
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Jolimark Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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 TRANSACTION

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



China Everbright Capital Limited

A letter from the Board is set out on pages 4 to 11 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 12 of this circular.

A letter from China Everbright, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 24 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Friday, 23 December 2016, at Unit 01, 23A Floor, K.Wah Centre, 191 Java Road, North Point, Hong Kong is set out on pages 30 to 31 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 will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

CONTENTS

Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	12
Letter from the Independent Financial Adviser	13
Appendix – General Information	25
Notice of EGM	30

DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“business day(s)”	a day (other than a Saturday, Sunday or public holidays) on which banks are open for general banking business in Hong Kong;
“China” or “PRC”	the People’s Republic of China;
“Company”	Jolimark Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at 11:00 a.m. on Friday, 23 December 2016 to consider and, if thought fit, approve the Guangdong Precision Master Agreement and its proposed annual caps;
“Existing CCT Agreement”	the agreement dated 8 November 2013 between Kongyue Information with Guangdong Precision, the details of which are disclosed in the announcement of the Company dated 8 November 2013 and the circular of the Company dated 29 November 2013;
“FHL”	Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Au as at the Latest Practicable Date;
“Group”	the Company and its subsidiaries;
“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 100% owned by Mr. Au;
“Guangdong Precision Master Agreement”	the master supply agreement dated 27 October 2016 entered into between Guangdong Precision and Kongyue Information for the supply of plastic parts, components and molds by Guangdong Precision to Kongyue Information;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, comprising Mr. Lai Ming, Joseph, Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung, all of them being independent non-executive Directors, which has been established by the Board to advise the Independent Shareholders on the continuing connected transaction under the Guangdong Precision Master Agreement;
“Independent Financial Adviser” or “China Everbright”	China Everbright Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being appointed as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Guangdong Precision Master Agreement and its annual caps;
“Independent Shareholder(s)”	Shareholders other than those who are not prohibited from voting at the general meeting in connection with the Guangdong Precision Master Agreement;
“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 a wholly-owned subsidiary of the Company;
“Kytronics Holdings”	Kytronics Holdings Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company;
“Latest Practicable Date”	29 November 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Au”	Mr. Au Pak Yin, an executive Director and the Chairman of the Company;
“percentage ratios”	refers to the percentage ratios under rule 14.07 of the Listing Rules;
“PRC” or “China”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules; and
“%”	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.

LETTER FROM THE BOARD



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 (*Chief Executive Officer*)
Mr. Ou Guo Liang

Independent non-executive Directors:

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

Registered Office:

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

2 December 2016

To: the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 27 October 2016 in relation to the continuing connected transaction contemplated under the Guangdong Precision Master Agreement.

The purpose of this circular is to provide you with, among others, (i) details of the Guangdong Precision Master Agreement and its annual caps; (ii) the letter of advice from China Everbright, containing its advice on the Guangdong Precision Master Agreement; (iii) the letter of recommendation of the Independent Board Committee; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules.

LETTER FROM THE BOARD

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Background

Reference is made to the circular of the Company dated 29 November 2013 in respect of the Existing CCT Agreement entered by the Group with Guangdong Precision, pursuant to which the Group agreed to purchase plastic parts, components and molds from Guangdong Precision for a period of three years from 1 January 2014 to 31 December 2016. As the Existing CCT Agreement is due to expire on 31 December 2016 and in order to continue the transaction under the Existing CCT Agreement, on 27 October 2016, the Group entered into the Guangdong Precision Master Agreement to renew the Existing CCT Agreement for a period commencing from 1 January 2017 to 31 December 2019.

Details of the Guangdong Precision Master Agreement are set out below:

Guangdong Precision Master Agreement

Date: 27 October 2016

Parties: (i) Kongyue Information, a wholly-owned subsidiary of the Company; and
(ii) Guangdong Precision.

Guangdong Precision is a limited liability company established in the PRC and is principally engaged in the manufacture of precision plastic parts. It is held as to 100% by Mr. Au. As Mr. Au, an executive Director, through Kytronics Holdings, are controlling shareholders holding approximately 66.72% of the issued share capital of the Company as at the Latest Practicable Date, Guangdong Precision is therefore an associate of a connected person of the Company and accordingly the entering into of the Guangdong Precision Master Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Subject: Pursuant to the Guangdong Precision Master Agreement, Guangdong Precision agreed to supply plastic parts, components and molds to Kongyue Information from time to time during the term of the Guangdong Precision Master Agreement.

