



## JOLIMARK HOLDINGS LIMITED

映美控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2028)

### 2006 INTERIM RESULTS ANNOUNCEMENT

#### FINANCIAL SUMMARY

- Turnover decreased by 12% to RMB382,757,000
- Gross profit margin declined to 15% from 18%
- Operating profit amounted to RMB18,657,000, representing a decrease of 64% compared with the corresponding period of the previous year
- Profit attributable to shareholders dropped by 73% to RMB10,823,000
- Basic earnings per share declined by 81% to RMB0.021
- Interim dividend was HK\$1.03 cents

## UNAUDITED CONSOLIDATED RESULTS

The board of directors (“Board”) of Jolimark Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006, together with the comparative figures for the same period of last year as follows:

### Condensed Consolidated Interim Income Statement

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2006</b>	2005
		<b>RMB'000</b>	RMB'000
Turnover		<b>382,757</b>	434,361
Cost of goods sold		<u><b>(324,475)</b></u>	<u>(354,380)</u>
<b>Gross profit</b>		<b>58,282</b>	79,981
Selling and marketing costs		<b>(15,003)</b>	(12,060)
Administrative expenses		<b>(28,075)</b>	(18,342)
Other income		<b>2,920</b>	1,896
Other gains — net		<u><b>533</b></u>	<u>—</u>
<b>Operating profit</b>		<b>18,657</b>	51,475
Finance costs		<b>(3,516)</b>	(3,226)
Share of losses of associates		<u><b>(1,028)</b></u>	<u>(917)</u>
<b>Profit before income tax</b>		<b>14,113</b>	47,332
Income tax expenses	4	<u><b>(3,036)</b></u>	<u>(6,155)</u>
<b>Profit for the period</b>		<u><b>11,077</b></u>	<u>41,177</u>
<b>Attributable to:</b>			
Shareholders of the Company		<b>10,823</b>	40,542
Minority interests		<u><b>254</b></u>	<u>635</u>
		<u><b>11,077</b></u>	<u>41,177</u>
<b>Basic earnings per share for profit attributable to the shareholders of the Company during the period</b> <i>(expressed in RMB per share)</i>	5	<u><b>0.021</b></u>	<u>0.110</u>
<b>Dividend</b>	6	<u><b>6,429</b></u>	<u>16,640</u>

## Condensed Consolidated Interim Balance Sheet

		<u>As at</u>	
		<b>30 June</b>	31 December
		<b>2006</b>	2005
<i>Note</i>		<b>Unaudited</b>	Audited
		<b>RMB'000</b>	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>55,383</b>	57,836
Intangible assets	7	<b>3,136</b>	1,842
Interests in associates		<b>8,851</b>	9,879
Available-for-sale financial assets		<b>550</b>	1,750
Deferred income tax assets		<b>1,815</b>	1,815
		<u><b>69,735</b></u>	<u>73,122</u>
<b>Current assets</b>			
Inventories		<b>253,950</b>	170,378
Trade and other receivables	8	<b>268,106</b>	266,524
Cash and cash equivalents		<b>188,068</b>	112,841
		<u><b>710,124</b></u>	<u>549,743</u>
<b>Total assets</b>		<u><b>779,859</b></u>	<u>622,865</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital and premium		<b>228,873</b>	140,495
Other reserves		<b>180,132</b>	180,132
Retained earnings			
— Proposed dividend		<b>6,429</b>	14,820
— Unappropriated retained earnings		<b>65,796</b>	61,261
		<u><b>481,230</b></u>	<u>396,708</u>
<b>Minority interests</b>		<u><b>12,149</b></u>	<u>11,895</u>
<b>Total equity</b>		<u><b>493,379</b></u>	<u>408,603</u>

	<i>Note</i>	<b>As at</b>	
		<b>30 June 2006</b>	31 December 2005
		<b>Unaudited RMB'000</b>	Audited RMB'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	<b>180,305</b>	107,738
Current income tax liabilities		<b>10,100</b>	10,364
Borrowings		<b>96,075</b>	96,160
		<b>286,480</b>	214,262
<b>Total equity and liabilities</b>		<b>779,859</b>	622,865
<b>Net current assets</b>		<b>423,644</b>	335,481
<b>Total assets less current liabilities</b>		<b>493,379</b>	408,603

