015. The service fee was determined after arm's length negotiation. In respect of import handling services, KY Import/Export will charge 1% of the contract price of direct materials, equipment and technology handled by KY Import/ Export as handling fee. In respect of export handling services, KY Import/Export will charge Kongyue Information a service fee equivalent to 1% of the full contract price of the products and relevant technology sold to customers.

(ii) Pursuant to the agreements entered into by Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information", a subsidiary of the Company) with Guangdong Precision on 8 November 2013 (collectively referred to as the "Precision Agreements"), Guangdong Precision agreed to supply plastic parts, components and molds to Kongyue Information from time to time as requested by the Kongyue Information. The annual cap of the transactions for the year ended 31 December 2015, in aggregate, is RMB38,788,000. The purchase prices for the plastic parts, components and molds supplied by Guangdong Precision will be determined after arm's length negotiations with reference to the prevailing market prices of similar or comparable products offered by Guangdong Precision to independent third parties. The purchase prices will be settled by the Group on a monthly account basis.

(iii) Pursuant to the agreement entered into by Kongyue Information and Jiangmen Yida on 8 November 2013, Jiangmen Yida agreed to supply metal stamped parts and molds to Kongyue Information from time to time as requested by Kongyue Information. The annual cap of the transactions for the year ended 31 December 2015 is RMB16,803,000. The purchase prices for the stamped metal parts and molds supplied by Jiangmen Yida will be determined after arm's length negotiations with reference to the prevailing market prices of similar or comparable products offered by Jiangmen Yida to independent third parties. The purchase prices will be settled by the Group on a monthly account basis.

(iv) Pursuant to the agreement entered into by Kongyue Information and Palace on 8 November 2013, Palace agreed to provide hotel accommodation services, catering and other related services to Kongyue Information from time to time as requested by Kongyue Information. The annual cap of the transactions for the year ended 31 December 2015 is RMB1,560,000. The service fee is based on the prevailing prices of similar services offered by Palace to its regular customers.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors. 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) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable; and (d) have not exceeded the relevant annual maximum amount stipulated in the relevant agreements.

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 Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Several related party transactions as disclosed in Note 34 to the financial statements prepared in accordance with HKFRS fall under the definition of "continuing connected transaction" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Report of the Directors (continued)

Sufficiency of Public Float

Details of the public float of the Company which had fallen below 25% as required by Rule 8.08 of the Listing Rules, were set out in the published annual report of the Company for the year ended 31 December 2014.

With an objective to restore the public float to the required level, the Company successfully placed 40 million new shares on 5 February 2015, raising the public ownership of the Company from 16.04% to 21.45%. On 27 July 2015, the Company noted that Mr. McCarthy disposed 11,026,000 shares of the Company through market transactions. As a result of which, the public float of the Company further increased from 21.62% to 23.18%. In addition, the Company had successfully placed a further 18 million new shares on 4 December 2015, raising the public ownership of the Company to 25.56%.

As at the date of this report, public shareholders are holding more than 25% interest in the Company, the public float of the Company has been restored and the Company is in compliance with the minimum public float requirement under Rule 8.08 of the Listing Rules.

Subsequent Events

There have been no material events which took place subsequent to 31 December 2015.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non- compliance with the Model Code during the year ended 31 December 2015 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2015.

Compliance with the Corporate Governance Code

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules as in effective from time to time (the "**CG Code**") for the year ended 31 December 2015, save for the deviation from code provision E.1.2 below.

In accordance with the requirements of code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. However, due to other business commitments, the chairman of the Board, Mr. Au Pak Yin, was unable to attend the annual general meeting of the Company held on 18 May 2015.

At the annual general meeting of the Company held on 18 May 2015, there was one executive Director and other independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

Report of the Directors (continued)

Further information of the corporate governance practice of the Company will also be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2015.

Auditor

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

On behalf of the Board
Au Pak Yin
Chairman

Hong Kong, 24 March 2016

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Au Pak Yin, aged 70, is the chairman of the Company and a founder of the Group. He is in charge of corporate strategy and planning and the overall development of the Group. He has over 25 years of experience in distribution and manufacturing of business equipment in the PRC. Mr. Au first started to trade in Hong Kong in 1986 and in 1989, he began to engage in the trading of printers in the PRC. In 1997, Mr. Au and his family members commenced the production of SDM printers by establishing Kongyue Printing. The Group was founded by Mr. Au in 1998 through the establishment of Kongyue Information. Mr. Au is an honorary citizen of Jiangmen. He is the father of Mr. Au Kwok Lun and Mr. Ou Guo Liang.

Mr. Au Kwok Lun, aged 44, is an Executive Director and the chief executive officer of the Company. He is primarily in charge of strategy execution and overall management of the Group. Mr. Au obtained a bachelor of arts degree in technical English from Huazhong University of Science & Technology in 1994 and a bachelor of business administration degree in information and system management from the Hong Kong University of Science & Technology in 1998. Prior to joining the Group in May 1999, Mr. Au Kwok Lun worked as a trainee engineer for Motorola Semiconductor Hong Kong Limited and assistant general manager of Kongyue Technology. He has over 15 years of operational experience in the distribution and manufacturing of business equipment in the PRC and has been overseeing the expansion of the Group. He is experienced in marketing and distribution, product development and supply procurement. Mr. Au is a standing member of the China Computer Industry Association, the Vice Chairman of the Printer Profession Committee of the China Computer Industry Association and a standing member of the China Computer Users Association and a standing member of the Printing and Image Display Application Sub-Committee of the China Computer Users Association, a member of the Executive Committee of Jiangmen Division, Pearl River Delta Industries Committee, Hong Kong Federation of Industries, and the Chinese People's Political Consultative Conference of Jiangmen City. In 2005, Mr. Au received the 2005 Young Industrialist Awards of Hong Kong from the Federation of Hong Kong Industries. Mr. Au Kwok Lun is the son of Mr. Au Pak Yin and the brother of Mr. Ou Guo Liang.

Mr. Ou Guo Liang, aged 40, is an Executive Director of the Company. He assists the chief executive officer in formulation of strategy, development of new business and the management of sales and marketing networks. He has over 15 years of experience in sales and marketing. Mr. Ou obtained a bachelor of economics degree in international corporate management from the Central University of Finance and Economics (中央財經大學) in 1998. Mr. Ou joined the Group in November 1998. He is the son of Mr. Au Pak Yin and the brother of Mr. Au Kwok Lun.

Biographical Details of Directors and Senior Management (continued)

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 71, 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, the Chartered Institute of Management Accountants ("CIMA") and the HK Institute of Directors. He was also the President of the HKICPA in 1986.

He co-founded the HK Centre of CIMA (then known as the Institute of Cost and Management Accountants) in 1973 and served as its President in 1974/75 and 1979/80.

Until his retirement in 2004, Mr. Lai held key management positions in corporate finance and organisation and management information in several HK listed companies. He is an independent non-executive director of Guangzhou R&F Properties Co., Limited and Country Garden Holdings Company Limited. He was an independent non-executive director of Shinhint Acoustic Link Holdings Limited but retired on 23 May 2014. All of which are companies listed on the Stock Exchange of Hong Kong. Mr. Lai is also an independent non-executive director of Nan Fung Group Holdings Limited.

Mr. Meng Yan, aged 60, obtained a doctorate degree in economics from the Financial Science Research Centre of the Ministry of Finance (財政部政科學研究所) in 1997 and was a consultant to the Accounting Standard Committee of the Ministry of Finance (財政部會計準則委員會) for two years from September 2002 to September 2004. From 2001 to 2003, Mr. Meng served as a member of the Listing Committee of the China Securities Regulatory Commission (中國證券監督管理委員會股票發行審核委員會). Mr. Meng has over 30 years experience in tertiary education of accountancy in the PRC. He had served as the dean of the School of Accountancy of the Central University of Finance and Economics (中央財經大學). Mr. Meng is currently a professor and PHD supervisor of the School of Accountancy of the Central University of Finance and Economics. Mr. Meng was appointed as an Independent Non-Executive Director on 8 March 2005.

Mr. Xu Guangmao, aged 69, 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. He served as a managing deputy chairman of China Computer Industry Association for eight years. He was a director and president of Beijing CCID Information Limited and a vice-chairman of the computer engineering & application branch of Chinese Institute of Electronics. Mr. Xu was appointed as an Independent Non-Executive Director on 8 March 2005.

Mr. Yeung Kwok Keung, aged 68, was appointed a non-executive director of the Company on 1 August 2011 and assumed the role of an Independent Non-Executive Director since 21 October 2013. He was involved in information technology, logistics and venture capital investment until his retirement in 2008. As a Distinguished Fellow of the Hong Kong Computer Society, Mr. Yeung had also served as its President. He was also the Chairman of the Information Technology Committee of the Hong Kong SAR Government.