Term: The Guangdong Precision Master Agreement has a fixed term for the three financial years commencing from 1 January 2017 and ending on 31 December 2019.

LETTER FROM THE BOARD

Pricing policy:

As a general principle, the purchase prices for the plastic parts, components and molds supplied by Guangdong Precision will be on normal commercial terms, negotiated on an arm's length negotiations, on similar basis as the Group transacts with other independent third party suppliers and shall be on terms which are no less favourable to the Group than those provided to independent third party suppliers.

Subject to the general principle disclosed above, Kongyue Information will also take into account the following factors when determining the purchase price payable by Kongyue Information under the Guangdong Precision Master Agreement: (i) the prevailing market prices of similar or comparable products offered by Guangdong Precision to other independent third parties obtained through internal checks and research conducted by Kongyue Information; (ii) the quality and prices of similar products offered by other independent third party suppliers; and (iii) the delivery lead time and payment terms offered by Guangdong Precision.

According to the Group's procurement policy, the Group establishes a list of pre-approved suppliers for each type of direct materials procured by the Group from time to time. Whenever the Group is required to procure a new type of direct materials, the Group will invite quotations from different suppliers and upon receipt of the different quotations, the Group will insert the most favourable quotation to its internal systems applications and products system and uses such price as the basis for future procurement on the same type of products.

The quotations will be reviewed on a bi-annual basis and for the purpose of the review, the Group will invite quotations from two to three pre-approved suppliers to get a reference on the prevailing market prices for the relevant products to be procured and the staff of the purchasing department will prepare a quotation summary (the "**Quotation Summary**"). Such Quotation Summary will be reviewed and evaluated from both the technical and commercial perspectives, taking into account of factors such as the quality and quantity of direct material supplied, pricing, payment terms and delivery lead time, firstly by the managers of the purchasing department and further jointly by the Group's production management and finance departments and subject to the final approval by the CEO of Group. Upon receipt and review of the initial quotations from Guangdong Precision and the independent suppliers, the Group will then invite each of the suppliers to submit a revised offer based on preliminary feedback provided by the Group, or seek a new fee quotation from another pre-approved supplier. The revised Quotation Summary will then be prepared and again be reviewed and evaluated from both the technical and commercial perspectives by the Group's production management and finance departments and upon the final approval of the CEO of the Group.

LETTER FROM THE BOARD

Cap Amount:

It is expected that the transaction amount under the Guangdong Precision Master Agreement for each of the three financial years ending 31 December 2019 will not exceed the following annual caps:

	For the year ending 31 December		
	2017	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed annual cap	24.728	34.620	50.199

The proposed annual caps for the three years ending 31 December 2019 were determined with reference to (i) the historical transaction amounts under the Existing CCT Agreement for the three years ended 31 December 2015 and the nine months ended 30 September 2016; (ii) the expected demand for plastic parts, components and molds taking into consideration of the Group's expected business demand in the coming few years in the number of orders of the Group's products; and (iii) the expected increases in the prices of such parts, components and mold during the term of the Guangdong Precision Master Agreement due to inflation. Further, it is expected that there will be an increase of demand of plastic parts, components and molds required by the Group from the year ending 31 December 2016 to the year ending 31 December 2017 and from the year ending 31 December 2017 to the year ending 31 December 2018 and from the year ending 31 December 2018 to the year ending 31 December 2019 owing to (i) the expected continuous business growth of the Group; and (ii) the expected increase of the orders of the Group's products due to the continued implementation of the "BT to VAT" tax system reform policy (replacing business tax with value added tax).

In relation to the implementation of the "BT to VAT" tax system reform policy, as mentioned in the interim report of the Company for the six months ended 30 June 2016, China started to fully implement the "BT to VAT" tax system reform policy and extended the policy to various different services sectors since 1 May 2016. The tax system reform is a favorable move for the dot matrix printers market. A sustained increase in demand can be expected in addition to the one-off rise in demand resulting from the "BT to VAT" policy. New taxpayers will henceforth be included as value-added taxpayers upon the completion of registration, thus expanding the coverage of printer users. The benefit of the "BT to VAT" policy had evident positive effects on the Company's results for the first half of 2016, which can be evident by the 39.6% increase in the sales volume of the printer and tax control equipment in the first half of 2016 as compared to that in the corresponding period for the six months ended 30 June 2015.