### Condensed Consolidated Interim Statement of Changes in Equity

	<b>Unaudited</b>				
	<b>Attributable to shareholders of the Company</b>				
	<b>Share capital and premium RMB'000</b>	<b>Other reserves RMB'000</b>	<b>Retained earnings RMB'000</b>	<b>Minority interests RMB'000</b>	<b>Total RMB'000</b>
<b>Balance at 1 January 2005 (Audited)</b>	32	173,485	20,765	10,371	204,653
Issue of shares for cash	12,402	—	—	—	12,402
Issue of shares in connection with the listing	151,050	—	—	—	151,050
Placing and listing costs	(22,989)	—	—	—	(22,989)
Profit for the period	—	—	40,542	635	41,177
<b>Balance at 30 June 2005</b>	<b>140,495</b>	<b>173,485</b>	<b>61,307</b>	<b>11,006</b>	<b>386,293</b>
<b>Balance at 1 January 2006 (Audited)</b>	140,495	180,132	76,081	11,895	408,603
Share placement	90,846	—	—	—	90,846
Share placement costs	(2,468)	—	—	—	(2,468)
Profit for the period	—	—	10,823	254	11,077
Final dividends for 2005	—	—	(14,679)	—	(14,679)
<b>Balance at 30 June 2006</b>	<b>228,873</b>	<b>180,132</b>	<b>72,225</b>	<b>12,149</b>	<b>493,379</b>

## Notes to the condensed consolidated interim financial information

### 1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to HKAS 19, “Actuarial gains and losses, group plans and disclosures”, effective for annual periods beginning on or after 1 January 2006;
- Amendment to HKAS 39, amendment to “The fair value option”, effective for annual periods beginning on or after 1 January 2006;
- Amendment to HKAS 21, amendment “Net investment in a foreign operation”, effective for annual periods beginning on or after 1 January 2006;
- Amendment to HKAS 39, amendment “Cash flow hedge accounting of forecast intra-group transactions”, effective for annual periods beginning on or after 1 January 2006;
- Amendment to HKAS 39 and HKFRS 4, amendment to “Financial guarantee contracts”, effective for annual periods beginning on or after 1 January 2006;
- HKFRS 6, “Exploration for and evaluation of mineral resources”, effective for annual periods beginning on or after 1 January 2006;
- HK(IFRIC)-Int 4, “Determining whether an arrangement contains a lease”, effective for annual periods beginning on or after 1 January 2006;
- HK(IFRIC)-Int 5, “Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds”, effective for annual periods beginning on or after 1 January 2006; and
- HK(IFRIC)-Int 6, “Liabilities arising from participating in a specific market — waste electrical and electronic equipment”, effective for annual periods beginning on or after 1 December 2005.

The directors of the Company are of the view that these new standards, amendments and interpretations to existing standards are not relevant to the Group’s operations.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 7, “Applying the Restatement Approach under HKFRS 29”, effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant for the Group;
- HK(IFRIC)-Int 8, “Scope of HKFRS 2”, effective for annual periods beginning on or after 1 May 2006. Management is currently assessing the impact of HK(IFRIC)-Int 8 on the Group’s operations;

- HK(IFRIC)-Int 9, “Reassessment of Embedded Derivatives”, effective for annual periods beginning on or after 1 June 2006. Management do not expect the interpretation to be relevant for the Group;
- HKFRS 7, “Financial instruments: Disclosures”, effective for annual periods beginning on or after 1 January 2007. HKAS 1, “Amendments to capital disclosures”, effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

### 3. 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 People’s Republic of China (the “PRC”).

### 4. INCOME TAX EXPENSES

	<u>For the six months ended</u>	
	<b>30 June</b>	30 June
	<b>2006</b>	2005
	<b>RMB’000</b>	RMB’000
Current income tax		
— Hong Kong profits tax	<b>348</b>	—
— PRC enterprise income tax	<b>2,688</b>	6,395
Deferred income tax	<u>—</u>	<u>(240)</u>
	<u><b>3,036</b></u>	<u>6,155</u>

#### Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% for the six months ended 30 June 2006.

