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**JOLIMARK HOLDINGS LIMITED**

**映美控股有限公司**

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

**(Stock code: 2028)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
AND CONNECTED AND DISCLOSEABLE TRANSACTION**

*Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders*



**China Everbright Capital Limited**

A letter from the Independent Board Committee is set out on page 15 of this circular and a letter from the Independent Financial Adviser is set out on pages 16 to 27 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Unit 01, 23A Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong on Monday, 24 January 2011 at 10:00 a.m. (the "EGM"), is set out on pages 32 to 35 of this circular. A form of proxy for the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

Hong Kong, 7 January 2011

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## DEFINITIONS

*Capitalised terms used in this circular shall have the following meanings unless the context requires otherwise:*

“Announcement”	means the announcement of the Company dated 17 December 2010 regarding the Continuing Connected Transactions and the Acquisition
“Acquisition”	means acquisition of 5% equity interest in Kongyue Information pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 17 December 2010 entered into between Jolimark Technology as purchaser and the Vendor as vendor in relation to the Acquisition
“Annual Caps”	means the maximum annual aggregate value for each of the Continuing Connected Transactions under the Renewed Master Agreements for the three years ending 31 December 2013
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Au Family Shareholders”	means Mr. Au Pak Yin, Ms. Tai Noi Kit (Mr. Au Pak Yin’s spouse), Mr. Au Kwok Lun, Ms. Ou Ri Ai and Mr. Ou Guo Liang, each of them is the shareholder of Kytronics Holdings, Mr. Au Pak Yin and Ms. Tai Noi Kit being the parents of Mr. Au Kwok Lun, Ms. Ou Ri Ai and Mr. Ou Guo Liang
“Board”	means the board of Directors
“Business Day”	means a day (other than a Saturday, Sunday or public holidays) on which banks are open for general business in Hong Kong
“China” or “PRC”	means the People’s Republic of China
“Company”	means Jolimark Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Completion”	completion of the Acquisition Agreement
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB17,000,000, the consideration for the Acquisition pursuant to the Acquisition Agreement
“Continuing Connected Transactions”	means the transactions between the Group and each of Guangdong Precision, Jiangmen Yida and KY Import/Export pursuant to the Renewed Master Agreements

## DEFINITIONS

“Director(s)”	means the director(s) of the Company
“EGM”	means the extraordinary general meeting to be convened by the Company to consider and, if thought fit, approve the Renewed Master Agreements, the Annual Caps and the Acquisition Agreement
“EGM Notice”	the notice convening the EGM as set on pages 32 to 35 of this circular
“Existing CCT Agreements”	means (i) the master supply agreements dated 19 December 2007 entered into between Guangdong Precision and each of Kongyue Jolimark and Kongyue Information; (ii) the master supply agreement dated 19 December 2007 entered into between Kongyue Information and Jiangmen Yida; and (iii) the master import and export agency agreement dated 19 December 2007 entered into between Kongyue Information and KY Import/Export. Details of the Existing CCT Agreements have been disclosed in the circular of the Company dated 9 January 2008
“Group”	means the Company and its subsidiaries, and “member of the Group” shall be construed accordingly
“Guangdong Precision”	廣東江裕精密工業製造有限公司 (Guangdong Kong Yue Precision Industry Ltd.), a limited liability company established in the PRC and is beneficially owned by Au Family Shareholders
“Guangdong Precision Master Agreements”	means the master supply agreements dated 17 December 2010 entered into between Guangdong Precision and each of Kongyue Information and Kongyue Jolimark for the supply of precision plastic parts
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Import and Export Agency Service Agreement”	means the master service agreement dated 17 December 2010 entered into between KY Import/Export and Kongyue Information for the (i) import services relating to the Group’s direct materials, equipment and technology; and (ii) export services relating to the Group’s products and relevant technology
“Independent Board Committee”	means an independent committee of the Board, comprising Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao, all of them being independent non-executive Directors, which has been established by the Board to advise the Independent Shareholders in respect of the Renewed Master Agreements and the Acquisition Agreement

## DEFINITIONS

“Independent Financial Adviser” or “China Everbright”	means China Everbright Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Master Agreements, the Annual Caps and Acquisition Agreement
“Independent Shareholder(s)”	means the Shareholders who are not required to abstain from voting at the EGM in relation to the resolutions for approving the transactions contemplated under the Renewed Master Agreements and the Acquisition Agreement
“Jiangmen Yida”	江門江裕億達精工有限公司 (Guang Dong Jotech Kong Yue Precision Industries Ltd.), a limited liability company established in the PRC and is beneficially owned as to 40% by Au Family Shareholders and their associates
“Jiangmen Yida Master Agreement”	means the master supply agreement dated 17 December 2010 entered into between Jiangmen Yida and Kongyue Information for the supply of metal stamped parts
“Jolimark Technology”	Jolimark Technology Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“Kongyue Information”	新會江裕信息產業有限公司 (Kong Yue Electronics & Information Industry (Xin Hui) Ltd.), a limited liability company established in the PRC and is owned as to 95% by a wholly-owned subsidiary of the Company and as to 5% by a connected person
“Kongyue Jolimark”	江門江裕映美信息科技有限公司 (Jiangmen Kong Yue Jolimark Information Technology Ltd.), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Kytronics Holdings”	means Kytronics Holdings Limited, the holding company of the Company and is wholly owned by Au Family Shareholders
“KY Import/Export”	江門市江裕信息產品進出口有限公司 (Jiangmen Kong Yue Information Product Import Export Ltd.), a limited liability company established in the PRC and is wholly owned by Au Family Shareholders and their associates
“Latest Practicable Date”	5 January 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

## DEFINITIONS

“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	refers to the percentage ratios under rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“Renewed Master Agreements”	means Guangdong Precision Master Agreements, Jiangmen Yida Master Agreement and Import and Export Agency Service Agreement
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	means ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	means the shareholder(s) of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Vendor”	江門市江裕信息科技有限公司 (Jiangmen Kong Yue Information Technology Ltd.), a limited liability company established in the PRC and is owned as to 90% by Mr. Ou Guo Liang and as to 10% by an associate of Mr. Au Pak Yin
“US\$”	means United States dollars, the lawful currency of United States of America
“%”	per cent

*English names of the PRC established companies in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names shall prevail.*



**JOLIMARK HOLDINGS LIMITED**

**映美控股有限公司**

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

**(Stock code: 2028)**

*Executive Directors:*

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

*Independent Non-executive Directors:*

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

*Registered Office:*

Clifton House  
75 Fort Street  
PO Box 1350 GT  
George Town, Grand Cayman  
Cayman Islands

*Principal place of business*

*in Hong Kong:*  
Unit 01, 23A Floor  
K. Wah Centre  
191 Java Road  
North Point  
Hong Kong

7 January 2011

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
AND  
CONNECTED AND DISCLOSEABLE TRANSACTION**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 17 December 2010 in relation to the Continuing Connected Transactions and the Acquisition.

The main purpose of this circular is to provide you with, among other things, (a) further information regarding the Renewed Master Agreements and the Acquisition Agreement; (b) the letter of advice from China Everbright to the Independent Board Committee and the Independent Shareholders in relation to the Renewed Master Agreements, the Annual Caps and the Acquisition Agreement; (c) the letter of recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Renewed Master Agreements and the Acquisition Agreement; and (d) the notice of the EGM to consider and, if thought fit, to approve the resolutions in relation to the Renewed Master Agreements, the Annual Caps and the Acquisition Agreement at the EGM.

