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JOLIMARK HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2028)

2005 Annual Results Announcement

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	**2005** *RMB'000*	2004 *RMB'000*
Turnover		**981,650**	965,972
Cost of goods sold		**(825,541)**	(810,959)
Gross profit		**156,109**	155,013
Other losses — net		**(1,843)**	—
Selling and marketing costs		**(28,461)**	(24,322)
Administrative expenses		**(40,909)**	(30,691)
Other income		**14,790**	5,243
Operating profit	3	**99,686**	105,243
Finance costs	4	**(5,628)**	(3,979)
Share of losses of associates		**(2,418)**	(1,373)
Profit before income tax		**91,640**	99,891
Income tax expenses	5	**(11,513)**	(12,590)
Profit for the year		**80,127**	87,301
Attributable to:			
Shareholders of the Company		**78,603**	86,225
Minority interests		**1,524**	1,076
		80,127	87,301
Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share)	6	**0.181**	0.237
Dividends		**31,460**	92,275

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	31 December 2005 RMB'000	31 December 2004 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**57,836**	55,917
Intangible assets		**1,842**	1,942
Interest in associates		**9,879**	11,947
Available-for-sale financial assets		**1,750**	—
Investment securities		**—**	1,750
Deferred income tax assets		**1,815**	1,851
		73,122	73,407
Current assets			
Inventories		**170,378**	159,147
Trade and other receivables	7	**266,524**	189,956
Cash and cash equivalents		**112,841**	38,951
		549,743	388,054
Total assets		**622,865**	461,461
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**140,495**	32
Other reserves		**180,132**	173,485
Retained earnings			
— Proposed final dividend		**14,820**	—
— Unappropriated retained earnings		**61,261**	20,765
		396,708	194,282
Minority interests		**11,895**	10,371
Total equity		**408,603**	204,653
LIABILITIES			
Current liabilities			
Trade and other payables	8	**107,738**	150,947
Current income tax liabilities		**10,364**	5,861
Borrowings		**96,160**	100,000
Total liabilities		**214,262**	256,808
Total equity and liabilities		**622,865**	461,461
Net current assets		**335,481**	131,246
Total assets less current liabilities		**408,603**	204,653

Notes:

1. BASIS OF PREPARATION

The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the years ended 31 December 2005 and 2004, rather than from the date on which the Reorganisation was completed.

The consolidated financial statements 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.

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.

(a) The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 20, 21, 23, 24, 27, 28, 33 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

— HKASs 2, 7, 8, 10, 12, 16, 17, 18, 19, 20, 23, 27, 28, 33 and 37 had no material effect on the Group's accounting policies.

— HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

— HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

— Amortised on a straight line basis over a period of ten years; and

— Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

— The Group ceased amortisation of goodwill from 1 January 2005;

— Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

— From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

— HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005.

— HKFRS 3 — prospectively after 1 January 2005.

(i) The adoption of HKAS 39 resulted in:

	2005
	RMB'000
Increase in available-for-sale financial assets	**1,750**
Decrease in investment securities	**(1,750)**

There was no impact on basic earnings per share from the adoption of HKAS 39.

There was no impact on opening retained earnings at 1 January 2004 from the adoption of HKAS 39 and HKFRS 3.

(b) Standards, interpretations and amendments to published standards that are not yet effective

When preparing these consolidated financial statements, the Group has not early adopted the following new standards, amendments and interpretations to existing standards which are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods. These new standards, amendments and interpretations to existing standards are not relevant to the Group's operations.

— HKAS 19 (Amendment), Employee Benefits (effective from 1 January 2006).

— HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006).

— HKAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006).

— HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006).

— HKFRS 1 (Amendment), First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).

— HKFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).

— HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures (effective from 1 January 2007).

— HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006).

— HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006).

— HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment (effective from 1 December 2005).