#### PRC enterprise income tax

PRC enterprise income tax is provided on the basis of the profit for statutory financial reporting purposes, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. As Jiangmen Kong Yue Jolimark Information Technology Ltd. (“Kongyue Jolimark”) and Kong Yue Electronics & Information Industry (Xinhui) Ltd. (“Kongyue Information”) are established in the Coastal Open Economic Zones of the PRC, their applicable enterprise income tax rate is 27%, which comprised 24% attributable to national tax and 3% attributable to local municipal income tax.

In accordance with the relevant applicable tax regulations, Kongyue Jolimark and Kongyue Information are entitled to full exemption from national enterprise income tax for the first two years and 50% reduction in national enterprise income tax for the next three years, commencing from

the first profitable year after offsetting all unexpired tax losses carried forward from the previous years. Local municipal income tax is exempted in the tax holiday period. The tax holiday of Kongyue Jolimark and Kongyue Information were expired in 2005 and 2004, respectively.

Moreover, if foreign enterprise is recognised as “Advanced Technology Enterprise”, it will be entitled to a further extension of 50% tax reduction in national enterprise income tax after the end of tax holiday. Both Kongyue Jolimark and Kongyue Information are currently recognised as “Advanced Technology Enterprise” which is subject to annual renewal with Guangdong Province Foreign Trade Economic Cooperation Bureau. Kongyue Jolimark and Kongyue Information have also obtained the approval from local tax authorities for a further exemption of local municipal income tax. Therefore, the effective income tax rate of Kongyue Jolimark and Kongyue Information is 12%.

## 5. 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 period.

	<u>For the six months ended</u>	
	<b>30 June 2006 RMB'000</b>	30 June 2005 RMB'000
Profit attributable to shareholders of the Company	<b>10,823</b>	40,542
Weighted average number of ordinary shares in issue (thousands)	<b>505,635</b>	368,263
Basic earnings per share (RMB per share)	<u><b>0.021</b></u>	<u>0.110</u>

No diluted earnings per share is presented as there were no potential dilutive shares in issue during the six months ended 30 June 2006 and 2005, respectively.

## 6. DIVIDEND

	<u>For the six months ended</u>	
	<b>30 June 2006 RMB'000</b>	30 June 2005 RMB'000
Interim dividend proposed of HK\$0.0103 per ordinary share (2005: HK\$0.032 per ordinary share) ( <i>note (b)</i> )	<u><b>6,429</b></u>	<u>16,640</u>
	<u><b>6,429</b></u>	<u>16,640</u>

(a) A final dividend in respect of 2005 of HK\$0.0285 per ordinary share, totaling approximately HK\$14,250,000 (equivalent to RMB14,679,000) has been declared in the Company's Annual General Meeting on 15 May 2006 and paid in the period.

(b) At a meeting held on 18 September 2006 the directors of the Company proposed an interim dividend of HK\$1.03 cents per share for the six months ended 30 June 2006. The interim dividend has already taken into account for the 23,000,000 consideration shares to be issued to Kytronics Holdings Limited and 23,000,000 new shares issued in the placement after 30 June 2006 (*note*

10). This proposed dividend is not reflected as a dividend payable in this condensed consolidated interim financial information, but will be reflected as a profit appropriation for the year ending 31 December 2006.

## 7. CAPITAL EXPENDITURE

	<b>Property, plant and equipment RMB'000</b>	<b>Intangible assets RMB'000</b>
<b>Six months ended 30 June 2005</b>		
<b>Opening net book amount as at 1 January 2005</b>	55,917	1,942
Additions	5,742	—
Disposals	(7)	—
Depreciation and amortisation charge	<u>(5,560)</u>	<u>(50)</u>
<b>Closing net book amount as at 30 June 2005</b>	<u><u>56,092</u></u>	<u><u>1,892</u></u>
<b>Six months ended 30 June 2006</b>		
<b>Opening net book amount as at 1 January 2006</b>	57,836	1,842
Additions	4,443	1,344
Disposals	(302)	—
Depreciation and amortisation charge	<u>(6,594)</u>	<u>(50)</u>
<b>Closing net book amount as at 30 June 2006</b>	<u><u>55,383</u></u>	<u><u>3,136</u></u>

## 8. TRADE AND OTHER RECEIVABLES

	<b>As at</b>	
	<b>30 June 2006 RMB'000</b>	<b>31 December 2005 RMB'000</b>
Trade receivables	232,222	245,530
Less: provision for impairment of receivables	<u>(3,426)</u>	<u>(3,426)</u>
Trade receivables — net	228,796	242,104
Prepayments		
— Third parties	15,146	8,960
— Related parties	13,547	5,929
Other receivables		
— Third parties	<u>10,617</u>	<u>9,531</u>
	<u><u>268,106</u></u>	<u><u>266,524</u></u>

The carrying amounts of trade and other receivables approximate their fair value.