## LETTER FROM THE BOARD

### II. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

#### 1. Particulars of the Renewed Master Agreements

Details of the Renewed Master Agreements are set out below:

##### (a) *Guangdong Precision Master Agreements*

Date: 17 December 2010

Parties: Purchasers: Each of Kongyue Information and Kongyue Jolimark, both of which are subsidiaries of the Company

Supplier: Guangdong Precision

Subject: Pursuant to Guangdong Precision Master Agreements, Guangdong Precision, which is principally engaged in the manufacture of precision plastic parts, agreed to supply precision plastic parts to Kongyue Information and Kongyue Jolimark from time to time as requested by Kongyue Information and Kongyue Jolimark.

There is no provision in Guangdong Precision Master Agreements requiring Kongyue Information and Kongyue Jolimark to exclusively source precision plastic parts from Guangdong Precision.

Term: Subject to the Independent Shareholders' approval on the Continuing Connected Transactions, Guangdong Precision Master Agreements shall have a term for the period from 1 January 2011 to 31 December 2013.

Purchase price: The purchase prices for the precision plastic parts payable by each of Kongyue Information and Kongyue Jolimark to Guangdong Precision shall be on normal commercial terms which will be determined after arm's length negotiation between the parties with reference to the prevailing market price of precision plastic parts that are comparable to those offered by independent suppliers.

## LETTER FROM THE BOARD

**(b) *Jiangmen Yida Master Agreement***

Date: 17 December 2010

Parties: Purchasers: Kongyue Information

Supplier: Jiangmen Yida

Subject: Pursuant to Jiangmen Yida Master Agreement, Jiangmen Yida, which is principally engaged in the manufacture of metal stamped parts, agreed to supply metal stamped parts to Kongyue Information from time to time as requested by Kongyue Information.

There is no provision in Jiangmen Yida Master Agreements requiring Kongyue Information to exclusively source metal stamped parts from Jiangmen Yida.

Term: Subject to the Independent Shareholders' approval on the Continuing Connected Transactions, Jiangmen Yida Master Agreement shall have a term for the period from 1 January 2011 to 31 December 2013.

Purchase price: The purchase prices for the metal stamped parts payable by Kongyue Information to Jiangmen Yida shall be on normal commercial terms which will be determined after arm's length negotiation between the parties with reference to the prevailing market price of metal stamped parts that are comparable to those offered by independent suppliers.

**(c) *Import and Export Agency Service Agreement***

Date: 17 December 2010

Parties: Appointer: Kongyue Information

Appointee: KY Import/Export

Subject: Pursuant to Import and Export Agency Service Agreement, KY Import/Export, which is principally engaged in trading and import and export of goods, agreed to provide (i) import services relating to the Group's direct materials, equipment and technology; and (ii) export services relating to the Group's products and relevant technology. KY Import/Export is not responsible for procuring customers and negotiating the terms of sales.

## LETTER FROM THE BOARD

In respect of imports, KY Import/Export is mainly engaged in handling customs documentation in the PRC for the Group and it charges the Group a service fee equivalent to 1% of the contract price of the materials imported, equipment and technology imported. In respect of exports, the Group will export certain products and relevant technology through KY Import/Export, which are effected by sale to KY Import/Export the products and relevant technology at a reduced contract price equal to 99% of the contract price as between the Group and the ultimate customers of the exported products and relevant technology (the “Reduced Contract Price”) and KY Import/Export will resell such products and relevant technology to the ultimate customers at the 100% of the contract price (the “Full Contract Price”) in order to comply with customs regulations.

There is no provision in Import and Export Agency Service Agreement requiring Kongyue Information to exclusively obtain import/export services from KY Import/Export.

Term: Subject to the Independent Shareholders’ approval on the Continuing Connected Transactions, Import and Export Agency Service Agreement shall have a term for the period from 1 January 2011 to 31 December 2013.

Service fee: In respect of import, KY Import/Export will charge approximately 1% of the contract price of direct materials equipment and technology handled by KY Import/Export as service fee. In respect of exports, the 1% service fee is achieved by the Group selling to KY Import/Export the products and relevant technology at a Reduced Contract Price; and KY Import/Export then reselling the products and relevant technology to the ultimate customers at the Full Contract Price and reimbursing the Group the collected reduced amount after deduction of approximately 1% of the Full Contract Price as service fee.

## LETTER FROM THE BOARD

### 2. Historical amount of the Continuing Connected Transactions

Details of the historical amount of the continuing connected transactions under the Existing CCT Agreements for the two years ended 31 December 2009 and nine months ended 30 September 2010 are set out below:

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>	<b>2009</b>	<b>nine months</b>
	<b>2008</b>	<b>2009</b>	<b>ended</b>
			<b>30 September</b>
			<b>2010</b>
			<i>(Note)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Guangdong Precision Master Agreements	11,716	12,235	9,310
Existing Jiangmen Yida Master Agreement	5,782	9,532	8,261
Existing Import and Export Agency Service Agreement			
(a) Handling fees for import services	1,437	1,684	620
(b) Export sales amount	4,884	3,698	3,082

*Note:* unaudited figure

The annual caps under the Existing CCT Agreements for each of the three years ended 31 December 2010 are set forth below:

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Guangdong Precision Master Agreements	15,400	17,710	22,138
Existing Jiangmen Yida Master Agreement	9,350	10,753	13,441
Existing Import and Export Agency Service Agreement			
(a) Handling fees for import services	2,200	2,530	3,163
(b) Export sales amount	6,600	7,590	9,488

## LETTER FROM THE BOARD

### 3. Proposed Annual Caps

The annual caps under the Renewed Master Agreements for each of the three financial years ending 31 December 2013 are as follows:

	<b>For the year ending 31 December</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guangdong Precision Master Agreements	21,884	28,449	36,984
Jiangmen Yida Master Agreement	19,823	25,769	33,500
Import and Export Agency Service Agreement			
(a) Handling fees for import services	1,635	2,125	2,763
(b) Export sales amount	6,945	9,029	11,738

The Company is optimistic about the future growth in its sale of printers and tax control equipment which will lead to possible growth in the purchase of direct materials and demand for import/export services. The proposed Annual Caps were determined by reference to a number of factors such as historical transaction amounts, marketing plan of the Group's products, the expected growth in demand for the Group's products and the consequential increase in the need for the relevant direct materials and import/export services to meet the Group's production requirements, the Company's optimistic expectations on the growing demand for the Group's printers and tax control equipment.

If the amount under the Continuing Connected Transactions for any of the above years exceeds the Annual Caps, the Company will comply with the relevant requirements as stipulated under Chapter 14A of the Listing Rules.

### 4. Reasons for the Continuing Connected Transactions

The Group needs to source various direct materials including precision plastic parts and metal stamped parts for use in its production process. Guangdong Precision and Jiangmen Yida have established themselves as competitively priced and reliable suppliers to the Group which meet the Group's stringent quality requirements and delivery schedules. In addition, vicinity of Guangdong Precision and Jiangmen Yida enables the Group to streamline and centralise its direct materials procurement process, which can reduce overall production cost of the Group.