2. SEGMENT INFORMATION

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

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

3. OPERATING PROFIT

The operating profit is stated after charging the following:

	2005	2004
	RMB'000	*RMB'000*
Depreciation for property, plant and equipments and amortisation of intangible assets	**11,413**	9,846

4. FINANCE COSTS

	2005	2004
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**5,628**	3,979

5. INCOME TAX EXPENSES

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

	2005	2004
	RMB'000	*RMB'000*
Profit before tax	**91,640**	99,891
Tax calculated at domestic tax rates applicable to profits in the respective entities of the Group	**24,986**	26,971
Income tax exemption and reduction	**(14,317)**	(14,984)
Expenses not deductible for tax purposes	**844**	603
Tax expenses	**11,513**	12,590

6. EARNINGS PER SHARE

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

	2005	2004
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**78,603**	86,225
Weighted average number of ordinary shares in issue (thousands)	**434,673**	364,196
Basic earnings per share (RMB per share)	**0.181**	0.237

No diluted earnings per share is presented as there were no potential dilutive shares in issue during the years ended 31 December 2005 and 2004.

7. TRADE AND OTHER RECEIVABLES

	2005	2004
	RMB'000	*RMB'000*
Trade receivables		
— Third parties	**245,530**	159,353
— Related parties	**—**	9,287
Less: provision for impairment of receivables	**(3,426)**	(3,426)
Trade receivables — net	**242,104**	165,214
Prepayments		
— Third parties	**8,960**	15,792
— Related parties	**5,929**	4,968
Other receivables from third parties	**9,531**	3,982
	266,524	189,956

The carrying amounts of trade receivables approximate their fair value.

At 31 December 2005, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	2005	2004
	RMB'000	*RMB'000*
0–30 days	**146,449**	90,117
31–90 days	**45,932**	49,120
91–180 days	**6,746**	22,522
181–365 days	**44,187**	6,380
Over 365 days	**2,216**	501
	245,530	168,640

There is no concentration of credit risk with respect to trade receivables; the customers of the Group are widely dispersed.

8. TRADE AND OTHER PAYABLES

	2005	2004
	RMB'000	*RMB'000*
Trade payables		
— Third parties	**77,093**	66,408
— Related parties	**4,321**	38,443
	81,414	104,851
Other payables to third parties	**22,758**	22,613
Staff welfare benefits payable	**3,405**	11,609
Advance from customers	**161**	142
Payable for acquisition of Phenix Digital	**—**	11,732
	107,738	150,947

At 31 December 2005, the ageing analysis of the trade payables, include amounts due to related parties of trading in nature, were as follows:

	2005	2004
	RMB'000	*RMB'000*
0–30 days	**35,887**	68,455
31–90 days	**19,876**	35,186
91–180 days	**23,883**	895
181–365 days	**363**	232
Over 365 days	**1,405**	83
	81,414	104,851

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2005 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CHAIRMAN STATEMENT

To all shareholders,

The year 2005 saw the Group reached a key milestone — the listing of Jolimark on the Main Board of The Stock Exchange of Hong Kong Limited, has speed up the Company's development.

Over the years, the Group has persisted on boosting our research and development capabilities, and actively developing new products and expanding our sales and distribution network to foster the growth of the "Jolimark" brand business. Today, dot matrix printers and tax control equipment are the core products of our brand business. Dot matrix printers are used mainly for commercial purposes and by industries that need to make multiple copies of transaction records, identification certificates and high-speed backroom bulk printing, such functions cannot be replaced by laser printers or ink-jet printers. Currently, the market consumes about 1.3 million dot matrix printers each year, and with the kick-off of the third phase of the "Golden Tax Project", the demand for dot matrix printers will see further growth.

Boasting high quality products and an extensive sales network, the Group has successfully crafted Jolimark into a pioneer business equipment brand worthy of the trust of users in different industries. "Jolimark" is the largest domestic brand for dot matrix printers in the PRC, testifying to the success of the Group's business strategy.