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

He is a Justice of the Peace in Hong Kong and an honorary citizen of Changchun.

Save as otherwise, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

Biographical Details of Directors and Senior Management (continued)

Senior Management

Mr. Liang Qi Jiang is the Vice President and General Manager of the Group's information equipment business division. He is responsible for the development of printer products and has overall responsibility for after-sales services. 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 20 years of experience in the research and development and production management of printers. Mr. Liang joined the Group in August 1996.

Mr. Sng Seng Poh is the Project Administration Director for the Group's Electronic Manufacturing Services (EMS). 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 20 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 is Assistant to the President of the Group, Director of Business Systems Development and Director of the President's Office. He is responsible for business systems products development and the management of the administration department. Mr. Rao is a senior engineer and has over 15 years of experience 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 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.

Corporate Governance Report

The Company has adopted and complied with all the code provisions as set out in the Corporate Governance Code during the year ended 31 December 2015, save as disclosed below.

In accordance with the requirements of code provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting. However, due to other business commitments, the chairman of the Board, Mr. Au Pak Yin, was unable to attend the annual general meeting of the Company held on 18 May 2015.

At the annual general meeting of the Company held on 18 May 2015, there was one executive Director and other independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

The following summarises the Company's corporate governance practices and explains deviations, if any, from the Corporate Governance Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non- compliance with the Model Code during the year ended 31 December 2015 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2015.

Board of Directors

As at 31 December 2015, the Board comprises three Executive Directors, being Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang and four Independent Non-Executive Directors, being Mr. Lai Ming, Joseph, Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung. Mr. Au Kwok Lun and Mr. Ou Guo Liang are the sons of Mr. Au Pak Yin. The Directors are considered to have a balance of skills and experience appropriate for the requirements of the business of the Company. Details of the Directors are shown on pages 25 to 26 of this annual report.

During the year ended 31 December 2015, five board meetings and one general meeting were held and the attendance was as follows:

Name of Director	General meeting attendance	Board meeting attendance
Executive Director		
Mr. Au Pak Yin	0/1	5/5
Mr. Au Kwok Lun	1/1	5/5
Mr. Ou Guo Liang	0/1	4/5
Independent Non-Executive Director		
Mr. Lai Ming, Joseph	1/1	5/5
Mr. Meng Yan	0/1	5/5
Mr. Xu Guangmao	0/1	5/5
Mr. Yeung Kwok Keung	1/1	5/5

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

Corporate Governance Report (continued)

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

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

Chairman and Chief Executive Officer

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 operations, business development, investor relations and public relations of the Group. The Board also comprises Independent Non-Executive Directors who bring strong independent judgement, 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

Mr. Yeung Kwok Keung is re-appointed for another three-year term on 1 August 2014 and other Independent Non-Executive Directors are re-appointed for another three-year term on 13 June 2014.

The Board also confirmed receipt of the annual confirmation letter from each of the Independent Non-Executive Directors confirming his independence for the year ended 31 December 2015.

Remuneration Committee

The Board has established a Remuneration Committee ("RC"). The RC comprises of Mr. Yeung Kwok Keung (Chairman), Mr. Meng Yan, Mr. Xu Guangmao and Mr. Lai Ming, Joseph, who are all Independent Non-Executive Directors and Mr. Au Kwok Lun who is an Executive Director. During the year ended 31 December 2015, the RC had reviewed the remuneration packages of the Directors and senior management.

Corporate Governance Report (continued)

For the year ended 31 December 2015, the Remuneration Committee held one meeting. The attendance record of each member is as follows:

Name of Director	Attendance
Mr. Yeung Kwok Keung *(Redesignated as Chairman of RC on 22 March 2016)*	1/1
Mr. Meng Yan	1/1
Mr. Xu Guangmao	1/1
Mr. Au Kwok Lun	1/1
Mr. Lai Ming, Joseph *(Redesignated as member of RC on 22 March 2016)*	1/1

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

Nomination Committee

The Board has established a Nomination Committee ("NC"). The NC comprises of Mr. Lai Ming Joseph (Chairman), Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung, who are all Independent Non-Executive Directors. During the year ended 31 December 2015, NC had reviewed the structure, diversity and composition of the Board, put forward recommendation to the Board on re-election of retiring directors, and reviewed the board diversity policy.

For the year ended 31 December 2015, the Nomination Committee held one meeting. The attendance record of each member is as follows:

Name of Director	Attendance
Mr. Lai Ming, Joseph *(Chairman of NC)*	1/1
Mr. Meng Yan	1/1
Mr. Xu Guangmao	1/1
Mr. Yeung Kwok Keung	1/1

The Board adopted a board diversity policy setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through considering a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. The Company will also take into account factors based on its own business model and specific needs from time to time. Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The Nomination Committee will review the board diversity policy on a regular basis to ensure its continued effectiveness.

Auditor's Remuneration

PricewaterhouseCoopers had been appointed as the auditor of the Group. During the year ended 31 December 2015, fee for audit services (including review on interim results) was RMB1,320,000 and fee for non-audit services was RMB40,000.

Audit Committee

The Board establishes a formal and transparent arrangement for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The Audit Committee ("AC") established by the Company has clear terms of reference. The Company confirmed receipt of acknowledgement from all directors of their responsibility for preparing the accounts.

All the members of the AC are Independent Non-Executive Directors. The AC is chaired by Mr. Lai Ming, Joseph who is a certified public accountant and the committee members are Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung.

The functions specified in Code Provision C.3.3(a) to (n) of the Corporate Governance Code were included in the Terms of Reference of the Audit Committee. The Terms of Reference of the Audit Committee also explains the role and the authority delegated by the Board.

Three meetings were convened by the AC during the year ended 31 December 2015. The attendance record of each member is as follows:

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

During the year ended 31 December 2015, the AC discussed and reviewed the final results of 2014 and interim results of 2015 and other reports for the year. Also, the AC met with the external auditor to discuss auditing and internal control matters.

Directors' Training

Pursuant to A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. From time to time, Directors are provided with written materials to develop and refresh their professional skills. The Directors had fulfilled the relevant requirements under A.6.5 of the Corporate Governance Code during the year.

Corporate Governance Report (continued)

Company Secretary's Training

Pursuant to rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary confirmed no less than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials.

Internal Control and Risk Management

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

Shareholders' Rights

Extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Unit 01, 23A/F., K. Wah Centre, 191 Java Road, North Point, Hong Kong or by email at investor@jolimark.com. The Company Secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

Investor Relations

There are no significant changes in the Company's constitutional documents during the year.

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 set out on pages 35 to 98, which comprise the consolidated balance sheet as at 31 December 2015, 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.

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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Independent Auditor's Report (continued)

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 financial state of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2016

Consolidated Balance Sheet

As at 31 December 2015
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	6	88,642	91,985
Land use rights	7	8,877	9,166
Intangible assets	8	9,463	8,730
Investments accounted for using the equity method	10	10,176	89
Available-for-sale financial assets	11	3,349	4,480
Deferred income tax assets	22	–	560
Restricted cash	18	160	30,100
		120,667	145,110
Current assets			
Inventories	13	102,367	95,917
Trade and other receivables	14	28,666	43,563
Financial assets at fair value through profit or loss	15	5,426	8,779
Structured deposits in a bank	16	–	30,000
Restricted cash	18	30,289	60,390
Cash and cash equivalents	17	308,739	223,645
		475,487	462,294
Total assets		596,154	607,404

Consolidated Balance Sheet (continued)

As at 31 December 2015
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2015	2014
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	19	147,449	102,806
Other reserves	20	232,769	217,428
Retained earnings		68,395	68,453
Non-controlling interests		60	75
Total equity		448,673	388,762
LIABILITIES			
Non-current liabilities			
Borrowings	21	–	27,896
Deferred income tax liabilities	22	799	–
		799	27,896
Current liabilities			
Trade and other payables	23	112,814	100,432
Current income tax liabilities		4,243	6,715
Borrowings	21	29,625	83,599
		146,682	190,746
Total liabilities		147,481	218,642
Total equity and liabilities		596,154	607,404

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

The notes on pages 41 to 98 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2015
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2015	2014
Revenue	5	496,975	548,762
Cost of goods sold	25	(306,373)	(357,684)
Gross profit		190,602	191,078
Other income	24	12,952	9,858
Selling and marketing costs	25	(37,593)	(30,466)
Administrative expenses	25	(48,223)	(45,053)
Research and development expenses	25	(25,430)	(24,005)
Other gains/(losses)– net	27	25,257	(677)
Operating profit		117,565	100,735
Finance costs – net	28	(3,948)	(2,791)
Share of losses of investments accounted for using the equity method	10	(613)	(11)
Profit before income tax		113,004	97,933
Income tax expenses	29	(24,098)	(15,297)
Profit for the year		88,906	82,636
Profit attributable to:			
– Shareholders of the Company		88,921	82,605
– Non-controlling interests		(15)	31
		88,906	82,636
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)			
– Basic	30	0.147	0.147
– Diluted	30	0.147	0.146