As the Group's import and export right only allows the Group to import direct materials from its overseas suppliers for export purpose, the Group has to engage KY Import/Export, a licensed import and export company in the PRC, to serve as an interface between the Group and its overseas suppliers and purchase agents to import direct materials from overseas countries and Hong Kong for production and for domestic sales. In particular, a large portion of the Group's products is for domestic sales. As (1) the terms offered by KY Import/Export are comparable to those offered by other independent PRC licensed import and export companies; (2) during the process of settlement for the imported goods in the PRC, the Group is required to transfer the monies for the purchases to the authorised export/import companies; and (3) the staff of KY Import/Export are familiar with the details and specifications of the direct materials purchased by the Group from overseas suppliers, the Directors consider that the appointment of KY Import/

## LETTER FROM THE BOARD

Export can minimise the credit risk of the Group and through its accommodation in allowing the Group to settle direct with Jiangmen customs authorities and the Group's Hong Kong logistics agent for imports and improve the efficiency of the clearance of the necessary customs documentation.

Taking into account the above, the Directors (including the independent non-executive Directors) consider that the terms of the Continuing Connected Transactions have been negotiated on an arm's length basis and on normal commercial terms and the terms thereof and the Annual Caps are fair and reasonable and are in the best interests of the Group and the Shareholders as a whole.

### **5. Listing Rules Implications**

Guangdong Precision, Jiangmen Yida and KY Import/Export are associates of Au Family Shareholders under the Listing Rules. As Au Family Shareholders, through Kytronics Holdings, in aggregate control approximately 70.47% of the issued shares of the Company as at the Latest Practicable Date and are substantial shareholders of the Company, Guangdong Precision, Jiangmen Yida and KY Import/Export are connected persons of the Company under the Listing Rules.

Given that the relevant applicable percentage ratios set out in the Listing Rules for determining the value for each of the Continuing Connected Transactions is expected to be 5% or above on an annual basis and the annual consideration is more than HK\$10,000,000, each of such transactions falls within Rule 14A.35 of the Listing Rules, and is subject to the disclosure and Independent Shareholders' approval requirements and the annual review requirements under the Listing Rules.

### **6. Information on the counterparties**

The Group is principally engaged in the provision of printers, business equipment and tax control equipment in the PRC.

Guangdong Precision is a limited liability company established in the PRC and is beneficially owned by Au Family Shareholders. It is principally engaged in manufacture of precision plastic parts.

Jiangmen Yida is a limited liability company established in the PRC and is beneficially owned as to 40% by the Au Family Shareholders and their associates. It is principally engaged in manufacture of metal stamped parts.

KY Import/Export is a limited liability company in the PRC and is wholly owned by Au Family Shareholders and their associates. It is principally engaged in trading and import and export of goods.

## LETTER FROM THE BOARD

### III. THE ACQUISITION

On 17 December 2010, Jolimark Technology, a subsidiary of the Company, and the Vendor entered into the Acquisition Agreement pursuant to which Jolimark Technology agreed to acquire 5% equity interest in Kongyue Information from the Vendor at the consideration of RMB17,000,000. Prior to the entering into the Acquisition Agreement, the Jolimark Technology owns 95% direct equity interest in Kongyue Information and the Vendor, a company which is beneficially owned by Au Family Shareholders and their associates, owns the remaining 5% equity interest in Kongyue Information.

#### 1. The Acquisition Agreement

Date:	17 December 2010
Parties:	Jolimark Technology, a subsidiary of the Company, as purchaser and the Vendor, principally engaged in research, development and sales of printer equipment, integrated circuit, tax control equipment, cash register and LCD (liquid crystal display), as vendor
Assets to be sold and purchased:	5% equity interest in Kongyue Information
Consideration:	RMB17,000,000, which shall be payable in cash within 10 business days after completion of all transfer procedures with the PRC authorities
Completion:	Completion will take place within 10 business days upon completion of all transfer procedures with the PRC authorities

#### 2. Financial Effects of the Acquisition

The Consideration of RMB17,000,000 was arrived at after arm's length negotiations between Jolimark Technology and the Vendor and on normal commercial terms. The Consideration was agreed by reference to the financial position and prospects of Kongyue Information and the valuation of Kongyue Information as at 30 November 2010 of RMB17,000,000 provided by an independent valuer by adopting the market approach. Having considered the above and the factors described under the section headed "Reasons for the Acquisition" below, the Directors (including the independent non-executive Directors) are of the opinion that the Consideration is fair and reasonable and on normal commercial terms.

After the Completion, Kongyue Information will become an indirect wholly-owned subsidiary of the Company.

The Consideration shall be satisfied by Jolimark Technology in cash and would be funded by the Group from its internal cash resources. The funding requirement for the Acquisition is not expected to have any material impact on the Group.

## LETTER FROM THE BOARD

### **3. Reasons for the Acquisition**

The Group is principally engaged in the provision of printers, business equipment and tax control equipment in the PRC. The Directors are of the view that the Acquisition is a good opportunity for the Company to increase its interest in Kongyue Information, a main operating subsidiary of the Company, by acquiring the remaining 5% equity interest in Kongyue Information and thus enable the Group to exercise absolute and more effective control over the business and operations of Kongyue Information and further enhance its manufacturing and production capabilities of business equipment.

The Directors (including the independent non-executive Directors) consider the terms of the Acquisition Agreement to be fair and reasonable as far as the Shareholders are concerned and that the Acquisition Agreement is in the interests of the Company and its Shareholders as a whole. Each of the independent non-executive Directors has no material interest in the Acquisition. Given that Au Family Shareholders have material interest in the Continuing Connected Transactions and the Acquisition, Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang have abstained from voting on the board resolution for approving the Continuing Connected Transactions and the Acquisition.

### **4. Listing Rules Implications**

The Vendor, a company which is owned as to 90% by Mr. Ou Guo Liang, an executive Director and as to 10% by an associate of Mr. Au Pak Yin, an executive Director, and is therefore a connected person of the Company under the Listing Rules. Given that one or more of the relevant applicable percentage ratios for determining the value of the Acquisition is/are more than 5% but less than 25% and the Consideration is more than HK\$10,000,000, the entering into the Acquisition Agreement constitutes a connected and discloseable transaction for the Company. The Acquisition shall fall within the Listing Rules which requires disclosure and the approval of Independent Shareholders at the general meeting of the Company.

### **5. Information on Kongyue Information**

Kongyue Information was established in Xin Hui District, Jiangmen City, Guangdong Province, the PRC as a sino-foreign joint venture company in 1998 with a registered capital of US\$25,660,000 and is principally engaged in the business of manufacturing and sale of business equipment and tax control equipment. The establishment of Kongyue Information has enabled the Group to capitalize on its existing production capacity of business equipment and tax control equipment. The Vendor's original purchase cost represents its initial subscription fund of US\$1,283,000.

According to the audited financial statements prepared under the PRC generally accepted accounting principles, as at 31 December 2009, Kongyue Information's total value of assets is approximately RMB510.32 million and its net asset value is approximately RMB301.16 million and its net profit before and after taxation are approximately RMB18.57 million and RMB15.78 million respectively. For the year ended 31 December 2008, its net profit before and after taxation are approximately RMB10.90 million and RMB9.22 million respectively.