In recent years, we have benefited from the Chinese Government's active pursuit of electronic government initiatives under the "Twelve Golden Projects". Jolimark's advantages have stood out especially against the "Golden Tax Project". We started early in 1999 to design, produce and sell tax control equipment to exploit our strategic first mover position. In the second phrase of the project, the Group attained 25% share of the tax control equipment market and accumulated much experience in producing international standard products. Hence, we are confident that in the third phase of the project, which has just kicked off, Jolimark will be able to grasp enormous opportunities. Jolimark was among the few corporations with solid experience in the second phase of the project. Apart from standing out in product quality and experience, we also have more diverse production lines and a more extensive sales and after-sales service network than our competitors. Recently, the tender of the Group has been accepted by the Guangdong Provincial Office, SAT, a keenly competitive market which is also laden with the greatest potential.

In the future, we intend to actively bid for projects in different provinces in the PRC to extend our market share. Building on our advantages and our renowned brand "Jolimark", the management is confident that in the third phase of the "Golden Tax Project", Jolimark will achieve results better than that in the second phase of the "Golden Tax Project", creating for itself yet a stronger drive for growth.

Last, but not the least, on behalf of the Broad, I would like to express my gratitude to all shareholders, the management team, our staff and customers for their great support to the Group over the years. At the relentless effort and dedication of our spirited staff, the Group believes it will be able to continuously bring long-lasting, fruitful returns to our shareholders.

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

Hong Kong, 31 March 2006

BUSINESS REVIEW

"Jolimark" Brand Business

Having received many awards, "Jolimark" is a widely recognized brand in the PRC. It is the biggest domestic dot matrix printer brand. "Jolimark" boasts a great variety of products of wide applications. They include dot matrix printers, tax control ECRs, external tax control devices, tax control printers, mini printers and projectors, etc. Among them all, dot matrix printers bring in the most income for the Group.

To fully exploit opportunities arising from the third phase of the "Golden Tax Project", the Group reassigned most of its sales force to promote tax control devices. However, as a result of the government's delay in kick off of the third phase of the project, together with the postponement of delivery of certain government purchases that the Group won in the bidding, sales for the year was affected. With the third phase of the project now underway, shipment in relation to the purchase order will gradually deliver and the kick off of the "Golden Finance Project", the Group expects its Jolimark brand business to make a robust return on to the growth track and tax control devises to become its major growth driver in the next few years. The "non-tax income" system in the "Golden Finance Project" requires government departments responsible for fee collection to install dot matrix printers, which will allow uniform fee collection management. This points to tremendous demand for dot matrix printers in 2006 and the few years beyond.

Of excellent quality and supported by an outstanding sales and after-sales service channel infrastructure, Jolimark's dot matrix printer received "The Most Powerful in Professional Training" award in the "2005 China IT channels — Champion Survey Election" organized by the *Computer Partner World*. In addition, Jolimark was also honoured with three top awards including the "2005–2006 China IT Market — Brand with the Highest Growing Potential (Jolimark)", "2005–2006 China IT Market — The Most Competitive Product (Jolimark FP-5800KII)"and "2005–2006 China IT Market — Product with the Highest Growing Potential (Jolimark LQ-300KII)" in 6th China IT Channel Forum hosted by CBI. It won the most awards among local receipt printer manufacturers.

Apart from supplying the dot matrix printer market, computer projector market is the Group's another target market. In the year under review, the Group launched the first projector series under the brand of "Phenix", targeting small and medium size enterprises and educational institutions that have a strong demand for products with high quality and competitive price.