The notes on pages 41 to 98 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015
(All amounts in Renminbi thousands unless otherwise stated)

	2015	2014
Profit for the year	88,906	82,636
Other comprehensive income for the year	–	–
Total comprehensive income for the year	88,906	82,636
Total comprehensive income for the year attributable to:		
– Shareholders of the Company	88,921	82,605
– Non-controlling interests	(15)	31
	88,906	82,636

The notes on pages 41 to 98 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium (note 19)	Other reserves (note 20)	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2014	99,088	208,653	58,019	44	365,804
Comprehensive income					
Profit for the year	–	–	82,605	31	82,636
Contributions by and distributions to the shareholders of the Company recognized directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	–	8,706	(8,706)	–	–
Share options granted to employees	–	1,049	–	–	1,049
Exercise of share options	3,718	(980)	–	–	2,738
Dividends (note 31)	–	–	(63,465)	–	(63,465)
	3,718	8,775	(72,171)	–	(59,678)
Balance at 31 December 2014	102,806	217,428	68,453	75	388,762
Balance at 1 January 2015	**102,806**	**217,428**	**68,453**	**75**	**388,762**
Comprehensive income					
Profit for the year	**–**	**–**	**88,921**	**(15)**	**88,906**
Contributions by and distributions to the shareholders of the Company recognized directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	**–**	**10,716**	**(10,716)**	**–**	**–**
Share options granted to employees	**–**	**5,354**	**–**	**–**	**5,354**
Exercise of share options	**2,959**	**(691)**	**–**	**–**	**2,268**
Share options forfeited during the year	**–**	**(38)**	**–**	**–**	**(38)**
Placing of new shares (note 19)	**75,637**	**–**	**–**	**–**	**75,637**
Dividends (note 31)	**(33,953)**	**–**	**(78,263)**	**–**	**(112,216)**
	44,643	**15,341**	**(88,979)**	**–**	**(28,995)**
Balance at 31 December 2015	**147,449**	**232,769**	**68,395**	**60**	**448,673**

The notes on pages 41 to 98 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015
(All amounts in Renminbi thousands unless otherwise stated)

	Note	2015	2014
Cash flows from operating activities			
Cash generated from operations	32	146,770	122,134
Income tax paid		(25,211)	(16,936)
Interest paid		(2,219)	(2,726)
Net cash generated from operating activities		119,340	102,472
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,541)	(13,420)
Purchase of intangible assets		(331)	(2,208)
Disposals of property, plant and equipment		911	–
Acquisition of interest in associates		(10,700)	–
Acquisition of a subsidiary		–	(5,952)
Loan to a joint venture		–	(2,551)
Purchase of structured deposits in a bank		–	(30,000)
Proceeds from structured deposits in a bank		30,000	31,500
Interests received		13,012	6,618
Net cash generated from/(used in) investing activities		22,351	(16,013)
Cash flows from financing activities			
Bank deposits received/(pledged) for borrowings		60,000	(20,000)
Proceeds from borrowings		–	28,002
Repayments of borrowings		(83,600)	(9,744)
Dividends paid to shareholders of the Company		(112,216)	(63,465)
Exercise of share options		2,268	2,738
Placing of new shares		75,637	–
Net cash used in financing activities		(57,911)	(62,469)
Net increase in cash and cash equivalents		83,780	23,990
Cash and cash equivalents at beginning of the year		223,645	199,634
Exchange gains on cash and cash equivalents		1,314	21
Cash and cash equivalents at end of the year	17	308,739	223,645

The notes on pages 41 to 98 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in Renminbi thousands unless otherwise stated)

1. General Information

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

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

(d) These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 24 March 2016.

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 Group 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 and available-for-sale financial assets.

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.

2.1.1 Changes in accounting policy and disclosures

(a) Effect of adopting new standards and amendments to standards

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015. The adoption of these new and amended standards and interpretations does not have significant impact to the results or financial position of the Group.

HKAS19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Amendment to HKFRS/HKAS	Annual improvements 2010–2012 cycle
Amendment to HKFRS/HKAS	Annual improvements 2011–2013 cycle

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New and amended standards and interpretations issued but are not effective for financial year ended 31 December 2015 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Annual improvements Project	Annual Improvements 2012–2014 Cycle	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Operations	A date to be determined by the IASB
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: applying the consolidation exception	1 January 2016
HKAS 11 Amendment	Accounting for Acquisitions of Interests in Joint Venture	1 January 2016
HKAS 1 Amendment	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants	1 January 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2015.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

(i) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(c) 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. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to 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 recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/(loss) of an investment accounted for using equity method' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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 Company 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 recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs-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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

2. Summary of Significant Accounting Policies (continued)

2.5 Property, plant and equipment (continued)

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 consolidated balance sheet. Land use rights are recognized as an expense on a straight-line basis over the remaining lease term or the operating license period, whichever is shorter.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.7 Intangible assets (continued)

(b) Proprietary technology

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

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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.

2.9 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 if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.9 Financial assets (continued)

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized 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 amortized 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 recognized 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.

2.10 Impairment of financial assets

(a) Assets carried at amortized 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 reorganization, 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 is reduced and the amount of the loss is recognized in the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.10 Impairment of financial assets (continued)

(a) Assets carried at amortized cost (continued)

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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized 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 recognized in profit or loss –is removed from equity and recognized in profit of loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized 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 recognized 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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

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 entities 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 obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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.

2.17 Borrowing cost

General and specific 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized 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 realized or the deferred income tax liability is settled.

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

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

(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 recognized 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 recognized 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 of the number of options that are expected to vest, and recognizes 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 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 recognized over the vesting period as an increase to investment in subsidiary, with a corresponding credit to equity.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

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 recognizes 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 recognized 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 recognized 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 recognized 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 recognized 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 recognizes 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 recognized 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 recognized in the accounting period in which the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.21 Revenue recognition (continued)

(c) Incentive subsidy

Incentive subsidy is recognized 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 recognized on a time-proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2.23 Dividend income

Dividend income is recognized 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 recognized 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.

(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$, JPY, Euro or HK$.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2015, the Group had more financial liabilities than financial assets outside the mainland China. The Group manages and monitors its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by reducing the financial liabilities if needed. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2015, if RMB had strengthened/weakened by 6% against the US$ and HK$ with all other variables held constant, post-tax profit for the year would be higher/lower by RMB181,000 (2014: if RMB had strengthened/weakened by 0.4% against the US$ and HK$ with RMB307,000), 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 are within 12 months or at fixed rates so there would be no significant interest rate risk for these financial assets.

The Group's major interest-bearing liabilities are borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest risk. As at 31 December 2015, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit would have been RMB124,000 lower/higher (2014: RMB465,000), mainly as a result of higher/lower interest expenses on these variable rate borrowings.

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

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group which are classified on the consolidated balance sheet either as 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 2015, 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 RMB461,000 (2014: RMB746,000) 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.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The carrying amount of cash and cash equivalents, and 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.

The cash and cash equivalents, 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 2015, 58% of trade receivables are due from three major customers of the Group (2014: 76%). 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 is low as they consider that PRC financial 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.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years
At 31 December 2015			
Borrowings	30,207	–	–
Trade and other payables	73,490	–	–
At 31 December 2014			
Borrowings	84,838	28,288	–
Trade and other payables	75,103	–	–

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

3. Financial Risk Management (continued)

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets as shown on the consolidated balance sheet. As at 31 December 2015, the total borrowing for the Group is RMB29,625,000 (2014: RMB11,495,000) and the gearing ratio is 4.97% (2014: 18%).

3.3 Fair value estimation

The different levels of fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The financial assets at fair value through profit or loss of the Group as at 31 December 2015 are measured at fair value in level 1. 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.

Available-for-sale financial assets as at 31 December 2015 are equity investment in two private companies, which are measured at fair value in level 3.

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.

During the year ended 31 December 2015, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

4. Critical Accounting Estimates and Judgements

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

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

(a) Net realizable value of inventories

Net realizable 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 current income tax and deferred tax provisions in the period in which such determination is made.