## LETTER FROM THE BOARD

### IV. EGM

Set out on pages 32 to 35 of this circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve the Continuing Connected Transactions, the Annual Caps and the Acquisition.

Au Family Shareholders, being the substantial Shareholder, have material interest in the Continuing Connected Transactions and the Acquisition, and thus Au Family Shareholders and their associates (including Kytronics Holdings) will be required to abstain from voting on the resolutions to approve the Continuing Connected Transactions, the Annual Caps and the Acquisition at the EGM.

### V. ACTION TO BE TAKEN

A proxy form for use at the EGM is enclosed herein. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM. Delivery of a proxy form will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

### VI. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders. Further, your attention is also drawn to the letter from China Everbright set out on pages 16 to 27 of this circular.

The Independent Board Committee, having taken into account the advice of China Everbright, considers that the terms of the Continuing Connected Transactions and the Acquisition are on normal commercial terms in the ordinary and usual course of business of the Group and the terms thereof and the Annual Caps are in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions as set out in the EGM Notice.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Your faithfully,  
For and on behalf of  
**Jolimark Holdings Limited**  
**Au Kwok Lun**  
*Director*

**Jolimark**

映美

**JOLIMARK HOLDINGS LIMITED**

**映美控股有限公司**

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

**(Stock code: 2028)**

7 January 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
AND CONNECTED AND DISCLOSEABLE TRANSACTION**

We refer to the circular issued by the Company to the Shareholders dated 7 January 2011 (the “**Circular**”) of which this letter forms part. Unless the context otherwise defines, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in connection with the terms of the Continuing Connected Transactions, the Annual Caps and the Acquisition. China Everbright has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Continuing Connected Transactions, the Annual Caps and the Acquisition.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 14 and the letter from China Everbright as set out on pages 16 to 27 of the Circular respectively.

Having considered the principal factors and reasons considered by, and the advice of China Everbright as set out in its letter of advice, we consider that the terms of the Renewed Master Agreements and the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole, and the terms thereof including the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions approving the Continuing Connected Transactions, the Annual Caps and the Acquisition to be proposed at the EGM.

Yours faithfully,

**Independent Board Committee**

**Lai Ming, Joseph**

**Meng Yan**

**Xu Guangmao**

*Independent Non-executive Directors*

## LETTER FROM CHINA EVERBRIGHT

*The following is the text of the “Letter from China Everbright” to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



7 January 2011

*To the Independent Board Committee and  
the Independent Shareholders of Jolimark Holdings Limited*

Dear Sirs,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS & CONNECTED AND DISCLOSEABLE TRANSACTION**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the entering into the Renewed Master Agreements and the Acquisition Agreement are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. The details of Renewed Master Agreements and the Acquisition Agreement are set out in the Letter from the Board in the circular to the Shareholders dated 7 January 2011 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Guangdong Precision, Jiangmen Yida and KY Import/Export are associates of Au Family Shareholders under the Listing Rules. As Au Family Shareholders, through Kytronics Holdings, in aggregate control approximately 70.47% of the issued shares of the Company as at the Latest Practicable Date and are substantial shareholders of the Company, Guangdong Precision, Jiangmen Yida and KY Import/Export are connected persons of the Company under the Listing Rules. As the applicable percentage ratios in respect of the annual caps under the Renewed Master Agreements are more than 5% and the maximum annual values of the Continuing Connected Transactions are more than HK\$10 million, the Renewed Master Agreements and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

According to the Acquisition Agreement, the Group agreed to acquire 5% equity interest in Kongyue Information from the Vendor at the consideration of RMB17 million. As Mr. Ou Guo Liang, an executive Director, is interested in 90% equity interest in the Vendor, the Vendor is a connected person of the Company under the Listing Rules. Therefore, the Acquisition constitute a discloseable and connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

## LETTER FROM CHINA EVERBRIGHT

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao, has been formed to consider whether (i) the terms of the Continuing Connected Transactions and the Acquisition are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the Continuing Connected Transactions, including the Annual Caps, and the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group, Au Family Shareholders, the Vendor or any of their respective associates. We are independent from and not connected with the Group, Au Family Shareholders, the Vendor or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions and the Acquisition.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management (“**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Directors that no material factors have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group. We have assumed that all statements and presentations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our views on the Renewed Master Agreements and the Acquisition Agreement, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

#### **(I) The renewal of the continuing connected transactions**

##### *Background to and reasons for the Renewed Master Agreements*

The Group is principally engaged in the provision of business equipment and tax control equipment in the PRC.

## LETTER FROM CHINA EVERBRIGHT

Pursuant to the Existing CCT Agreements, the Group has (i) purchased precision plastic parts from Guangdong Precision; (ii) purchased metal stamped parts from Jiangmen Yida; and (iii) obtained import/export agency service from KY Import/Export, in the ordinary and usual course of its business and on normal commercial terms during the three years ending 31 December 2010.

In view of the expiry of the Existing CCT Agreements on 31 December 2010, the Renewed Master Agreements for a further term expiring on 31 December 2013, which will be put forward for approval by the Independent Shareholders at the EGM, were signed on 17 December 2010 in order to govern the conduct of the connected transactions contemplated under the Renewed Master Agreements for the three years ending 31 December 2013.

Pursuant to Renewed Master Agreements, the Group will continue to carry out the following transactions from 1 January 2011 to 31 December 2013, subject to the Annual Caps:

- the procurement of precision plastic parts from Guangdong Precision (“**Procurement of precision plastic parts**”);
- the procurement of metal stamp parts from Jiangmen Yida (“**Procurement of metal stamp parts**”); and
- the engagement of KY Import/Export for the provision of import and export agency service (“**Provision of import and export agency service**”).

As stated in the Letter from the Board, the Management considers that the entering into of the Renewed Master Agreements can allow the Group enjoying the following benefits:

- Guangdong Precision and Jiangmen Yida have established themselves as competitively priced and reliable suppliers to the Group which meet the Group’s stringent quality requirements and delivery schedules;
- vicinity of Guangdong Precision and Jiangmen Yida enables the Group to streamline and centralise its direct materials procurement process, which can reduce overall production cost of the Group; and
- during its normal course of business, the Group is required to engage a licensed import and export company in the PRC to serve as an interface between the Group and its overseas suppliers and purchase agents to import direct materials from overseas countries and Hong Kong for production and for domestic sales. As (1) the terms offered by KY Import/Export are comparable to those offered by other independent PRC licensed import and export companies; (2) during the process of settlement for the imported goods in the PRC, the Group is required to transfer the monies for the purchases to the authorised export/import companies; and (3) the staff of KY Import/Export are familiar with the details and specifications of the direct materials purchased by the Group from overseas suppliers, the Directors consider that the appointment of KY Import/Export can minimise the credit risk of the Group and through its accommodation in allowing the Group to settle direct with Jiangmen customs authorities and the Group’s Hong Kong logistics agent for imports and improve the efficiency of the clearance of the necessary customs documentation.