EMS Business

As an EMS provider, the Group is capable of producing high quality optical, mechanical and electrical products. Armed with cost advantage, quality products and the ability to promptly respond to customers' demand, Jolimark has built itself into a choice EMS partner of a number of international corporations. At present, among the Group's prominent EMS clientele are many leading Japanese and European business equipment brands including EPSON, OKI, Seiko Precision, ABB and Neopost, etc. Benefited from customers developing more new product models, the Group saw steady growth in orders. During the year under review, the Group won a new client, namely Shinko, in Japan in manufacturing bankbook record printers. Riding on its solid customer base and the low labour cost in Mainland China, the management is confident that its EMS business will grow steadily in 2006.

Distribution Business

With regard to its distribution business, the Group primarily distributes printers for Epson, and has been actively seeking new clients. During the year, the Group secured a new client, INFOCUS, and started to distribute the entire product line of ASK projectors for them.

Furthermore, the Group also actively extended its sales and after-sales service network. It set up branches in mid-size and large cities such as Hangzhou, Jinan, Zhengzhou, Kunming, Nanning, Fuzhou, Nanjing, Changsha and Lanzhou, and, during the year bringing its total number of branches from 7 to 16. The expanded network has helped the Group improve its distribution capability and foster its brand image. The Group also operates 146 after-sales service centers in about 20 provinces, 4 autonomous regions and 4 municipalities in the PRC to provide customers with the most comprehensive services.

Riding on the extended sales and after-sales service network, the Group has gained deeper understanding of the needs of its partners as well as the ultimate users of the products. Such knowledge allows the Group to adjust its sales strategy and tactics in a timely manner, thus boosts the Group's edges in assuming a better position in the competitive market.

Future Prospects

The third phrase of "Golden Tax Project" has officially commenced, targeting income taxpayers in the service and retail industries such as food and beverage, entertainment and transport. The project requires sizeable retailers and service providers with fixed outlets to purchase and use tax control ECRs, and the IC card to report sales figure to the PRC Tax Bureau. This will allow the authority to effectively monitor business operation of taxpayers and provide important reference for tax bureaus for tax assessment and review. This policy is expected to be fully implemented in 3-5 years and will see a boom in demand for the Group's tax control equipment including tax control ECRs, external tax control devices, tax control printers, mini printers and ordinary invoice printers.

There are around 30 provinces in the PRC, and they have gradually begun to invite tender for tax control equipment. Most of the provinces are expected to close tender within 2006 and they would select generally 5 to 10 providers. Guangdong is the first province to close state related tenders and Jolimark is one of the five tax control ECR providers selected.

Guangdong contributes the highest tax revenue among all Chinese provinces. According to a report on Xinhua Net on 3rd January 2006, the tax payment received by the Office of State Administration of Taxation and the Tax Bureau of Local Taxation from Guangdong in 2005 was RMB420.261 billion, an increase of 17.2%, or RMB61.54 billion, more than that in 2004, topping all provinces for the 14th consecutive year. The tax control ECRs market in Guangdong is the biggest and most competitive province in tender bidding over the country. The fact that Jolimark was selected in Guangdong shows that it has the strengths and advantages to compete more than that in other provinces.

In addition, Jolimark is capable of producing mini printer movement which is the core element of tax control ECRs accounting for one-fifth of the production cost of a tax control ECR. Adopting one-stop production, the Group can effectively control cost and widen gross profit margin.

Having snatched more than 25% market share during the second phrase of "Golden Tax Project" and extensive experience in related product development, the Group will bid for contracts in most provinces in the brand name of "Jolimark" and is confident of achieving excellent results in the third phrase of the "Golden Tax Project".

As far as dot matrix printers are concerned, with the "non-tax income" system in the "Golden Finance Project" taking effect and remote education programmes gain popularity, market demand for the printer will rise. At the launch of more new products and through acquisition and organic growth, the management expects yet better satisfactory development for the business segment. The Group will continue to step up promotion of its brand products, especially the mini printers, to enhance the profit contribution of its brand business and craft "Jolimark" into the top brand for business and tax control equipment in China.