(d) Estimated impairment of Investments accounted for using the equity method and goodwill

Investments accounted for using the equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of Investments accounted for using the equity method and goodwill have been determined based on value-in use calculations, taking into account latest market information and past experience. These calculation require the use of judgements and estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(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. During the year, "Kamo" mobile payment and "Yingmei.me" cloud printing business were in trial run stage, and expenses of approximately RMB8,329,000 were incurred for the year ended 31 December 2015. The amount incurred is not material to the Group's consolidated financial statements. Accordingly, it has not been disclosed as a separate segment.

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, research and development expenses, other gains/(losses)-net, finance costs-net and income tax expenses, which are centrally managed for the Group.

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2015 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	424,690	72,285	496,975
Segment results	137,559	14,837	152,396
Other income			12,952
Administrative expenses			(48,223)
Research and development expenses			(25,430)
Other gains – net			25,257
Finance costs – net			(3,948)
Income tax expenses			(24,098)
Profit for the year			88,906
Segment results include:			
Share of losses of investments accounted for using the equity method	(2)	(611)	(613)
Depreciation and amortization	(5,374)	(1,376)	(6,750)

Notes to the Consolidated Financial Statements (continued)

(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 2014 are as follows:

	Printer and tax control equipment	Other electronic products manufacturing	Total
Revenue (from external customers) (note (a))	442,425	106,337	548,762
Segment results	137,455	23,146	160,601
Other income			9,858
Administrative expenses			(45,053)
Research and development expenses			(24,005)
Other losses – net			(677)
Finance costs – net			(2,791)
Income tax expenses			(15,297)
Profit for the year			82,636
Segment results include:			
Share of losses of investments accounted for using the equity method	(11)	–	(11)
Depreciation and amortization	(6,035)	(2,841)	(8,876)

(a) Revenues from external customers are for sales of goods. There are no inter-segment sales for the years ended 31 December 2015 and 2014.

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

	2015	2014
In the PRC	**401,689**	415,295
In other countries	**95,286**	133,467
	496,975	548,762

(c) In 2015, approximately 14% of total revenue (2014: approximately 19%) are derived from a single external customer, which is in the segment of other electronic products manufacturing.

(d) As at 31 December 2015, the Group's non-current assets are mainly located in the PRC.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

6. Property, Plant and Equipment

	Buildings	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
At 1 January 2014						
Cost	56,665	135,768	15,012	2,563	7,373	217,381
Accumulated depreciation	(12,245)	(97,522)	(11,687)	(1,626)	(5,576)	(128,656)
Net book amount	44,420	38,246	3,325	937	1,797	88,725
Year ended 31 December 2014						
Opening net book amount	44,420	38,246	3,325	937	1,797	88,725
Acquisition of subsidiaries	–	–	55	–	–	55
Additions	–	13,669	467	599	–	14,735
Disposals	–	(161)	(11)	(116)	(5)	(293)
Depreciation	(1,449)	(7,903)	(1,295)	(217)	(373)	(11,237)
Closing net book amount	42,971	43,851	2,541	1,203	1,419	91,985
At 31 December 2014						
Cost	56,665	149,276	15,523	3,046	7,368	231,878
Accumulated depreciation	(13,694)	(105,425)	(12,982)	(1,843)	(5,949)	(139,893)
Net book amount	42,971	43,851	2,541	1,203	1,419	91,985
Year ended 31 December 2015						
Opening net book amount	42,971	43,851	2,541	1,203	1,419	91,985
Additions	–	6,153	257	97	4,034	10,541
Disposals	–	(1,201)	–	–	(40)	(1,241)
Depreciation	(1,449)	(7,093)	(488)	(162)	(3,451)	(12,643)
Closing net book amount	41,522	41,710	2,310	1,138	1,962	88,642
At 31 December 2015						
Cost	56,665	154,228	15,780	3,143	11,362	241,178
Accumulated depreciation	(15,143)	(112,518)	(13,470)	(2,005)	(9,400)	(152,536)
Net book amount	41,522	41,710	2,310	1,138	1,962	88,642

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

	2015	2014
Cost of goods sold	11,040	7,955
Administrative expenses	1,446	2,890
Selling and marketing costs	157	392
	12,643	11,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

7. Land Use Rights

At 1 January 2014	
Cost	11,550
Accumulated amortization	(2,095)
Net book amount	9,455
Year ended 31 December 2014	
Opening net book amount	9,455
Amortization	(289)
Closing net book amount	9,166
At 31 December 2014	
Cost	11,550
Accumulated amortization	(2,384)
Net book amount	9,166
Year ended 31 December 2015	
Opening net book amount	**9,166**
Amortization	**(289)**
Closing net book amount	**8,877**
At 31 December 2015	
Cost	**11,550**
Accumulated amortization	**(2,673)**
Net book amount	**8,877**

The land is outside Hong Kong and held on leases of 40 years, with remaining useful life of 31 years (2014: 32 years).

Amortization of RMB289,000 (2014: RMB289,000) is included in the cost of goods sold in the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

8. Intangible Assets

	Goodwill (Note(a))	Proprietary technology	Total
At 1 January 2014			
Cost	–	1,344	1,344
Accumulated amortization	–	(955)	(955)
Net book amount	–	389	389
Year ended 31 December 2014			
Opening net book amount	–	389	389
Acquisition of subsidiaries	5,742	631	6,373
Addition	–	2,208	2,208
Amortization	–	(240)	(240)
Closing net book amount	5,742	2,988	8,730
At 31 December 2014			
Cost	5,742	4,183	9,925
Accumulated amortization	–	(1,195)	(1,195)
Net book amount	5,742	2,988	8,730
Year ended 31 December 2015			
Opening net book amount	5,742	2,988	8,730
Addition	–	1,160	1,160
Amortization	–	(427)	(427)
Closing net book amount	5,742	3,721	9,463
At 31 December 2015			
Cost	5,742	5,343	11,085
Accumulated amortization	–	(1,622)	(1,622)
Net book amount	5,742	3,721	9,463

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

8. Intangible Assets (continued)

Amortization of RMB427,000 (2014: RMB240,000) is included in the cost of goods sold in the consolidated income statement.

(a) Impairment tests for goodwill

The goodwill arose in the acquisition of Shenzhen Coolwi Technology Company Limited ("Coolwi") in 2014. For the purpose of impairment testing, the goodwill was allocated to Coolwi which is a cash generating unit ("CGU"). The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the revised financial budgets approved by management covering a five-year period. The businesses of Coolwi were at its initial operating stage as of 31 December 2015. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

The key assumptions have been used for the analysis of value-in-use calculations in 2015 are as follows:

	"Kamo" mobile payment and Yingmei.me O2O cloud printing
Average annual growth rate of revenue (within the first five years)	24.38%–810.34%
Long term growth rate of revenue (after the first five years)	3.11%
Pre-tax discount rate	15.01%

Average annual growth rate is based on management's expectations of market development. The long term growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to the relevant operating segment.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

9. Investments in Subsidiaries

The following is a list of the subsidiaries at 31 December 2015:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/paid-in capital	Attributable equity interest held
Directly held by the Company				
Ying Mei Investment Limited	The British Virgin Islands (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$36,050,000	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%
Advanced Inkjet Systems Limited ("Advance Inkjet")	Taiwan	Research and development of the inkjet print heads	TWD3,700,000	100%

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

9. Investments in Subsidiaries (continued)

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/paid-in capital	Attributable equity interest held
Coolwi	PRC	Research and development of the Internet of Things	RMB1,000,000	100%
Shenzhen Yingmei Kamo Internet Limited	PRC	Research and development of the Internet of Things	RMB1,000,000	100%

All the subsidiaries are limited liability companies.

* Pursuant to the resolution of the Board of Directors of Jolimark Information Technology (China) Limited on 26 November 2013, it had declared to enter into liquidation. Its liquidation process has been completed on 28 January 2016.

10. Investments accounted for using the equity method

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

	2015	2014
Balance at 1 January	89	95
Addition (note (a))	10,700	5
Share of losses	(613)	(11)
Balance at 31 December	10,176	89

(a) The addition investments mainly represent 20% equity interests in a private company — Wuhan Hong Ruida Information Technology Limited Company ("Hong Ruida") in the PRC with the consideration of RMB10,000,000. The principal activities of the company are providing online interactive video services in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

11. Available-for-sale Financial Assets

	As at 31 December	
	2015	2014
Beginning of the year	**4,480**	4,480
Addition	**–**	–
Impairment charge	**(1,131)**	–
	3,349	4,480

(a) The amounts mainly represents an investment in a private company in Taiwan — International United Technology Company Limited ("IUT", with book value RMB3,980,000, provision RMB1,131,000), whose principal activities are research, development and manufacturing of inkjet print heads. As at 31 December 2015, the Group holds 9.22% equity interests of this company.