## LETTER FROM CHINA EVERBRIGHT

In light of the above and (i) each of Guangdong Precision, Jiangmen Yida and KY Import/Export has been engaged to carry out similar transactions with the Group in accordance with the Existing CCT Agreements; (ii) the Continuing Connected Transactions are of the type that are entered into in the ordinary and usual course of business of the Group and are expected to be on a frequent and regular basis, if necessary; and (iii) the Renewed Master Agreements are renewal of the CCT Agreements with the intention to ensure continuation of the existing business transactions between the Group and each of Guangdong Precision, Jiangmen Yida and KY Import/Export, we are of the view that the Continuing Connected Transactions are in line with the existing business of the Group, and are fair and reasonable and in the interests of the Shareholder and the Company as a whole.

### *Principal terms of the Renewed Master Agreements*

On 17 December 2010, the Group entered into the Renewed Master Agreements with Guangdong Precision, Jiangmen Yida and KY Import/Export for a term of three years commencing from 1 January 2011 to regulate the future business transactions between the Group and each of Guangdong Precision, Jiangmen Yida and KY Import/Export. We noted that, save for the Annual Caps, there are no changes to the terms of the Renewed Master Agreements, compared with the Existing CCT Agreements.

Shareholders should note that there is no provision in Renewed Master Agreements requiring the Group to exclusively transact with each of Guangdong Precision, Jiangmen Yida and KY Import/Export. Therefore, we consider the Renewed Master Agreements provide commercial flexibility to the Group to transact with other potential suppliers in the event that the Group might not be able to agree with any terms or pricing with each of Guangdong Precision, Jiangmen Yida or KY Import/Export.

#### *(1) Procurement of precision plastic parts and metal stamp parts*

Pursuant to Guangdong Precision Master Agreements, Guangdong Precision, which is principally engaged in the manufacture of precision plastic parts, agreed to supply precision plastic parts to Kongyue Information and Kongyue Jolimark from time to time as requested by Kongyue Information and Kongyue Jolimark for the three years commencing from 1 January 2011.

Pursuant to Jiangmen Yida Master Agreement, Jiangmen Yida, which is principally engaged in the manufacture of metal stamped parts, agreed to supply metal stamped parts to Kongyue Information from time to time as requested by Kongyue Information for the three years commencing from 1 January 2011. It should be noted that the purpose of the Guangdong Precision Master Agreement and Jiangmen Yida Master Agreement is to provide a framework of the agreed general terms and conditions governing the purchase of relevant direct materials by the Group from each of Guangdong Precision and Jiangmen Yida, and each of such transactions to be undertaken by the Group will be subject to specific terms and conditions (including the purchase volume, product specifications, and payment terms) under the applicable purchase orders to be entered into between the relevant members of the Group and each of Guangdong Precision and Jiangmen Yida (collectively, the “**Formal Documents**”). Notwithstanding the fact that the actual purchase price of direct materials payable by the Group is subject to the terms of the Formal Documents, such purchase price shall be determined based on the pricing policy stipulated under the Guangdong Precision Master Agreement and Jiangmen Yida Master Agreement whereby the purchase prices

## LETTER FROM CHINA EVERBRIGHT

for the direct materials payable by the Group shall be on normal commercial terms which will be determined after arm's length negotiation between the parties with reference to the prevailing market price of direct materials that are comparable to those offered by independent suppliers.

We have reviewed sample copies of certain price quotations for the Group's direct materials prepared by (i) each of Guangdong Precision and Jiangmen Yida; and (ii) other independent suppliers. After comparison of such price quotations, we noted that the terms, including the selling prices, offered by the Guangdong Precision and Jiangmen Yida to the Group were not less favourable than those offered by other independent third parties to the Group. Having considered the above, we consider that the terms (including the pricing basis) of Guangdong Precision Master Agreements and Jiangmen Yida Master Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### *(2) Provision of import and export agency service*

Pursuant to Import and Export Agency Service Agreement, KY Import/Export, which is principally engaged in trading and import and export of goods, agreed to provide (i) import services relating to the Group's direct materials and equipment; and (ii) export services relating to the Group's products, for the three years commencing 1 January 2011.

KY Import/Export is not responsible for procuring customers and negotiating the terms of sales. In respect of imports, KY Import/Export is mainly engaged in handling customs documentation in the PRC for the Group and it charges the Group a service fee equivalent to 1% of the contract price of the materials imported. In respect of exports, the Group will export certain products through KY Import/Export, which are effected by sale to KY Import/Export the products at a reduced contract price equal to 99% of the contract price as between the Group and the ultimate customers of the exported products (the "**Reduced Contract Price**") and KY Import/Export will resell such products to the ultimate customers at the 100% of the contract price (the "**Full Contract Price**") in order to comply with customs regulations.

In cases of import, KY Import/Export will charge approximately 1% of the contract price of direct materials and products handled by KY Import/Export as service fee. In cases of exports, the 1% service fee is achieved by the Group selling to KY Import/Export the products at a Reduced Contract Price; and KY Import/Export then reselling the products to the ultimate customers at the Full Contract Price and reimbursing the Group the collected reduced amount after deduction of approximately 1% of the Full Contract Price as service fee.

Similar to the Guangdong Precision Master Agreement and Jiangmen Yida Master Agreement, the purpose of the Import and Export Agency Service Agreement is to provide a framework of the agreed general terms and conditions governing the provision of import and export agency services to the Group by KY Import/Export, and each of such transactions to be undertaken by the Group will be subject to specific terms and conditions under the applicable service agreements to be entered into between the relevant members of the Group and KY Import/Export. As advised by the Management, the service fees for import and export agency service have been determined with reference to service fees charged by other independent licensed import and export companies to the Group for historical transactions with similar nature.

## LETTER FROM CHINA EVERBRIGHT

We have reviewed sample copies of certain import/export agency service agreements between (i) the Group and KY Import/Export; and (ii) the Group and other independent licensed import and export companies. After comparison of such service agreements, we noted that the terms, including the service fees, charged by KY Import/Export were not less favourable than those offered by other independent third parties to the Group.

Having considered the above, we consider that the terms (including the pricing basis) of Import and Export Agency Service Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### *The Annual Caps*

The Continuing Connected Transactions are subject to Listing Rules requirements and conditions as more particularly discussed under the section headed “Reporting requirements and conditions of the Continuing Connected Transactions” below.

Set out below are (i) the annual caps and historical transaction amounts under the Existing CCT Agreements; and (ii) the Annual Caps under the Renewed Master Agreements:

			2008	2009	2010	2011	2012	2013
			<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Procurement of precision plastic parts:	Annual caps		15,400	17,710	22,138	21,884	28,449	36,984
	Historical transaction amounts		11,716	12,235	9,310	—	—	—
			<i>(Note)</i>					
Procurement of metal stamp parts:	Annual caps		9,350	10,753	13,441	19,283	25,769	33,500
	Historical transaction amounts		5,782	9,532	8,261	—	—	—
			<i>(Note)</i>					
Provision of import and export agency service								
(a) Handling fees for import services:	Annual caps		2,200	2,530	3,163	1,635	2,125	2,763
	Historical transaction amounts		1,437	1,684	620	—	—	—
			<i>(Note)</i>					
(b) Export sales amount:	Annual caps		6,600	7,590	9,488	6,945	9,029	11,738
	Historical transaction amounts		4,884	3,698	3,082	—	—	—
			<i>(Note)</i>					

*Note:* Historical transaction amounts during the nine months ended 30 September 2010.