The Group's sales to corporate customers are entered into on credit terms ranging from 30 to 90 days or extended as considered appropriate by the director in charge of sales department. At 30 June 2006 and 31 December 2005, the ageing analysis of the trade receivables were as follows:

	<u>As at</u>	
	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
0–30 days	<b>88,526</b>	146,449
31–90 days	<b>91,240</b>	45,932
91–180 days	<b>19,628</b>	6,746
181–365 days	<b>27,101</b>	44,187
Over 365 days	<b>5,727</b>	2,216
	<u><b>232,222</b></u>	<u>245,530</u>

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

## 9. TRADE AND OTHER PAYABLES

	<u>As at</u>	
	<b>30 June 2006 RMB'000</b>	31 December 2005 RMB'000
Trade payables		
— Third parties	<b>155,020</b>	77,093
— Related parties	<b>2,527</b>	4,321
	<b>157,547</b>	81,414
Other payables to third parties	<b>14,905</b>	22,758
Staff welfare benefits payable	<b>64</b>	3,405
Advances from customers	<b>7,789</b>	161
	<u><b>180,305</b></u>	<u>107,738</u>

At 30 June 2006, the ageing analysis of the trade payables was as follows:

	<u>As at</u>	
	<b>30 June 2006</b>	31 December 2005
	<b>RMB'000</b>	RMB'000
0–30 days	<b>79,934</b>	35,887
31–90 days	<b>71,075</b>	19,876
91–180 days	<b>2,576</b>	23,883
181–365 days	<b>3,166</b>	363
Over 365 days	<b>796</b>	1,405
	<b><u>157,547</u></b>	<u>81,414</u>

## 10. SUBSEQUENT EVENTS

Pursuant to a sales and purchase agreement entered into amongst certain of the Group companies, Kytronics Holdings Limited and Kong Yue Industrial Park (Xinhui) Ltd. (“Industrial Park”) and Jiangmen Kongyue Information Technology Limited (“Jiangmen Information”) on 31 July 2006, the Group acquired the industrial complex, warehouse and dormitory building which are currently leased to Kongyue Jolimark and Kongyue Information, from Industrial Park at a consideration of RMB62.4 million. The consideration of approximately RMB59.3 million will be satisfied by the Group by cash of approximately RMB27.2 million and by the issue of 23,000,000 consideration shares at an issue price of HK\$1.34 per share to Kytronics Holdings Limited and of approximately RMB3.1 million will be satisfied by Jiangmen Information by cash.

Pursuant to a placing agreement entered into amongst the Company, Kytronics Holdings Limited and a placing agent on 31 July 2006, the Company issued an aggregate of 23,000,000 new ordinary shares of HK\$0.01 each to certain independent institutional investors at a price of HK\$1.34 per share (the “Placing”). The net proceeds from the Placing amounted to approximately HK\$29.8 million (equivalent to RMB31 million), which is mainly to satisfy the cash consideration of approximately RMB27.2 million for acquisition of properties from Industrial Park.

## BUSINESS REVIEW

### “Jolimark” brand business

As a result of the sudden delay of “Golden Tax Project Phase III”, the set up costs incurred were not in line with the actual progress of “Golden Tax Project Phase III”, and, the dramatic fall of the market demand on value-added tax invoice printers from “Golden Tax Project Phase II”, the Company’s “Jolimark” brand and tax control equipment businesses, which were high gross profit contributors, had been adversely affected.

Given the above factors, the turnover of business equipment and tax control equipment business with “Jolimark” brand was RMB61,330,000, representing a decrease of 51% from the corresponding period of last year, which contributed 16% of the Group’s turnover; gross profit margin increased to 36% from 35% for the corresponding period of the previous year. However, with the full commencement of “Golden Tax Project Phase III” in late 2006, the Group expects its Jolimark brand business will make a robust rebound on the growth track and tax control equipment business will become its major growth driver in the next few years.