As at 31 December 2015, a provision of RMB1,131,000 has been made, due to IUT's performance cannot meet expectation. The fair value of IUT is based on net assets per share. The fair value is within level 3 of fair value hierarchy.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

12. Financial Instruments by Categories

	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 2015				
Available-for-sale financial assets	–	–	3,349	3,349
Trade and other receivables, excluding prepayments (note 14)	–	25,614	–	25,614
Financial assets at fair value through profit or loss (note 15)	5,426	–	–	5,426
Restricted cash (note 18)	–	30,449	–	30,449
Cash and cash equivalents (note 17)	–	308,739	–	308,739
	5,426	364,802	3,349	373,577
At 31 December 2014				
Available-for-sale financial assets	–	–	4,480	4,480
Trade and other receivables, excluding prepayments (note 14)	–	40,753	–	40,753
Financial assets at fair value through profit or loss (note 15)	8,779	–	–	8,779
Structured deposits in a bank	–	30,000	–	30,000
Restricted cash (note 18)	–	90,490	–	90,490
Cash and cash equivalents (note 17)	–	223,645	–	223,645
	8,779	384,888	4,480	398,147

	Other financial liabilities
Liabilities as per consolidated balance sheet	
At 31 December 2015	
Borrowing (note 21)	29,625
Trade and other payables	73,490
At 31 December 2014	
Borrowings (note 21)	111,495
Trade and other payables	75,103

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

13. Inventories

	As at 31 December	
	2015	2014
Raw materials	72,818	74,092
Work in progress	4,237	4,288
Finished goods	25,312	17,537
	102,367	95,917

The cost of inventories recognized in the consolidated income statement amounted to RMB309,795,000 (2014: RMB360,385,000).

During the year, the write-down of inventories amounted to RMB1,949,000 (2014: RMB5,427,000) and has been recognized as cost of goods sold in the consolidated income statement.

14. Trade and Other Receivables

	As at 31 December	
	2015	2014
Trade receivables		
– Third parties	13,862	20,565
– Related parties (note 34)	366	3,273
Less: provision for impairment of trade receivables	–	–
Trade receivables – net	14,228	23,838
Bills receivable (note (a))	2,739	2,430
Prepayments	3,052	2,810
Other receivables		
– Third parties	7,669	10,091
– Related parties (note 34)	6,657	7,502
Less: provision for impairment of other receivables	(5,679)	(3,108)
Other receivables – net	8,647	14,485
	28,666	43,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

14. Trade and Other Receivables (continued)

(a) As at 31 December 2015 and 2014, bills receivable represent bank acceptance bills.

(b) 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 2015, the ageing analysis of the trade receivables based on invoice date, including amounts due from related parties of trading in nature, is as follows:

	As at 31 December	
	2015	2014
Less than 30 days	**10,819**	11,790
31–90 days	**1,254**	8,316
91–180 days	**676**	732
181–365 days	**238**	464
Over 365 days	**1,241**	2,536
	14,228	23,838

(c) 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 2015, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 31 December 2015, trade receivables of RMB1,479,000 were past due but not impaired (31 December 2014: RMB3,000,000). The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2015	2014
Past due but not impaired:		
181–365 days	**238**	464
Over 365 days	**1,241**	2,536
	1,479	3,000

Trade receivables past due but not impaired relate to a number of customers with no recent history of default.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

14. Trade and Other Receivables (continued)

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

	As at 31 December	
	2015	2014
RMB	**19,821**	21,562
US$	**5,141**	14,491
HK$	**652**	4,700
	25,614	40,753

(e) As at 31 December 2015, other receivables of RMB5,679,000 (31 December 2014: RMB3,108,000) were impaired. Movements on the Group's allowance for impairment of other receivables are as follows:

	2015	2014
Opening balance	**(3,108)**	(971)
Impairment of provision	**(2,571)**	(2,288)
Written off of provision	**–**	151
Closing balance	**(5,679)**	(3,108)

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

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

15. Financial Assets at Fair Value Through Profit or Loss

	As at 31 December	
	2015	2014
Listed equity securities in the PRC – stated at market value	**5,426**	8,779

Changes of 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 32).

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 27).

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

16. Structured Deposits in a Bank

The amounts represented structured deposits in a commercial bank in the PRC with a guaranteed minimum return with capital protection and maturity of not more than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

17. Cash and Cash Equivalents

	As at 31 December	
	2015	2014
Cash at bank and in hand	**308,739**	223,645

	As at 31 December	
	2015	2014
Denominated in:		
RMB	**276,306**	210,075
US$	**5,699**	10,791
HK$	**25,841**	1,924
Other currencies	**893**	855
	308,739	223,645

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

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

18. Restricted Cash

	As at 31 December	
	2015	2014
Non-current		
Guarantee deposits for loans	**–**	30,000
Guarantee deposits for bidding	**160**	100
	160	30,100
Current		
Guarantee deposits for loans (note (a))	**30,000**	60,000
Guarantee deposits for bidding	**289**	390
	30,289	60,390
	30,449	90,490

(a) Amounts represent cash deposited in a bank as security for the Group's bank borrowing of HK$35,360,000 (equivalent to RMB29,625,000) (2014: HK$71,250,000 (equivalent to RMB56,209,000) (note 21(a)).

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

19. 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
Issued and fully paid					
Balance at 1 January 2014	559,992,000	5,600	5,963	93,125	99,088
Exercise of share options (note 20(iii))	3,559,987	36	29	3,689	3,718
Balance at 31 December 2014	563,551,987	5,636	5,992	96,814	102,806
Balance at 1 January 2015	**563,551,987**	**5,636**	**5,992**	**96,814**	**102,806**
Exercise of share options (note 20(iii))	**2,615,013**	**26**	**21**	**2,938**	**2,959**
Placing of new shares (note (a))	**58,000,000**	**580**	**465**	**75,172**	**75,637**
Dividends	**–**	**–**	**–**	**(33,953)**	**(33,953)**
Balance at 31 December 2015	**624,167,000**	**6,242**	**6,478**	**140,971**	**147,449**

(a) On 5 February 2015, the Company has completed a placement of 40,000,000 new shares at the placing price of HK$1.70 per share and received net proceeds of approximately HK$66,254,000 (equivalent to RMB52,488,000). On 4 December 2015, the Company has completed another placement of 18,000,000 new shares at the placing price of HK$1.60 per share and received net proceeds of approximately HK$28,080,000 (equivalent to RMB23,149,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

20. Other Reserves

	Merger reserve (note (i))	Statutory reserve fund and enterprise expansion fund (note (ii))	Share option reserve (note (iii))	Capital reserve	Total
Balance at 1 January 2014	136,904	71,023	1,246	(520)	208,653
Share options granted to employees	–	–	1,049	–	1,049
Exercise of share options	–	–	(980)	–	(980)
Transfer from retained earnings	–	8,706	–	–	8,706
Balance at 31 December 2014	136,904	79,729	1,315	(520)	217,428
Balance at 1 January 2015	**136,904**	**79,729**	**1,315**	**(520)**	**217,428**
Share options granted to employees	–	–	5,354	–	5,354
Share options forfeited during the year	–	–	(38)	–	(38)
Exercise of share options	–	–	(691)	–	(691)
Transfer from retained earnings	–	10,716	–	–	10,716
Balance at 31 December 2015	**136,904**	**90,445**	**5,940**	**(520)**	**232,769**

Notes:

(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 reorganization undertaken by the Group in preparation of the listing of the shares of the Company on the Stock Exchange which has been set out in the Prospectus of the Company dated 20 June 2005.