In assessing the reasonableness of the Annual Caps, we have discussed with the Management regarding the relevant underlying principal assumptions and the bases adopted for the determination of the Annual Caps, and understand that the Company has taken into account the following factors:

#### (1) *Historical transaction amounts under the Existing CCT Agreements*

After discussion with the Management, we were advised that the estimated annual transaction amounts for the procurement of precision plastic parts and metal stamp parts are approximately RMB16.4 million and approximately RMB13.2 million in 2010, representing an annual growth of approximately 34.2% and approximately 38.6%, respectively. Compared

## LETTER FROM CHINA EVERBRIGHT

with the actual transaction amounts in 2009, the Management expects that the estimated annual transaction amounts for the provision of export agency service will increase by approximately 40.86% to approximately RMB5.2 million in 2010, but estimated annual transaction amounts for the provision of import agency service will decrease by approximately 27.2% to approximately RMB1.2 million in 2010. As advised by the Management, the substantial increase in the estimated annual transaction amounts under the Existing CCT Agreements (except for the provision of the import agency service) reflect the Group's sustainable growth in its printer and tax control equipment business.

As stated in the 2010 interim report of the Company, the Group will further its efforts in the market development of self-owned brands and research and development of new products for its printer and tax control equipment business. With the wide application of receipt, invoice and certificates in the PRC, the Management considers that the development of dot matrix printers in the China market is promising and will show remarkable growth in the future. At the same time, the Group has commenced to develop overseas markets for dot matrix printers and expects to see outstanding growth. On the aspect of electronic manufacturing services (EMS) business of other electronic products, the Group will continue to focus on the small-to-medium overseas customers of optoelectronic mechanical integrated products manufacturing and establish and develop new gainful businesses.

In light of the historical transaction amounts under the Existing CCT Agreements and the expected growth in demand for the Group's printer and tax control equipment products in domestic and overseas markets, the Management considers that it will lead to sustainable growth in the Continuing Connected Transactions during the three years ending 31 December 2013.

### *(2) The expected price trend of precision plastic parts and metal stamp parts*

After discussion with the Management, we were advised that the average raw material cost of precision plastic parts and metal stamp parts increased by approximately 15% and approximately 20% in 2010, which in turn increase the transaction amounts for the procurement of precision plastic parts and metal stamp parts. The Management estimates that the average raw material cost of precision plastic parts and metal stamp parts will further increase by approximately 10% and 10% for each of 2011, 2012 and 2013, respectively.

We have reviewed the historical price trend of the raw material of precision plastic parts and metal stamp parts in 2010, and further noted that the price trend of relevant raw material in 2010 provided by the Management are comparable to the public price statistics available on the steel and plastic industry trade websites.

According to the National Bureau of Statistics of the PRC, from 2000 to 2008, the PRC nominal GDP grew from RMB9.9 trillion to RMB30.1 trillion and nominal GDP per capita grew from RMB7,858 to RMB22,698, representing a compound annual growth rate of approximately 14.9% and 14.2% respectively. The continuous growth in the PRC's economy, together with the expected rise in the import prices of iron ore and oil, will continue to drive the inflation and the cost of raw materials of precision plastic parts and metal stamp parts.

## LETTER FROM CHINA EVERBRIGHT

Based on the factors and reasons discussed above, we are of the view that the Annual Caps were set by the Management after due and careful consideration and are fair and reasonable as far as the Company and the Shareholders are concerned. However, as the Annual Caps relate to future events and are based on assumptions which may or may not remain valid for the entire period up to 31 December 2013, consequently, we express no opinion as to how closely the actual amount to be incurred under the Continuing Connected Transactions contemplated under the Renewed Master Agreements will correspond with the Annual Caps.

### *Requirements of the Listing Rules on the Continuing Connected Transactions*

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) either on normal commercial terms or, if there are not sufficient comparable continuing connected transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
  - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
  - (i) have received the approval of the Board;
  - (ii) are in accordance with the pricing policies of the Group;
  - (iii) have been entered into in accordance with the terms of the relevant agreements governing the Continuing Connected Transactions; and
  - (iv) have not exceeded the annual caps;
- (c) the Company shall allow, and shall procure the relevant counter-parties to the Continuing Connected Transactions to allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and (b) respectively.

## LETTER FROM CHINA EVERBRIGHT

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company on the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

### **(II) The acquisition of equity interest in Kongyue Information**

#### *Background to and reasons for the Acquisition*

Kongyue Information is a non-wholly-owned subsidiary of the Company and is principally engaged in the business of manufacturing and sale of business equipment and tax control equipment. As advised by the Management, Kongyue Information is a major operating subsidiary of the Group. It contributed over 90% of the Group's total revenue and net profit in the last three financial years.

As at the Latest Practicable Date, Kongyue Information was owned as to 95% by the Company and as to 5% by the Vendor. Upon the completion of the Acquisition, Kongyue Information will become a wholly-owned subsidiary of the Company.

According to the audited financial statements prepared under the PRC generally accepted accounting principles, as at 31 December 2009, Kongyue Information's total value of assets is approximately RMB510.32 million and its net asset value is approximately RMB301.16 million and its net profit before and after taxation are approximately RMB18.57 million and RMB15.78 million respectively. For the year ended 31 December 2008, its net profit before and after taxation are approximately RMB10.90 million and RMB9.22 million respectively. We also review the unaudited financial information of Kongyue Information for the eleven months ended 30 November 2010, and noted that its financial performance and condition during the eleven months ended 30 November 2010 was in line with the track record during the same period in 2008 and 2009 respectively.

As stated in the Letter from the Board, the Directors are of the view that the Acquisition is a good opportunity for the Company to increase its interest in Kongyue Information, a main operating subsidiary of the Company, by acquiring the remaining 5% equity interest in Kongyue Information and thus enable the Group to exercise absolute and more effective control over the business and operations of Kongyue Information and further enhance its manufacturing and production capabilities of business equipment.

Having considered the above and (i) the business nature of Kongyue Information; (ii) the Acquisition, being merely an acquisition of the remaining interest in Kongyue Information, can allow the Group to minimise its execution risk on the further investment on Kongyue Information; and (iii) Kongyue Information achieved profitable track record over the past few years, we consider that the Acquisitions are consistent with the overall corporate strategy of the Group and in the interests of the Company and the Independent Shareholders as a whole.

## LETTER FROM CHINA EVERBRIGHT

### *The major terms under the Acquisition Agreement*

#### (1) *Consideration and its basis*

According to the Acquisition Agreement, Jolimark Technology, a subsidiary of the Company, agreed to acquire 5% equity interest (“**Target Equity Interest**”) in Kongyue Information from the Vendor at cash consideration (“**Consideration**”) of RMB17 million. The Consideration, which shall be payable in cash within 10 business days after completion of all transfer procedures with the PRC authorities, will be satisfied by the Company from its internal resources.

As stated in the Letter from the Board, the Consideration is determined based on arm’s length negotiations between the parties with reference to (i) financial position and prospects of Kongyue Information; and (ii) the valuation (“**Valuation**”) of the Target Equity Interest prepared by BMI Appraisals Limited (“**BMI Appraisals**”), an independent valuer.

