



JOLIMARK HOLDINGS LIMITED

映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2028)

CONNECTED TRANSACTION ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY VARIATION OF TERMS OF THE SUPPLEMENTARY AGREEMENT

Reference is made to the announcements of the Company dated 3 April 2006. The Board announces that on 23 March 2007, Visionic, a wholly-owned subsidiary of the Company, and Phenix Optics had entered into the Second Supplementary Agreement pursuant to which the parties agreed to vary the terms of the First Supplementary Agreement. Pursuant to the Second Supplementary Agreement, Visionic agreed to acquire and Phenix Optics agreed to sell its 35% interest in the registered capital of Phenix Digital for a consideration of RMB4,340,000 (or approximately HK\$4,429,000), which will be payable in cash upon completion of the Acquisition.

As Phenix Optics is a connected person of the Company, the Acquisition constitutes a connected transaction for the Company. In view of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules is more than 0.1% but is less than 2.5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules. Details of the transaction will be included in the Company's next annual report and accounts pursuant to Rule 14A.45 of the Listing Rules.

The Board (including the independent non-executive Directors) considers that the Acquisition is on normal commercial terms and that the terms of the Acquisition are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

BACKGROUND INFORMATION

Reference is made to the announcements of the Company dated 3 April 2006. Pursuant to the First Supplementary Agreement, Visionic, a wholly-owned subsidiary of the Company, agreed to acquire from Phenix Optics a 10% interest in the registered capital of Phenix Digital. However, the completion of First Supplementary Agreement was subject to the settlement of unpaid capital which contributable in 65% and 35% by Visionic and Phenix Optics respectively. Throughout one year of negotiations, Phenix Optics is still unable to inject its portion of the unpaid capital. The First Supplementary Agreement has not yet completed.

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VARIATION OF TERMS OF THE FIRST SUPPLEMENTARY AGREEMENT

The terms of the First Supplementary Agreement were amended and the parties entered into the Second Supplementary Agreement with the following terms:

- (i) As Phenix Optics only holds 35% interest in Phenix Digital, Visionic will fully acquire all the interest (35%) in the registered capital in Phenix Digital from Phenix Optics;
- (ii) the parties will reduce the registered capital of Phenix Digital from RMB30,000,000 to RMB18,000,000, subject to obtaining the approval from the relevant government authorities in the PRC; and
- (iii) the consideration for acquiring the 35% interest in Phenix Digital from Phenix Optics is RMB4,340,000 (or approximately HK\$4,429,000), which is based on the net asset value of the unaudited accounts of Phenix Digital prepared under the Accounting System for Business Enterprises for the year ended 31 December 2006.

INFORMATION OF PHENIX DIGITAL

According to unaudited accounts prepared under the Accounting System for Business Enterprises, the financial information of Phenix Digital is as follows:

For the year ended 31 December 2006,

- (i) the total assets value was RMB12,666,000 (or approximately HK\$12,924,000);
- (ii) both the net loss before and after taxation and extraordinary items were RMB2,580,000 (or approximately HK\$2,633,000);
- (iii) the net asset value was RMB12,400,000 (or approximately HK\$12,653,000); and
- (iv) the total assets value and net loss attributable to 35% interest in Phenix Digital were approximately RMB4,433,000 (or approximately HK\$4,523,000) and RMB903,000 (or approximately HK\$921,000) respectively.

While for the year ended 31 December 2005,

- (i) the total assets value was RMB15,723,000 (or approximately HK\$16,044,000);
- (ii) both the net loss before and after taxation and extraordinary item were RMB3,636,000 (or approximately HK\$3,710,000); and
- (iii) the total assets value and net loss attributable to 35% interest in Phenix Digital were approximately RMB5,503,000 (or approximately HK\$5,615,000) and RMB1,273,000 (or approximately HK\$1,299,000) respectively.

CONSIDERATION

There is no long stop date for the Acquisition. The consideration of the Acquisition of RMB4,340,000 (or approximately HK\$4,429,000), will be expected to be payable in cash on or before the end of September 2007. The consideration was determined after arm's length negotiations between the parties equivalent to 35% of the net asset value amounted to RMB12,400,000 (or approximately HK\$12,653,000) which was based on the unaudited accounts of Phenix Digital prepared under the Accounting System for Business Enterprises for the year ended 31 December 2006.