(ii) The main business of the Group is conducted by Kongyue Information, which is a foreign investment company based in Xinhui City of the PRC. In accordance with relevant rules and regulations applicable to foreign investment company in the PRC, Kongyue Information is required to make appropriations from net profit, after offsetting accumulated losses from prior years, to Statutory Reserve Fund and Expansion Fund before it distributes profit to its shareholders. The appropriation to Statutory Reserve Fund should be 10% of its profit after taxation calculated under PRC accounting rules and regulations, until the accumulated total of the fund reaches 50% of the registered share capital of the company and appropriation to Enterprise Expansion Fund is solely determined by the board of directors of the company. The Statutory Reserve Fund can be used to offset accumulated losses brought forward from prior years or, upon approval by the relevant authority to increase the share capital of the company, the Enterprise Expansion Fund can only be used to increase share capital of the company upon approval by the relevant authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

20. Other Reserves (continued)

Notes: (continued)

(iii) **Share options reserve**

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

For the year ended 31 December 2015:

Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Number of share options: Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Forfeited during the year (note (b))	Outstanding at 31 December 2015
3 July 2008	0.63	3 July 2008 to 3 July 2011	3 July 2008 to 3 July 2014	–	–	–	–	–
22 July 2011 (note (a))	1.00	22 July 2011 to 22 July 2015	22 July 2011 to 22 July 2017	2,080,013	–	(1,522,513)	–	557,500
10 December 2013 (note (a))	1.18	10 December 2013 to 10 December 2017	10 December 2013 to 10 December 2019	5,500,000	–	(1,092,500)	(390,000)	4,017,500
17 December 2014 (note (a))	1.70	17 December 2014 to 17 December 2018	17 December 2014 to 17 December 2020	19,800,000	–	–	(1,000,000)	18,800,000
15 May 2015 (note (a))	2.17	15 May 2015 to 15 May 2019	15 May 2015 to 15 May 2021	–	17,980,000	–	(5,260,000)	12,720,000
				27,380,013	17,980,000	(2,615,013)	(6,650,000)	36,095,000
		Exercisable at the end of the year		–	–	–	–	6,861,250
		Weighted average exercise price		HK$1.54	HK$2.17	HK$1.08	HK$2.04	HK$1.80

(a) The first 25% of the option can be exercised at any time on and after the first anniversary of the grant of the option. The next 25% of the option can be exercised at any time commencing from the second anniversary of the grant of the option. The third 25% of the option can be exercised at any time commencing from the third anniversary of the grant of the option. The forth 25% of the option can be exercised at any time commencing from the fourth anniversary of the grant of the option.

(b) During the year, 6,650,000 share options were forfeited and RMB38,000 was reversed in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

20. Other Reserves (continued)

Notes: (continued)

(iii) Share options reserve (continued)

For the year ended 31 December 2014:

				Number of share options				
Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2014
3 July 2008	0.63	3 July 2008 to 3 July 2011	3 July 2008 to 3 July 2014	300,000	–	(300,000)	–	–
22 July 2011 (note (a))	1.00	22 July 2011 to 22 July 2015	22 July 2011 to 22 July 2017	5,490,000	–	(3,259,987)	(150,000)	2,080,013
10 December 2013 (note (a))	1.18	10 December 2013 to 10 December 2017	10 December 2013 to 10 December 2019	5,600,000	–	–	(100,000)	5,500,000
17 December 2014 (note (a))	1.70	17 December 2014 to 17 December 2018	17 December 2014 to 17 December 2020	–	19,800,000	–	–	19,800,000
				11,390,000	19,800,000	(3,559,987)	(250,000)	27,380,013
		Exercisable at the end of the year		–	–	–	–	2,120,013
		Weighted average exercise price		HK$1.08	HK$1.70	HK$0.97	HK$1.07	HK$1.54

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.

Out of the 36,095,000 outstanding options (2014: 27,380,013), 6,861,250 options (2014: 2,120,013) were exercisable as at 31 December 2015. During the year, 2,615,013 shares (2014: 3,559,987) were issued at a weighted average price of HK$1.08 each (2014: HK$0.97).

The respective weighted average share price at the time of exercise was HK$1.86 (2014: HK$1.92) per share.

The fair value of share options granted in 2015 of 17,980,000 shares determined using the "binomial valuation model" was HK$14,366,000(equivalent to RMB11,322,000). The significant inputs into the model were weighted average share prices of HK$2.17 at the grant date, exercise price shown above, expected volatility of 71.20%, expected dividend yield of 10.03%, and expected share option life of 6 years and an annual risk-free interest rate of 1.331%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

21. Borrowings

	As at 31 December	
	2015	2014
Non-current		
Secured bank borrowings	–	27,896
Current		
Unsecured bank borrowings	–	27,390
Secured bank borrowings (note (a))	**29,625**	56,209
	29,625	83,599
Balance at 31 December 2015	**29,625**	111,495

(a) Amount represents bank borrowing of HK35,360,000 (equivalent to RMB29,625,000), which bears an interest of 1.75% per annum over one-month HIBOR, repayable within one year and is secured by the Group's bank deposit of RMB30,000,000.

The fair value of the borrowing equals its carrying amount, as the impact of discounting is not significant.

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2015	2014
Floating rate:		
– expiring within one year	**40,000**	73,538
– expiring after one year	–	1,294
	40,000	74,832

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

22. Deferred Income Tax

	As at 31 December 2015	2014
Deferred income tax asset to be recovered within 12 months	**(698)**	(2,396)
Deferred income tax asset to be recovered after more than 12 months	**(67)**	(84)
Deferred income liabilities to be payable within 12 months	**1,564**	1,920
Deferred tax assets/(liabilities)–net	**799**	(560)

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

	2015	2014
Balance at 1 January	**(560)**	2,325
Charged/(credited) to the consolidated income statement	**1,359**	(2,885)
Balance at 31 December	**799**	(560)

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	Difference of fair value of financial assets at fair value through profit or loss over the tax bases	Total
At 1 January 2014	2,422	7	2,429
(Credited)/charged to the consolidated income statement	(627)	118	(509)
At 31 December 2014	1,795	125	1,920
At 1 January 2015	**1,795**	**125**	**1,920**
Credited to the consolidated income statement	**(249)**	**(107)**	**(356)**
At 31 December 2015	**1,546**	**18**	**1,564**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

22. Deferred Income Tax (continued)

Deferred income tax assets	Difference of carrying amount of equipment over the tax bases	Tax losses	Total
At 1 January 2014	(104)	–	(104)
Charged/(credited) to the consolidated income statement	20	(2,396)	(2,376)
At 31 December 2014	(84)	(2,396)	(2,480)
At 1 January 2015	**(84)**	**(2,396)**	**(2,480)**
Charged to the consolidated income statement	**17**	**1,698**	**1,715**
At 31 December 2015	**(67)**	**(698)**	**(765)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of approximately RMB157,000 (2014: RMB318,000) in respect of the tax losses amounting to approximately RMB801,000 (2014: RMB1,554,000). As at 31 December 2015, the tax losses of certain group companies amounting to RMB506,000 and RMB295,000 will be expired within 2 years and from 2 to 5 years, respectively.

23. Trade and Other Payables

	As at 31 December	
	2015	2014
Trade payables		
– Third parties	**32,200**	32,785
– An associate	**1,113**	1,128
– Related parties (note 34)	**2,283**	2,845
	35,596	36,758
Other payables to third parties	**56,310**	57,296
Dividends payable	**975**	975
Advances from customers	**19,933**	5,403
	112,814	100,432

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

23. Trade and Other Payables (continued)

At 31 December 2015, the ageing analysis of the trade payables based on invoice date, including amounts due to related parties of trading nature, is as follows:

	As at 31 December	
	2015	2014
Less than 30 days	**20,966**	19,711
31–90 days	**11,813**	13,304
91–180 days	**249**	985
181–365 days	**355**	35
Over 365 days	**2,213**	2,723
	35,596	36,758

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

	As at 31 December	
	2015	2014
RMB	**78,531**	81,179
US$	**8,627**	8,618
HK$	**3,928**	3,764
Other currencies	**1,795**	1,468
	92,881	95,029

24. Other Income

	2015	2014
Interest income of bank deposits	**10,596**	6,974
Incentive subsidy	**166**	204
Repair and maintenance service income – net	**2,190**	2,680
	12,952	9,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

25. Expenses by Nature

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

	2015	2014
Depreciation of property, plant and equipment and amortization of land use rights and intangible assets (notes 6, 7 and 8)	13,359	11,766
Raw materials and consumables recognized in cost of goods sold and expenses	275,773	329,218
Provision for impairment of receivables	2,571	2,288
Employee benefit expenses (note 26)	70,512	68,788
– Cost of goods sold	22,982	23,212
– Selling and marketing costs	9,700	8,916
– Administrative expenses	29,316	24,394
– Research and development expenses	8,514	12,266
Operating leases – building	2,634	2,797
Transportation expenses	8,709	6,657
Auditor's remuneration	1,702	1,512
– Audit services	1,572	1,373
– Non-audit services	130	139
Advertising and promotion fees	5,403	4,813
Others	36,956	29,369
	417,619	457,208

26. Employee Benefit Expense

	2015	2014
Wages and salaries	57,181	58,197
Share options granted to employees (note 20)	5,354	1,049
Staff welfare and insurance	5,437	5,832
Pension costs – defined contribution plans (note (a))	2,540	3,710
	70,512	68,788

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

26. Employee Benefit Expense (continued)

(a) Pensions – defined contribution plans

There are no contributions payable to the fund for the years ended 31 December 2015 and 2014.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) directors whose emoluments are reflected in the analysis in benefits and interests of directors (note 36). The emoluments payable to the remaining three (2014: three) out of the five highest paid individuals during the year are as follows:

	2015	2014
Salaries and other benefits	**2,675**	2,974
Share options	**42**	51
Retirement scheme contributions	**141**	118
	2,858	3,143

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands (in HK dollar)		
HK$0 – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**1**	1

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

27. Other Gains/(Losses) – Net

	2015	2014
(Losses)/gains on financial assets at fair value through profit or loss – net	(782)	917
Impairment of available for sale financial assets	(1,131)	–
Dividend income of financial assets at fair value through profit or loss	134	226
Losses from disposal of machinery and equipment	(330)	(293)
Foreign exchange gains/(losses) – net	1,328	(1,527)
Penalty charged to a supplier (note (a))	26,038	–
	25,257	(677)

(a) Pursuant to a final civil judgment notice received from the Supreme Court of the PRC in January 2015, the Group was awarded a compensation of RMB30 million for an alleged breach by a former supplier in an exclusive distribution agreement with the Group. Having deducted the amount of RMB4 million received in 2012, the remaining sum of RMB26 million was received in January 2015 and has been recognized as other gains.