LETTER FROM THE BOARD

The historical transaction amount of purchases by the Group from Guangdong Precision for the three financial years ended 31 December 2015 and the nine months ended 30 September 2016 are as follows:

	For the year ended 31 December			For the nine months ended
	2013	2014	2015	30 September 2016
	RMB million	RMB million	RMB million	RMB million*
Annual cap	36.984	25.859	38.788	58.182 <i>Note</i>
Actual purchases	17.633	17.344	17.250	13.738

* *unaudited figures*

Note: Pursuant to the Existing CCT Agreement, RMB58.182 million has been determined as the maximum transaction amount for the financial year ending 31 December 2016 (the “**2016 Annual Cap**”). The procurement amount of the relevant products by Kongyue Information from Guangdong Precision pursuant to the Existing CCT Agreement for the ten months ended 31 October 2016 was approximately RMB16 million. As at the Latest Practicable Date, the 2016 Annual Cap has not been exceeded.

Reasons for the Guangdong Precision Master Agreement

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

As part of the Group’s ordinary course of business, the Group needs to source various materials including precision plastic parts for use in its production process. Guangdong Precision has established itself as a reliable supplier that can supply products with competitive prices to the Group. Guangdong Precision has been supplying plastic parts, components and molds to the Group since September 2003, and has been able to meet the Group’s stringent quality requirements and delivery schedules. The stable and well-established cooperation history between the Group and Guangdong Precision will ensure the Group to save management time and resources, as well as to better capture operation efficiency as a whole. In addition, the close proximity of Guangdong Precision to the Group’s production base would enable the Group to streamline and centralise its direct materials procurement process, which helped reduce overall production cost of the Group.

To ensure competitiveness of the quality and pricing of materials supplied by Guangdong Precision, the Company maintains a regular review and periodic checking process of comparable product offerings in the open market. As the Guangdong Precision Master Agreement was entered into in the usual and ordinary course of business of the Group and the terms have been negotiated on an arm’s length basis and on normal commercial terms, the Directors (including the independent non-executive Directors) consider that the transaction contemplated under the Guangdong Precision Master Agreement and its proposed annual cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Listing Rule Implications

Guangdong Precision is a company held as to 100% by Mr. Au. As Mr. Au, an executive Director, through Kytronics Holdings, are controlling shareholders of the Company holding approximately 66.72% of the issued share capital of the Company as at the Latest Practicable Date, Guangdong Precision is therefore an associate of a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of the Guangdong Precision Master Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant applicable percentage ratios set out in the Listing Rules in respect of the annual caps under the Guangdong Precision Master Agreement are, on an annual basis, more than 5%, the transaction contemplated under the Guangdong Precision Master Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Compliance with the Listing Rules

Further, the continuing connected transaction under the Guangdong Precision Master Agreement is subject to annual review by the independent non-executive Directors and the auditors of the Company to ensure that the transaction is conducted in accordance with the pricing policy of the Group and the terms as set out in the Guangdong Precision Master Agreement.

The Company will comply with its continuing obligations under Rules 14A.37 to 14A.40 of the Listing Rules and will re-comply with the relevant Listing Rules when there is a material change to the terms of the Guangdong Precision Master Agreement.

INTERNAL CONTROL

Subject to the general principle disclosed above, the Company has formulated a purchase management system to monitor the pricing policy of the Group's continuing connected transaction, which involves, (i) a regular review and bi-annual periodic checking process of all purchased materials supervised and monitored by the relevant personnel and management from the finance department of the Group; and (ii) an annual internal audit review of the purchases made under the continuing connected transaction specifically conducted by the internal audit department of the Group to ensure that the Guangdong Precision Master Agreement is conducted on normal commercial terms and will not be prejudicial to the interests of the Group as a whole. The relevant personnel and management of the Group will also conduct bi-annual regular checks to review and assess whether the transaction contemplated under the Guangdong Precision Master Agreement are conducted in accordance with the terms of the Guangdong Precision Master Agreement and in accordance with the aforesaid pricing policy. The independent non-executive Directors would continue to review the transaction contemplated under the Guangdong Precision Master Agreement and the auditors of the Company would also conduct an annual review on the annual caps thereof. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transaction contemplated under the Guangdong Precision Master Agreement has been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

GENERAL

As at the Latest Practicable Date, Kytronics Holdings, which is held as to 100% by KGL, which in turn is 100% held by FHL, a company wholly-owned by Mr. Au, is interested in approximately 66.72% of the issued share capital of the Company. Accordingly, Kytronics Holdings and its associates are considered to be interested in the transaction contemplated under the Guangdong Precision Master Agreement and will abstain from voting at the EGM to be convened to approve the Guangdong Precision Master Agreement.