Projectors are another strong growth driver of the Group. According to a CCID report, the CAGR of unit sales and sales volume of projectors in the PRC market is expected to be 36.9% and 13.2%, respectively between 2005 and 2008, to 868,000 units and RMB7.8 million at the end of the period. The Group has already mastered the core technology for producing projectors and has been offering high quality and competitively priced products to customers under the "Phenix" brand. The Group believes it is poised to grasp every opportunity in the market. Besides producing projectors carrying the "Phenix" brand, the Group also distributes projectors to different overseas brands including 3M and INFOCUS, which is expected to generate notable income.

Looking ahead, Jolimark will continue to heed and meet the demands of customers, step up channel development. Besides striving for economies of scale in production and maintaining its cost management advantage, the Group will also increase investment in R&D. By introducing the new printing solutions and extending its product lines, the Group pledges to offer better products to customers, thereby raise the overall value and competitiveness of the Group. With factors affecting the Group's performance in 2005 eliminated, the third phase of the "Golden Tax Project" steaming ahead and production of new products such as projectors and mini-printers commencing, we have great confidence in the financial performance of the Group in 2006.

FINANCIAL REVIEW

SUMMARY OF RESULTS

For the year ended 31 December 2005, the Group recorded a turnover of RMB981,650,000, representing an increase of 1.6% over the previous year. Although the cost of goods sold increased by 1.8% to approximately RMB825,541,000 (2004: approximately RMB810,959,000), the gross profit margin remained at approximately 16%. During the year, the Group recorded an operating profit of RMB80,127,000, and the profit attributable to shareholders was RMB78,603,000, representing a decrease of 8.8% from the previous year, which was mainly attributed to the increase in brand promotion cost and management fee. The basic earnings per share was RMB0.181.

INFORMATION BY BUSINESS ACTIVITIES

Set out below is a comparison of the Group's turnover, gross profit and gross profit margin in terms of business line for the year ended 31 December 2005 and the year ended 31 December 2004:

	For the year ended 31 December 2005			For the year ended 31 December 2004		
	Turnover (RMB'000)	**Gross Profit (RMB'000)**	**Gross Profit Margin**	Turnover (RMB'000)	Gross Profit (RMB'000)	Gross Profit Margin
Jolimark brand business	**195,139**	**74,211**	**38%**	277,963	86,066	31%
Distribution business	**328,975**	**21,484**	**6.5%**	242,576	17,474	7.2%
EMS/ODM/OEM businesses	**457,536**	**60,414**	**13.2%**	445,433	51,473	11.6%
Total	**981,650**	**156,109**	**15.9%**	965,972	155,013	16.1%

ANALYSIS ON SALES AND GROSS PROFIT

During the year under review, the EMS business was still the largest contributor to the turnover of the Group, which accounted for approximately 47% and amounted to RMB457,536,000 representing an increase of 3% over the previous year. The increase was mainly due to increases in purchase orders for projectors and envelope machines.

The government's delay in kick off of the third phase of the project, together with the postponement of delivery of certain government purchases that the Group won in the bidding caused Jolimark brand business's turnover down to RMB195,139,000, which represented 20% of the turnover of the Group.

However, the third phase of the Golden Tax Project has formally commenced now and those orders under the government projects successfully tendered are to be delivered in succession. Turnover of the distribution business increased by 36% to RMB242,576,000 from RMB328,975,000 of the previous year, representing 34% of the turnover of the Group.

With regard to gross profit, the Jolimark brand business was the largest contributor which accounted for approximately 47% of the total gross profit of the Group for the year of 2005. The gross profit margin of the Jolimark brand business, by virtue of effective cost control measures and the launch of new products, increased to 38%, compared with 31% for the previous year. The EMS business and the distribution business constituted approximately 39% and 14% of the Group's total turnover respectively. The gross profit margin of the EMS business increased to 13.2%, compared with 11.6% for the previous year, whereas the gross profit margin of the distribution business was 6.5%.