28. Finance Costs – Net

	2015	2014
Interest expenses on bank borrowings	(2,219)	(2,611)
Exchange losses on bank borrowings	(1,729)	(180)
	(3,948)	(2,791)

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

29. Income Tax Expenses

	2015	2014
Current income tax expenses		
– Hong Kong profits tax (note (a))	(478)	(81)
– PRC corporate income tax (note (b))	(21,099)	(14,101)
– PRC dividend withholding tax (note (c))	(3,880)	(4,000)
	(25,457)	(18,182)
Deferred income tax	1,359	2,885
	(24,098)	(15,297)

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:

	2015	2014
Profit before tax	113,004	97,933
Tax calculated at tax rates applicable to profits in the respective entities of the Group	(20,549)	(16,803)
Tax losses for which no deferred income tax asset was recognized	–	(54)
Additional deductible allowance for research and development expenses	831	659
Recognition of tax losses brought forward from prior years	–	2,396
Utilization of previously unrecognized tax losses	–	2,801
Expenses not deductible for tax purposes	(408)	(296)
Tax effect of share of profit or loss of an associate	(92)	–
Income tax	(20,218)	(11,297)
PRC withholding income tax	(3,880)	(4,000)
	(24,098)	(15,297)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

29. 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 2015 (2014: 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%. As Kongyue Information has been qualified as High and New Technology Enterprises ("HNTE") for three years from 2014 to 2016, it enjoys a preferential CIT rate at 15% for the year ended 31 December 2015 (2014: 15%). The effective CIT rate of other Group entities in the PRC is 25% (2014: 25%).

(c) PRC dividend withholding tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed out from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

During the year, the Group has made a provision for withholding income tax of RMB3,880,000 (2014: RMB4,000,000). The Group has not made provision for deferred income tax of RMB3,619,300 (31 December 2014: RMB2,930,000) for the unremitted earnings of the PRC subsidiaries of RMB72,386,000 (31 December 2014: RMB58,604,000) as the Group does not have a plan to distribute these earnings out of the PRC.

(d) Overseas income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2013 Revision) of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Subsidiaries of the Company in the BVI are incorporated under the International Business Companies Act of the BVI and, accordingly, are exempted from income tax in the BVI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

30. 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.

	2015	2014
Profit attributable to the shareholders of the Company (RMB'000)	88,921	82,605
Weighted average number of ordinary shares in issue (shares in thousands)	603,161	562,036
Basic earnings per share (RMB per share)	0.147	0.147

– 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 performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company for the year) 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.

	2015	2014
Profit attributable to the shareholders of the Company (RMB'000)	88,921	82,605
Weighted average number of ordinary shares in issue (shares in thousands)	603,161	562,036
Adjustments for share options (shares in thousands)	2,813	3,818
Weighted average number of ordinary shares for diluted earnings per share (shares in thousands)	605,974	565,854
Diluted earnings per share (RMB per share)	0.147	0.146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

31. Dividends

	2015	2014
Interim dividend (note (a))	46,915	28,218
Proposed final dividend (note (b))	33,000	50,352
Proposed special dividend(note (b))	–	14,949
	79,915	93,519

(a) Interim dividends in respect of six months ended 30 June 2015 of RMB0.078 per ordinary share (six months ended 30 June 2014: RMB0.05 per ordinary share) totaling approximately RMB46,915,000 have been declared at the board meeting on 21 August 2015 (six months ended 30 June 2014: RMB28,218,000). RMB27,911,000 and RMB19,004,000 are distributed out of the retained earnings and share premium of the Company respectively.

(b) At the board of directors meeting held on 24 March 2016, the directors of the Company proposed a final dividend for the year ended 31 December 2015 of RMB0.053 per ordinary share approximately RMB33,000,000 out of retained earnings of the Company. These proposed dividends have not been reflected as dividends payable in these consolidated financial statements for the year ended 31 December 2015 but will be reflected as dividends distribution for the year ending 31 December 2016.

A final dividend in respect of 2014 of RMB0.108 per ordinary share totaling approximately RMB65,301,000 (based on the number of ordinary shares in issue as at 30 March 2015) have been declared in the Company's Annual General Meeting on 30 March 2015, which have been paid in 2015. RMB50,352,000 and RMB14,949,000 were distributed out of the retained earnings and share premium of the Company respectively.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

32. Cash Generated from Operating Activities

	2015	2014
Profit for the year	88,906	82,636
Adjustments for:		
– Income tax expenses	24,098	15,297
– Depreciation of property, plant and equipment	18,883	11,237
– Amortization of land use rights	289	289
– Amortization of intangible assets	427	240
– Losses from disposal of property, plant and equipment	330	293
– Impairment loss of other receivables	2,571	2,288
– Interest income	(10,596)	(6,974)
– Share options granted to employees	5,354	1,049
– Share options forfeited during the year	(38)	–
– Gains on profit from financial assets at fair value through profit or losses	121	–
– Finance costs – net	3,948	2,791
– Exchange gains on cash and cash equivalents	(1,314)	(21)
– Impairment of available for sale financial assets	1,131	–
– Share of losses of investments accounted for using the equity method	613	11
	134,723	109,136
Changes in working capital:		
– Inventories	(7,279)	22,510
– Trade and other receivables	3,671	(3,299)
– Restricted cash	41	(233)
– Financial assets at fair value through profit or loss	3,232	(1,138)
– Trade and other payables	12,382	(4,842)
Cash generated from operations	146,770	122,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

33. Commitments

(a) Capital commitments

The future aggregate minimum payments of office building renovation are as follows:

	2015	2014
No later than 1 year	4,858	–
Later than 1 year and not later than 5 years	290	–
	5,148	–

(b) Operating lease commitments

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

	2015	2014
No later than 1 year	2,059	1,352
Later than 1 year and not later than 5 years	693	825
	2,752	2,177

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

34. Related-party Transactions

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

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties.

(a) Name and relationship with related parties

Name	Relationship
Au 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 controlled by Close Au Family Members
Jiangmen Kong Yue Information Products Import Export Limited (“KY Import/Export”)	Company controlled by Close Au Family Members
Palace International Hotel (“Palace”)	Company controlled by Close Au Family Members
Kong Yue Industrial Park (Xinhui) Limited (“Industrial Park”)	Company beneficially owned by Mr. Au Pak Yin and Close Au Family Members
Guangdong Kong Yue Zhongding Rubber Component Limited (“Guangdong Zhongding”)	Company under significant influence of Au Family
Guang Dong Jotech Kong Yue Yida Precision Industries Limited (“Jiangmen Yida”)	Company under significant influence of Au Family
Gowin Technology International Holdings limited (“Gowin”)	Joint venture of the Group
Palace International Hotel(“Palace”)	Company controlled by Close Au Family Members

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

34. Related-party Transactions (continued)

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

		2015	2014
(i)	**Purchase of goods and services** (note (b-1))		
	– Guangdong Precision	17,250	17,344
	– Guangdong Zhongding	3,657	3,570
	– Jiangmen Yida	6,914	6,784
	– Palace	671	495
		28,492	28,193
(ii)	**Handling fees (note (b-2))**		
	– KY Import/Export	879	935
(iii)	**The remuneration of executive directors of the Company and other members of key management of the Group during the year was as follows:**		
	– Salary and other short-term employee benefits	4,820	4,885
	– Share options	493	117
	– Retirement scheme contribution	58	52
		5,371	5,054
(iv)	**Year-end balances with related parties** (note (b-3))		
	Trade and other receivables from related parties (note 14)		
	– KY Import/Export	366	3,273
	– Industrial Park	2,810	2,926
	– Gowin (note (b-4))	–	2,288
		3,176	8,487
	Trade payables to related parties (note 23)		
	– Guangdong Zhongding	662	686
	– Jiangmen Yida	1,266	904
	– Guangdong Precision	355	1,255
		2,283	2,845

Notes:

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

(b-2) The handling fees charged by KY Import/Export in relation to import of materials of the Group are approximately 1% of purchase price of the materials. The handling fees charged by KY Import/Export in relation to export products are equivalent to 1% of the full contract price of the products. During the year ended 31 December 2015, the handling fees charged by KY Import/Export in relation to import and export of materials amounted to RMB724,000 and RMB155,000, respectively (31 December 2014: RMB780,000 and RMB155,000, respectively)

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

(b-4) As at 31 December 2015, the loans granted to Gowin are interest free and guaranteed by one of the joint venture partners. A full provision of RMB4,859,000 (31 December 2014: RMB2,288,000) has been made due to the loans have been overdue.