There are no specific conditions required to meet precedent for the completion of the Acquisition. Upon completion of the Acquisition, Phenix Digital will change from i) a sino-foreign joint-venture company to a wholly owned foreign enterprise; and ii) a 65% owned subsidiary to a wholly owned subsidiary of the Company. The financial statements of Phenix Digital will be wholly consolidated into the Group.

The board of directors in Phenix Digital will not comprise any personnel from Phenix Optics after completion of the Acquisition.

CONNECTED TRANSACTION

Prior to the completion of the Acquisition, Phenix Digital is owned as to 65% by Visionic, a wholly owned subsidiary of the Company, and 35% by Phenix Optics, respectively. As Phenix Optics is a substantial shareholder of Phenix Digital, Phenix Optics is a connected person of the Company.

The Acquisition constitutes a connected transaction of the Company. In view of the relevant percentage ratios as defined under Rule 14.07 are more than 0.1% but are less than 2.5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules. Details of the transaction will be included in the Company's next annual report and accounts pursuant to Rule 14A.45 of the Listing Rules.

REASON FOR THE ACQUISITION

Since Phenix Optics failed to apply its Research and Development ("R&D") skill to Phenix Digital, these resulted to the net loss for the past two years. The Directors of the Company would like to wholly control Phenix Digital by acquiring all the interest from Phenix Optics. Accompanies with the sale and distribution network and R&D capacity of the Company, the Directors believe that they can improve the operation of Phenix Digital in the future.

In view of the economic growth of China, the Directors expect that there will be a great demand for digital display products in the Audio and Video ("AV") market, especially in the area of entertainment, commercial and education. As Phenix Digital is engaged in development, manufacturing and distribution of digital display products which would benefit from the growth of AV market, the Directors are optimistic to the Phenix Digital's prospect.

CONFIRMATION FROM THE DIRECTORS

The Board (including the Independent Non-Executive Directors) considers that the Acquisition is on normal commercial terms and that the terms of the Acquisition are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

GENERAL INFORMATION

The Group is a provider of business equipment and tax control equipment based in the PRC. Phenix Optics is principally engaged in the production of high-precision middle and large spherical optical mirrors and lens in PRC.

The principal activity of Visionic is investment holding.

DEFINITION

In this announcement, unless the context requires otherwise, the following terms have the meanings are set out below:

"Acquisition"	The acquisition of the 35% interest in Phenix Digital from Phenix Optics by Visionic, at a consideration of RMB4,340,000 (Approximately HK\$4,429,000);
"Accounting System for Business Enterprises (企業會計制度)"	Accounting principles and regulations generally applicable to all enterprises established in the PRC

“Board”	The Board of Directors of the Company;
“Company”	Jolimark Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange;
“Group”	The Company and its subsidiaries;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Phenix Digital”	Phenix Digital Technology (Shanghai) Limited, 65% indirectly owned by the Company;
“Phenix Optics”	Phenix Optics Company Limited (鳳凰光學股份公司), a company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange in PRC, mainly produces high-precision middle and large spherical optical mirrors and lens;
“PRC”	The People’s Republic of China;
“Revised Registered Capital”	The Revised Registered Capital refers to the reduction of total registered capital of RMB30,000,000 to RMB18,000,000 which is subject to the approval of relevant government in the PRC;
“First Supplementary Agreement”	An agreement dated 31 March 2006 supplement to the co-operation agreement between Visionic & Phenix Optics in relation to the set up and initial investment of Phenix Digital;
“Second Supplementary Agreement”	An agreement dated 23 March 2007 to supplement the terms of the First Supplementary Agreement;
“Shareholders”	The shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Visionic”	Visionic Investment Holding Limited, a wholly owned subsidiary of the Company.

The exchange rate used for reference purpose in this announcement is HK\$1 to RMB0.98

By Order of the Board
Jolimark Holdings Limited
Au Kwok Lun
Director

Hong Kong, 23 March 2007

As at the date of this announcement, the Board of the company is comprised of:

Executive Directors:

Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Mr. Ng Shu Kai

Independent Non-executive Directors:

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

*Please also refer to the published version of this announcement in **China Daily**.*