CAPITAL EXPENDITURE

For the year ended 31 December 2005, capital expenditure amounted to RMB13,443,000, of which, approximately RMB8,800,000 was used for the purchase of moulds for production, and the balance was used for the purchase of fixed assets for production and management purposes.

USE OF NET PROCEEDS FROM IPO

The Company issued 125 million shares of HK$1.14 per share by way of Share Offer (as defined in the Prospectus) in June 2005. The net proceeds after deducting the relevant expenses was approximately HK$120.8 million.

During the year 2005, the Group utilised the above proceeds in accordance with that disclosed in the Prospectus, namely, (i) HK$11.47 million for the Group's marketing and promotional activities in the PRC and overseas markets and enhancing brand recognition of the Group's own brand products in the PRC; (ii) HK$6.88 million for strengthening the Group's capacity in research and development; (iii) HK$3.55 million for the expanding of sales and distribution network in the PRC; (iv) HK$1.35 million for the development overseas EMS business and (v) HK$2.23 million related to the acquisition of new machinery and equipment for the development and production of new products and for the enhancement and expansion of the Group's production capacity.

The balances of the proceeds were placed in banks as short-term deposits as at 31 December 2005.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, the total assets of the Group amounted to RMB622,865,000 (2004: RMB461,461,000), comprising shareholders' fund of RMB396,708,000 (2004: RMB194,282,000), minority interests of RMB11,895,000 (2004: RMB10,371,000) and long term and current liabilities of RMB214,262,000 (2004: RMB256,808,000). The current ratio of the Group was 2.6 (2004: 1.5).

The financial conditions of the Group were sound, as at 31 December 2005, the cash and cash equivalents of the Group amounted to RMB112,841,000 (2004: RMB38,951,000).

As at 31 December 2005, the bank loans of the Group amounted to RMB96,160,000 (2004: RMB100,000,000), and the gearing ratio was 15.4% (2004: 21.6%). The Group had no assets held under finance leases for the year.

CONTINGENT LIABILITIES

As at 31 December 2005, the Group had no material contingent liabilities.

STAFF

As at 31 December 2005, the Group employed a total staff of 1,173, in which 1,155 were employed in Mainland China, while 18 were employed in Hong Kong and overseas. The Group implemented its remuneration policy, bonus and share option schemes based on the results and the performance of individual staff. In addition, fringe benefits such as insurance, medical allowance and pension were provided to ensure the competitiveness of the Group.

DIVIDEND

The Board declared a final dividend for 2005 of HK$2.85 cents per share to shareholders whose names appear on the register of members on Monday, 24 April 2006. The final dividend will be paid on Wednesday, 31 May 2006.

The register of members of the Company will be closed from 25 April 2006 to 28 April 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office Computershare Hong Kong Investor Services Limited, Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 24 April 2006.

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

During the year ended 31 December 2005, there was no purchase, redemption or disposal by the Group and any of its subsidiaries and their jointly controlled entities, of the Group's listed securities during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the year ended 31 December 2005 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year.

AUDIT COMMITTEE

The audit committee of the Company was established on 13 June 2005 in accordance with Appendix 14 to the Listing Rules. The existing committee comprises Mr. Lai Ming, Joseph as the chairman, Mr. Meng Yan and Mr. Xu Guangmao. All of the committee members are independent non-executive directors. During the year ended 31 December 2005, the audit committee held two meetings to review the accounting standards and practices adopted by the Group and to discuss on matters regarding the internal control and financial reporting (including the interim results before proposing them to the Board for approval) with the management, external auditors and internal auditing staff. The audit committee has reviewed the results announcement of the Company for the year ended 31 December 2005.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed annual result announcement of the Company will be submitted to the Stock Exchange for publication on the website.

As at the date of this announcement, the Board comprises Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Mr. Ng Shu Kai, as executive Directors and Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao, as independent non-executive Directors.

Please also refer to the published version of this announcement in ***South China Morning Post.***