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

35. Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2015	2014
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**219,398**	214,044
		219,398	214,044
Current assets			
Amounts due from subsidiaries		**199,592**	209,434
Cash and cash equivalents		**24,738**	1,088
		224,330	210,522
Total assets		**443,728**	424,566
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**147,449**	102,806
Other reserves		**217,659**	213,034
Retained earnings		**45,773**	50,298
Total equity		**410,881**	366,138

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

35. Balance Sheet and Reserve Movement of the Company (continued)

Balance sheet of the Company (continued)

	Note	As at 31 December 2015	2014
LIABILITIES			
Non-current liabilities			
Borrowings		–	27,896
		–	27,896
Current liabilities			
Trade and other payables		3,222	930
Amounts due to subsidiaries		–	2,212
Borrowings		29,625	27,390
		32,847	30,532
Total liabilities		32,847	58,428
Total equity and liabilities		443,728	424,566

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

35. Balance Sheet and Reserve Movement of the Company (continued)

(a) Reserve movement of the Company

	Retained earnings	Other reserves
At 1 January 2014	36,635	212,965
Profit for the year	77,128	–
Dividends (note 31)	(63,465)	–
Share options granted to employees	–	1,049
Exercise of share options	–	(980)
At 31 December 2014	50,298	213,034
At 1 January 2015	**50,298**	**213,034**
Profit for the year	**73,738**	**–**
Dividends (note 31)	**(78,263)**	**–**
Share options granted to employees	**–**	**5,354**
Exercise of share options	**–**	**(691)**
Share options forfeited during the year	**–**	**(38)**
At 31 December 2015	**45,773**	**217,659**

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

Notes to the Consolidated Financial Statements (continued)

(All amounts in Renminbi thousands unless otherwise stated)

36. Benefits and Interests of Directors

(a) Directors' and chief executive's emoluments

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

For the year ended 31 December 2015:

Name	Fees	Salaries	Discretionary bonuses	Housing allowance	Estimated money of other benefits	Employee's contribution to Retirement scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Mr. Au Pak Yin	209	1,461	–	–	79	–	–	–	1,749
Mr. Au Kwok Lun (Chief Executive Officer)	209	1,017	–	–	–	14	–	–	1,240
Mr. Ou Guo Liang	209	225	–	–	96	14	–	–	544
Mr. Lai Ming, Joseph*	209	–	–	–	–	–	–	–	209
Mr. Meng Yan*	104	–	–	–	–	–	–	–	104
Mr. Xu Guangmao*	104	–	–	–	–	–	–	–	104
M. Yeung Kwok Keung*	209	–	–	–	–	–	–	–	209
	1,253	2,703	–	–	175	28	–	–	4,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Renminbi thousands unless otherwise stated)

36. Benefits and Interests of Directors (continued)

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

For the year ended 31 December 2014 (Restated):

Name	Fees	Salaries	Discretionary bonuses	Housing allowance	Estimated money of other benefits	Employee's contribution to Retirement scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Mr. Au Pak Yin	205	1,122	–	–	75	–	–	–	1,402
Mr. Au Kwok Lun (Chief Executive Officer)	205	963	–	–	95	13	–	–	1,276
Mr. Ou Guo Liang	205	227	–	–	95	13	–	–	540
Mr. Lai Ming, Joseph*	205	–	–	–	–	–	–	–	205
Mr. Meng Yan*	103	–	–	–	–	–	–	–	103
Mr. Xu Guangmao*	103	–	–	–	–	–	–	–	103
Mr. Yeung Kwok Keung*	205	–	–	–	–	–	–	–	205
	1,231	2,312	–	–	265	26	–	–	3,834

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

During the Relevant Periods, none of the directors of the Company waived his emoluments nor has agreed to waive his emoluments.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years 2015 and 2014 or at any time during the years ended 2015 and 2014.

Five-year Financial Summary

(All amounts in Renminbi thousands unless otherwise stated)

Consolidated Balance Sheets

	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011
ASSETS					
Non-current assets					
Property, plant and equipment	88,642	91,985	88,725	86,760	84,127
Land use right	8,877	9,166	9,455	9,744	10,033
Intangible assets	9,463	8,730	389	517	662
Investments accounted for using the equity method	10,176	89	95	92	97
Available-for-sale financial assets	3,349	4,480	4,480	3,756	500
Deferred income tax assets	–	560	–	–	–
Restricted cash	160	30,100	60,000	–	–
	120,667	145,110	163,144	100,869	95,419
Current assets					
Inventories	102,367	95,917	118,191	137,116	180,014
Trade and other receivables	28,666	43,563	39,509	38,661	66,972
Financial assets at fair value through profit or loss	5,426	8,779	7,641	15,313	11,883
Structured deposits in a bank	–	30,000	31,500	30,000	–
Restricted cash	30,289	60,390	10,257	683	586
Cash and cash equivalents	308,739	223,645	199,634	210,632	170,116
	475,487	462,294	406,732	432,405	429,571
Total assets	596,154	607,404	569,876	533,274	524,990
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	147,449	102,806	99,088	176,649	176,649
Other reserves	232,769	217,428	208,653	201,682	197,066
Retained earnings					
– Proposed final dividend	33,000	50,000	35,000	19,911	28,123
– Retained earnings	35,395	18,453	23,019	16,659	21,108
	448,613	388,687	365,760	414,901	422,946
Non-controlling interests	60	75	44	31	24
Total equity	448,673	388,762	365,804	414,932	422,970
LIABILITIES					
Non-current liabilities					
Borrowings	–	27,896	83,313	28,151	–
Deferred income tax liabilities	799	–	2,325	3,582	3,786
	799	27,896	85,638	31,733	3,786
Current liabilities					
Trade and other payables	112,814	100,432	103,221	82,926	96,948
Current income tax liabilities	4,243	6,715	5,469	3,683	1,286
Borrowings	29,625	83,599	9,744	–	–
	146,682	190,746	118,434	86,609	98,234
Total liabilities	147,481	218,642	204,072	118,342	102,020
Total equity and liabilities	596,154	607,404	569,876	533,274	524,990
Net current assets	328,805	271,548	288,298	345,796	331,337
Total assets less current liabilities	449,472	416,658	451,442	446,665	426,756

Five-year Financial Summary (continued)

(All amounts in Renminbi thousands unless otherwise stated)

Consolidated Income Statement

	2015	2014	2013	2012	2011
Revenue	496,975	548,762	581,313	456,875	559,600
Cost of goods sold	(306,373)	(357,684)	(419,807)	(342,159)	(421,066)
Gross profit	190,602	191,078	161,506	114,716	138,534
Other income	12,952	9,858	11,215	8,973	7,704
Selling and marketing costs	(37,593)	(30,466)	(30,140)	(30,370)	(30,816)
Administrative expenses	(48,223)	(45,053)	(43,048)	(35,288)	(51,179)
Research and development expenses	(25,430)	(24,005)	(20,927)	(15,412)	*
Other gains/(losses) – net	25,257	(677)	3,313	8,719	502
Operating profit	117,565	100,735	81,919	51,338	64,745
Finance (costs)/income – net	(3,948)	(2,791)	(226)	(498)	985
Share of losses of investments accounted for using the equity method	(613)	(11)	(2)	(5)	(64)
Profit before income tax	113,004	97,933	81,691	50,835	65,666
Income tax expenses	(24,098)	(15,297)	(13,972)	(10,568)	(10,102)
Profit for the year	88,906	82,636	67,719	40,267	55,564
Attributable to:					
Shareholders of the Company	88,921	82,605	67,706	40,260	55,042
Non-controlling interests	(15)	31	13	7	522
	88,906	82,636	67,719	40,267	55,564
Earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)					
– Basic	0.147	0.147	0.121	0.072	0.098
– Diluted	0.147	0.146	0.121	0.072	0.098

* The research and development expenses for the year ended 31 December 2011 were included in administrative expenses.