#### (2) *Valuation on the Target Equity Interest*

According to the Valuation, the valuation of the Target Equity Interest was RMB17 million as at 30 November 2010. After discussion with BMI Appraisals, we understand that the Valuation is developed through the application of the Market Approach — Guideline Public Company Method.

Under this method, it entails a comparison of the subject company with the publicly-traded companies. The comparison is generally based on published data regarding the public companies’ stock price and financials, which is expressed as a fraction known as a “multiple”. Under the Valuation, the Company is selected as the comparable company, as over 90% of its sales and profit are generated from Kongyue Information.

We have enquired into BMI Appraisals on the methodology adopted and the basis and assumptions made in arriving at the Valuation. In this regard, we understand from BMI Appraisals that the cost approach was regarded not appropriate for the Valuation as it does not take future growth potential of the Target Equity Interest into consideration. The income approach was also considered inadequate in the Valuation as income approach relies on detailed forecasts on profits, earnings or cash flows, and a lot of assumptions have to be made in determining the forecasts. Any inappropriate assumption would greatly affect the accuracy of the Valuation.

BMI Appraisals further confirmed that the Guideline Public Company Method under the market approach was the most appropriate for the Valuation as it involves less assumptions and uncertainties. We have also discussed with BMI Appraisals regarding other basis and assumptions used in the Valuation.

Based on the unaudited financial information of Kongyue Information, we noted that the net assets value of Kongyue Information amounted to approximately RMB288.6 million as at 30 November 2010, which implies that the unaudited net assets value of the Target Equity Interest (“**NAV of the Target Equity Interest**”) amounted to approximately RMB14.4 million as at 30 November 2010.

## LETTER FROM CHINA EVERBRIGHT

We have enquired into BMI Appraisals the rationales behind the 18% premium (“**Premium**”) of the Valuation over the NAV of the Target Equity Interest. After discussion with BMI Appraisals, we understand the Premium is mainly attributed to the remaining stake premium payable by the Company for the acquisition of the Target Equity Interest. As explained by BMI Appraisals, control is the right to direct the strategies and activities of a firm, including the right to allocate resources and distribute the economic products. There is a tendency to regard the premium offered to pre-bid trading in a takeover as the value of the control right. A buyer would pay a premium to ensure total control which generate benefits such as cost-saving synergies or removing dissenting minority shareholders that are not fully priced into the a target’s stock. Therefore, a remaining stake premium was adopted to reflect the value of gaining full control. As informed by the Management, we understand that the Vendor is entitled to appoint one out of the four directors to the board of Kongyue Information according to the articles of association of Kongyue Information. Given that the Group is able to obtain absolute control in the board and shareholding of Kongyue Information, we are of the view that the Premium is acceptable and justifiable.

Furthermore, we were advised by BMI Appraisals that marketability discount was also adopted to arrive at the Valuation as the shares of Kongyue Information is not publicly traded and there’s no ready market for its shares.

BMI Appraisals confirmed that the above adjustments were made based on its professional experience and judgment and are fair and reasonable for the purpose of arriving at the Valuation. Since we have no technical knowledge on business valuation and as far as we are aware, there is no guideline from any source to substantiate those adjustments made by BMI Appraisals and BMI Appraisals has confirmed that the valuation methodology is consistent with the international valuation guidelines, on the basis of BMI Appraisals’s representation and professionalism, we accept those adjustments made in arriving at the Valuation.

Based on the due diligence work we performed and BMI Appraisals’s representation and professional judgment, we consider the basis and assumptions in arriving at the Valuation to be acceptable. Taking into account all the foregoing, we are, therefore, of the view that (i) the Valuation is reasonably prepared and normal in nature; and (ii) the major assumptions and the basis of the Valuation are fair and reasonable. As such, we consider the Valuation is a reasonable reference for Independent Shareholders to assess the fairness and reasonableness of the Consideration.

Based on the fact that the Consideration is equal to the Valuation of approximately RMB17 million, we consider the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### ***The possible financial effects of the Acquisition on the Group***

As at the Latest Practicable Date, Kongyue Information was a non-wholly-owned subsidiary of the Company, and the financial result of Kongyue Information has been consolidated into the consolidated accounts of the Group. Upon Completion, Kongyue Information will be accounted for as a wholly-owned subsidiary of the Company, all of its profits and losses will be consolidated in the Group’s profit and loss accounts and all of their assets and liabilities will be consolidated in the Group’s balance sheet.

## LETTER FROM CHINA EVERBRIGHT

The Directors expect there would be positive return generated to the Group in view of the historical profitable performance of Kongyue Information and thus the Group's net assets value would be enhanced thereafter. Hence, we concur with the Directors' view that the Acquisition is in the interests of the Group and the Independent Shareholders as a whole.

As set out in the Letter from the Board, the Consideration will amount to approximately RMB17 million and will be satisfied by Group's internal resource. Therefore, the Group's cash and bank balances would be reduced by the Consideration. In this respect, we note that from the Interim report of the Company that it had total cash and cash equivalent of approximately RMB204 million as at 30 June 2010.

In light of the above, the Directors believe that the Company has sufficient internal financial resources to finance the Acquisition. We concur with the Directors' view that the Acquisition will not have material adverse effects on the working capital and cash position of the Group.

### RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Renewed Master Agreements, including the Annual Caps, and the Acquisition Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Renewed Master Agreements, including the Annual Caps, and the Acquisition Agreement, as detailed in the notice of EGM set out at the end of Circular.

Yours faithfully,  
For and on behalf of  
**China Everbright Capital Limited**  
**Alvin Kam**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interest of Directors

As at the Latest Practicable Date, 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 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 Executive Director	Company/name of associated corporation	Capacity	No. of shares held (Note 1)	Percentage in the relevant class of share capital (approx.)
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation (Note 2)	394,285,533 Shares (L)	70.47%
Mr. Au	Kytronics Holdings	Beneficial owner	2 shares (L)	0.0001%
Mr. Au Kwok Lun	Kytronics Holdings	Beneficial owner	1 share (L)	0.0001%
Mr. Ou Guo Liang	Kytronics Holdings	Beneficial owner	1 share (L)	0.0001%

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

*Note 2:* 394,285,533 Shares were owned by Kytronics Holdings. The issued share capital of Kytronics Holdings is owned as to 20% by each of Mr. Au and his spouse Ms. Tai Noi Kit. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics Holdings pursuant to Part XV of the SFO. Each of Mr. Au and his spouse, Ms. Tai Noi Kit, is the beneficial owner of an ordinary share in Kytronics Holdings.

Save as disclosed above, as at the Latest Practicable Date, 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 Companies, to be notified to the Company and the Stock Exchange.

### Interest of Substantial Shareholders

As at the Latest Practicable Date, 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:

Shareholders	Company/name of associated corporation	Capacity	Number of Shares held	Percentage in the relevant class of share capital (approx.) (Note 1)
Kytronics Holdings	Company	Beneficial owner	394,285,533 Shares (Note 2)	70.47% (L)
Tai Noi Kit	Kytronics Holdings	Interest in controlled corporation (Note 2)	394,285,533 Shares (Note 2)	70.47% (L)
Kent C. McCarthy	Company	Interest in controlled corporation (Note 3)	55,630,000 Shares (Note 3)	9.94% (L)

*Note 1:* The letter "L" denotes a long position in such securities.