The Group has prepared well for the kick off of “Golden Tax Project Phase III”. In the first half of 2006, with excellent quality and sales and service network, the Group was listed as one of the suppliers of tax control electronic cash registers (ECRs) in the bid by the Guangdong Province National Tax Bureau, to provide tax control ECRs to all of the relevant taxpayers covered by it. Guangdong Province contributes the highest tax revenue among all provinces in the PRC, topping all provinces for the 14 consecutive years. Guangdong Province is also one of the pivot provinces where the PRC implements tax control devices for strengthening the tax source monitoring. It is expected that the bid will bring robust growth momentum for the Group’s tax control equipment business in the next few years.

To enhance the Group’s strengths in bidding for tax control equipment projects in the PRC, the Group acquired the existing manufacturing buildings from Kong Yue Industrial Park (Xinhui) Ltd at a consideration of RMB62,400,000 at the end of July 2006, which will save the Group’s rental expense in an amount of approximately RMB3,000,000 per year. In view of the fact that bidders are required to provide details of its fixed assets, particularly the production plant and equipment, in their bidding documents, we believe that the increase in the value of the Group’s fixed assets will help to enhance the PRC government’s confidence towards the Group’s strengths in tax control equipment business and thus increase the opportunities for the Group to win the bid.

In addition to the markets of dot matrix printers and tax control equipments, the computer projector market is another major target of the Group. Accordingly, the Group, through Visionic, its wholly-owned subsidiary, entered into an agreement with Phenix Optics in March 2006 to acquire 10% interests of Phenix Digital at a consideration of RMB3,000,000, thus increasing its equity interests in Phenix Digital from 65% to 75%. Phenix Optics is mainly engaged in the development, manufacture and distribution of digital display products. The Group is very optimistic towards the computer projector market in the PRC for the coming five years, and believes that the business of Phenix Digital will benefit from the continuous growth of the projector market in the PRC. In addition, during the period, the Group launched the first series Phenix projector to cater for the demand of quality and price competitive products from the medium-to-small enterprises and the education sector.

### **EMS business**

EMS business maintained stable development. In the first half of 2006, its turnover amounted to RMB168,731,000, representing 44% of the Group’s turnover; gross profit margin increased to 15%, compared with 14% for the corresponding period of the previous year.

Leveraging on its strong customer base, high quality assurance and professional services, as well as the advantage of relevantly lower labor costs in the PRC, the Group is confident that the EMS business will maintain stable growth in this year.

### **Distribution business**

Taking the advantage of its established sales network, the Group’s distribution business recorded a stable growth. Its turnover amounted to RMB152,696,000, increased by 12% compared with the corresponding period of the previous year, contributing 40% of the Group’s turnover; gross profit margin was 8%. The Group primarily distributes printers for Epson, and has been actively exploring new clients. The Group has commenced its distribution of projectors of two international business equipment manufacturing companies since the end of last year.

In June this year, the Group entered into a PRC general distribution agreement with one of the world-largest financial payment terminal manufacturers. It is anticipated that the above distribution business agreement will bring a new momentum to the tremendous growth of the Group’s distribution business in the second half of the year and even the coming years.

Furthermore, the Group actively extended its sales and after-sales service network in recent years. A total of 16 branches have been established, covering numerous mid-size and large cities such as Hangzhou, Jinan, Zhengzhou, Kunming, Nanning, Fuzhou, Nanjing, Changsha and Lanzhou, etc. In addition, the Group also operates 146 after-sales service centers in about 20 provinces, 4 autonomous regions and 4 municipalities in the PRC.

## FINANCIAL REVIEW

### Results Summary

The turnover of the Group for the six months ended 30 June 2006 was RMB382,757,000, decreased by 12% compared with the corresponding period of last year, due to the dramatic fall of the demand on value-added tax invoice printers from “Golden Tax Project Phase II” the Company’s “Jolimark” brand and tax control equipment businesses, which were high gross profit contributors, had been adversely affected, and, thus, resulted in a significant drop of the net profit of the Company.

The gross profit margin decreased to 15%, compared with 18% for the previous year. The decrease was mainly due to the decrease of the turnover of the activities of business equipment and tax control equipment with Jolimark brand which made larger contributions of the gross profit margin. During the period, the Group recorded an operating profit of RMB18,657,000, representing a decrease of 64% from the corresponding period of last year, which was mainly attributed to the higher set up costs incurred from the development of “Golden Tax Project Phase III”. However, as “Golden Tax Project Phase III” was not implemented as scheduled, the tax control products with Jolimark brand had no contributions to the revenue during the period, which made obvious decrease in the operating profit. During the period, the profit attributable to shareholders was RMB10,823,000, and the basic earnings per share was RMB0.021, representing a decreases of 73% and 81%, respectively, from the corresponding period of the previous year.

### Segment Operating Results

	For the six months ended 30 June 2006			For the six months ended 30 June 2005		
	Turnover RMB'000	Gross Profit RMB'000	Gross Profit Margin	Turnover RMB'000	Gross Profit RMB'000	Gross Profit Margin
“Jolimark” brand business	61,330	22,072	36%	126,357	44,199	35%
Distribution business	152,696	11,490	8%	136,881	11,469	8%
EMS business	168,731	24,720	15%	171,123	24,313	14%
	<u>382,757</u>	<u>58,282</u>	<u>15%</u>	<u>434,361</u>	<u>79,981</u>	<u>18%</u>

### Acquisition and Disposal

The Group entered into a Sale and Purchase Agreement (“S&P Agreement”) on 31 July 2006, pursuant to which the Group acquired the existing manufacturing buildings from Kong Yue Industrial Park (Xinhui) Ltd at a consideration of RMB62,400,000. The consideration will be satisfied as to 95% by the Company and 5% by Jiangmen Jolimark Information Technology Limited. The Company will satisfy its portion of consideration amounting to RMB59.3 million (i) by cash of approximately RMB27.2 million payable to the Vendor within a year following the date of completion of the S&P Agreement; and (ii) by the issue of

23,000,000 Consideration Shares at the issue price of HK\$1.34 per Share to Kytronics Holdings at the completion of the S&P Agreement. Jiangmen Information will satisfy its portion of consideration amounting to approximately RMB3.1 million (HK\$3 million) by cash payable to the Vendor within a year following the completion of the S&P Agreement. The Acquisition will raise the fixed assets value of the Group, and accordingly reinforce the Group's strengths in bidding for and winning the tax control equipment projects in the PRC. Meanwhile, it will save the Group's rental expenses in an amount of approximately RMB3,000,000 per year.

### **Placing of existing shares and subscription of new shares**

In June 2006, the Group placed on a top up basis 60,000,000 shares, representing approximately 12.00% of the existing issued share capital and approximately 10.71% of the enlarged share capital of the Group, at a price of HK\$1.47 per share to no less than six independent institution investors. The Group raised approximately HK\$85,000,000 thereby, among which approximately HK\$40,000,000 will be used for the development of the financial payment terminal business, and approximately HK\$25,000,000 will be applied for the acquisition of new machinery and equipment to enhance and expand the production capacity. The remaining amount will be used as the future working capital.

In addition, on 12 April 2006, the Group was notified by Kytronics Holdings Limited, its controlling shareholder, that it had sold 25,500,000 Jolimark shares, representing 5.1% of the issued shares of the Group, to a professional investor. Both placing and share offer sufficiently indicate that the investors are confident in the future business prospects of the Group.

### **Capital Expenditure**

For the six months ended 30 June 2006, capital expenditure amounted to RMB4,443,000, which was mainly used for the purchase of moulds for production and R&D equipments.

### **Liquidity and Financial Position**

As at 30 June 2006, the total assets of the Group amounted to RMB779,859,000 (2005: RMB622,865,000), comprising shareholders' fund of RMB481,230,000 (2005: RMB396,708,000), minority interests of RMB12,149,000 (2005: RMB11,895,000) and current liabilities of RMB286,480,000 (2005: RMB214,262,000). The current ratio of the Group was 2.47 (2005: 2.57).

As at 30 June 2006, the cash and cash equivalents of the Group amounted to RMB188,068,000 (2005: RMB112,841,000).

As at 30 June 2006, the bank loans of the Group amounted to RMB96,075,000 (2005: RMB96,160,000), and the gearing ratio was 12.3%. The Group had no assets held under finance leases during the period.