*Note 2:* 394,285,533 Shares were owned by Kytronics Holdings. The issued share capital of Kytronics Holdings is owned as to 20% by each of Mr. Au and his spouse Ms. Tai Noi Kit. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics Holdings pursuant to Part XV of the SFO.

*Note 3:* The 55,630,000 Shares were held by Kent C. McCarthy Revocable Trust, and Jayhawk Private Equity Fund II, L.P., both being companies wholly-owned by Mr. 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 the Latest Practicable Date, 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.

- (b) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation other than statutory compensation.
- (c) None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.
- (d) None of the Directors has any direct and indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

### 3. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company and any of its subsidiaries.

### 4. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
China Everbright	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activity under the SFO

China Everbright had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, China Everbright was not beneficially interested in the share capital of any member of the Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

**6. SERVICE CONTRACTS**

As at the Latest Practicable Date, 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).

**7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their associates has any interest in a business which competes or may compete with the business of the Group.

**8. GENERAL**

- The registered office of the Company is situated at Clifton House, 75 Fort Street, PO Box 1350 GT George Town, Grand Cayman, Cayman Islands.
- The principal place of business of the Company in Hong Kong is situated at Unit 01, 23A Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.
- The branch share registrar and the transfer office of the Company is at Computershare Hong Kong Investor Services Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- The company secretary of the Company is Mr. Li Ho Cheong, HKICPA and ACCA.
- The English text of this document shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at Unit 01, 23A Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong up to and including the date of the EGM:

- the Guangdong Precision Master Agreements, Jiangmen Yida Master Agreement and Import and Export Agency Service Agreement;
- the Acquisition Agreement;
- the letter of recommendation from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- the letter issued by China Everbright, the text of which is set out on pages 16 to 27 of this circular; and
- the written consent of China Everbright, referred to in paragraph 4 in this appendix.

## NOTICE OF EGM

# Jolimark

映美

## JOLIMARK HOLDINGS LIMITED

映美控股有限公司

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

**(Stock code: 2028)**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**Meeting**”) of Jolimark Holdings Limited (the “**Company**”) will be held at Unit 01, 23A Floor, K.Wah Centre, 191 Java Road, North Point, Hong Kong on Monday, 24 January 2011 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT**

- (i) the master supply agreements dated 17 December 2010 entered into between Guangdong Kong Yue Precision Industry Ltd., and each of Kong Yue Electronics & Information Industry (Xin Hui) Ltd. and Jiangmen Kong Yue Jolimark Information Technology Ltd., both of which are subsidiaries of the Company, (the “**Guangdong Precision Master Agreements**”) (a copy of each of which has been produced to the Meeting and marked “A” and “B” respectively and initialed by the chairman of the Meeting for the purpose of identification) in relation to, among other matters, the supply of precision plastic parts and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual caps in relation to the transactions under the Guangdong Precision Master Agreements for the period commencing from the date on which the Guangdong Precision Master Agreements becoming effective until 31 December 2013 and each of the years ending 31 December 2011, 31 December 2012 and 31 December 2013 will not exceed RMB21,884,000, RMB28,449,000, and RMB36,984,000 respectively be and are hereby approved; and
- (iii) the Directors be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the Guangdong Precision Master Agreements and any or all the matters contemplated in the Guangdong Precision Master Agreements and this resolution.”

## NOTICE OF EGM

### 2. “THAT

- (i) the master supply agreement dated 17 December 2010 entered into between Guang Dong Jotech Kong Yue Precision Industries Ltd. and Kong Yue Electronics & Information Industry (Xin Hui) Ltd., a subsidiary of the Company, (the “**Jiangmen Yida Master Agreement**”) (a copy of which has been produced to the Meeting and marked “C” and initialed by the chairman of the Meeting for the purpose of identification) in relation to, among other matters, the supply of metal stamped parts and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual caps in relation to the transactions under the Jiangmen Yida Master Agreement for the period commencing from the date on which the Jiangmen Yida Master Agreement becoming effective until 31 December 2013 and each of the years ending 31 December 2011, 31 December 2012 and 31 December 2013 will not exceed RMB19,823,000, RMB25,769,000 and RMB33,500,000 respectively be and are hereby approved; and
- (iii) the Directors be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the Jiangmen Yida Master Agreement and any or all the matters contemplated in the Jiangmen Yida Master Agreement and this resolution.”

### 3. “THAT

- (i) the master service agreement dated 17 December 2010 entered into between Jiangmen Kong Yue Information Product Import Export Ltd. and Kong Yue Electronics & Information Industry (Xin Hui) Ltd., a subsidiary of the Company, (the “**Import and Export Agency Service Agreement**”) (a copy of which has been produced to the Meeting and marked “D” and initialed by the chairman of the Meeting for the purpose of identification) in relation to, among other matters, the import services of direct materials and equipment and export services of products and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed respective annual caps in relation to (i) handling fees for import services and (ii) export sales amount under the Import and Export Agency Service Agreement for the period commencing from the date on which the Import and Export Agency Service Agreement becoming effective until 31 December 2013 and each of the years ending 31 December 2011, 31 December 2012 and 31 December 2013 will not exceed RMB1,635,000, RMB2,125,000 and RMB2,763,000 and RMB6,945,000, RMB9,029,000 and RMB11,738,000 respectively be and are hereby approved; and

## NOTICE OF EGM

- (iii) the Directors be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the Import and Export Agency Service Agreement and any or all the matters contemplated in the Import and Export Agency Service Agreement and this resolution.”

4. “**THAT**

- (i) the sale and purchase agreement dated 17 December 2010 entered into between Jiangmen Kong Yue Information Technology Ltd. and Jolimark Technology Limited, a subsidiary of the Company, (the “**Acquisition Agreement**”) (a copy of which has been produced to the Meeting and marked “E” and initialed by the chairman of the Meeting for the purpose of identification) in relation to, among other matters, the acquisition by Jolimark Technology Limited of 5% equity interest in Kong Yue Electronics & Information Industry (Xin Hui) Ltd. and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified; and
- (ii) the Directors be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the Acquisition Agreement and any or all the matters contemplated in the Acquisition Agreement and this resolution.”

On behalf of the Board  
**Jolimark Holdings Limited**  
**Au Kwok Lun**  
*Director*

Hong Kong, 7 January 2011

*Registered Office:*

Clifton House  
75 Fort Street  
PO Box 1350 GT  
George Town, Grand Cayman  
Cayman Islands

*Principal place of business in Hong Kong:*

Unit 01, 23A Floor, K. Wah Centre  
191 Java Road, North Point  
Hong Kong

*Notes:*

1. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.

## NOTICE OF EGM

2. The register of members will be closed from Friday, 21 January 2011 to Monday, 24 January 2011 (both days inclusive) during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 20 January 2011.
3. Where there are joint registered holders of any share in the issued share capital of the Company ("Share"), any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether personally or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting as the case may be or, in the case of poll taken subsequent to the date of the Meeting or adjourned meeting, not less than 24 hours before the time appointed for taking the poll.
5. The ordinary resolutions as set out above will be determined by way of a poll.
6. As at the date hereof, the Board comprises Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang as executive Directors; Mr. Lai Ming Joseph, Mr. Meng Yan and Mr. Xu Guangmao as independent non-executive Directors.