### **CONTINGENT LIABILITIES**

As at 30 June 2006, the Group had no material contingent liabilities.

### **STAFF**

As at 30 June 2006, the Group employed a total staff of 1,170, of which 1,157 were employed in Mainland China and 13 were employed in Hong Kong and overseas. The Group implemented its remuneration policy 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.

## **Future Prospects**

In the first half of July, the second phrase of the bid for supplying goods contractually for central state authorities completed. Leveraging on its quality products and established distribution and after-sales network, the Group won the bid. The “Golden Tax Project Phase III” launched by the State Administration of Taxation commenced officially in late 2006. It is expected that this policy will be fully implemented in 3–5 years and will boost the demand for the Group’s tax control equipment, including tax control ECRs, external tax control devices, tax control printers, mini printers, code printers and ordinary invoice printers. Bulk purchases from the government are expected to appear soon.

With its relatively stable market demand, the Group expects the sales of the value-added invoice printer will have a further increase. In addition, since the Government allocated more resources to the medical and education sectors, plus the requirements of the system of “non-tax income” of the “Golden Tax Project” for the government administrative authorities to install dot matrix printers, all of these will significantly boost the demands for dot matrix printers in these fields.

In view of the above, Jolimark is well positioned to capture the ample opportunities brought about by the full commencement of “Golden Tax Project Phase III” and the “Golden Finance Project”. Apart from actively participating in various tenders in different provinces and adjusting its sales network, the Group intends to increase its investment in fixed assets by acquiring the existing production buildings so as to reinforce the Group’s strengths in bidding for and winning the tax control equipment projects in the PRC. In light of the launches of more new products and the closer cooperation with major distributors, the management expects that our business for dot matrix printers and tax control equipment will experience a more satisfactory development.

In addition, the Group expects that there will be more population in the PRC using credit cards to make payments, and this, together with the boost by the Olympic Games to be held in Beijing in 2008 and the World Expo to be held in Shanghai in 2010, will bring more demands for payment terminals to make payments by credit cards. In view of this, Jolimark has concluded a cooperation agreement with a well-known international supplier of payment terminals. In the future, Jolimark will make its every effort to capture the growth potential brought about by the popularisation of credit cards in the PRC, so as to further expand its business, facilitate its business growth and eventually improve its overall profits.

Looking forward, in light of the 25% market share captured by “Golden Tax Project Phase II”, the established customer relationship and the enlarged value of fixed assets, Jolimark is confident to realize satisfactory operating returns in the third phrase of “Golden Tax Project”.

## **PROPOSED DIVIDEND**

At the meeting of the board of Directors’ held on 18 September 2006, the Directors declared an expected interim dividend of HK\$1.03 cents per Share for the six month ended 30 June 2006 which will be distributed to shareholders whose name appear on the register of members on 17 October 2006 (Tuesday). The 23,000,000 consideration shares to be issued to Kytronics Holdings Limited by the Company as a partial consideration of the acquisition of industrial complex, which was approved in the extraordinary general meeting of the Company held on 8 September 2006, are also entitled to the interim dividend.

The register of shareholders of the Company will be closed from 17 October 2006 to 19 October 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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 16 October 2006.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2006, neither the Company redeemed any share, nor the Company or any of its subsidiaries purchased or sold any shares of the Company.

## **THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The directors consider that during the six months ended 30 June 2006, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 under the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

## **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 under the Listing Rules as the model code for securities transactions by the relevant Directors. The Company has made specific enquiry of all Directors and the Directors confirmed that, during the six months ended 30 June 2006, they have complied with all the relevant requirements set out in the Model Code.

## **AUDIT COMMITTEE**

The unaudited interim results for the six months ended 30 June 2006 have been reviewed by PricewaterhouseCoopers in accordance with Statement of Auditing Standard 700 "Engagement to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee has reviewed this interim report and has recommended their adoption by the Board.

## **REMUNERATION COMMITTEE**

The Company has established a remuneration committee to consider the remunerations for the Directors and senior managements of the Company. The remuneration committee comprises Mr. Lai Ming, Joseph (chairman), Mr. Meng Yan and Mr. Xu Guangmao who are all Independent Non-Executive Directors.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

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

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

Hong Kong, 18 September 2006

*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 **The Standard**.*