Mr. Au Pak Yin, an executive Director, is beneficially interested in the entire equity interest of Guangdong Precision. Further, Mr. Au Kwok Lun and Mr. Ou Guo Liang, each an executive Director, are the sons of Mr. Au. Accordingly, Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang are considered to have a material interest in the continuing connected transaction under the Guangdong Precision Master Agreement and have abstained from voting on the Board resolutions proposed at the meeting of the Board held to approve this transaction.

The Independent Board Committee (comprising all independent non-executive Directors) has been formed to advise the Independent Shareholders on the continuing connected transaction contemplated under the Guangdong Precision Master Agreement and its annual caps.

China Everbright has been appointed as Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Guangdong Precision Master Agreement and its annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EGM

Set out on pages 30 to 31 of this circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve the Guangdong Precision Master Agreement and its annual caps.

As at the Latest Practicable Date, Kytronics Holdings, which is held as to 100% by KGL, which in turn is 100% held by FHL, a company wholly-owned by Mr. Au, is interested in approximately 66.72% of the issued share capital of the Company. Accordingly, Kytronics Holdings and its associates are considered to be interested in the transaction contemplated under the Guangdong Precision Master Agreement and will abstain from voting at the EGM to be convened to approve the Guangdong Precision Master Agreement.

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.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 12 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 13 to 24 of this circular.

The Independent Board Committee, having taken into account the advice of China Everbright, considers that the terms of the Guangdong Precision Master Agreement and its annual caps are on normal commercial terms in the ordinary and usual course of business of the Group 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 notice of EGM.

The Board considers that the Guangdong Precision Master Agreement and the transaction contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. The Board considers that the resolutions proposed in the notice of EGM are in the best interests of the Company and the Shareholders and therefore recommends you to vote in favour of the relevant resolutions to be proposed at the EGM.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



JOLIMARK HOLDINGS LIMITED

映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2028)

2 December 2016

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company dated 2 December 2016 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Guangdong Precision Master Agreement and its annual caps thereunder are fair and reasonable so far as the Independent Shareholders are concerned and whether such transaction is in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from China Everbright, the Independent Financial Adviser, appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Guangdong Precision Master Agreement and its annual caps thereunder as set out from pages 13 to 24 of the Circular and the letter from the Board set out on pages 4 to 11 of the Circular.

Having considered the terms of the Guangdong Precision Master Agreement and the factors and reasons considered by, and the opinion of China Everbright as stated in its letter of advice, we consider that the terms of the Guangdong Precision Master Agreement and its annual caps were entered into in the usual and ordinary course of business, the terms have been negotiated on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Guangdong Precision Master Agreement and its annual caps to be proposed at the EGM.

Yours faithfully,

The Independent Board Committee

Lai Ming, Joseph

Independent Non-executive Director

Xu Guangmao

Independent Non-executive Director

Meng Yan

Independent Non-executive Director

Yeung Kwok Keung

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from China Everbright Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the Guangdong Precision Master Agreement prepared for the purpose of inclusion in this circular.



2 December 2016

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTION

I. INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Guangdong Precision Master Agreement (the “**Guangdong Precision Master Agreement**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 2 December 2016 issued by the Company, 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 is a company held as to 100% by Mr. Au. As Mr. Au, an executive Director, through Kytronics Holdings, are controlling shareholders holding approximately 66.72% of the issued shares of the Company as at the Latest Practicable Date, Guangdong Precision is an associate of a connected person of the Company under the Listing Rules. As the relevant applicable percentage ratios set out in the Listing Rules in respect of the annual caps under the Guangdong Precision Master Agreement are on an annual basis more than 5%, the entering into of Guangdong Precision Master Agreement is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the four independent non-executive Directors, has been formed to consider whether (i) the terms of the Guangdong Precision Master Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the transaction under the Guangdong Precision Master Agreement (the “**Continuing Connected Transaction**”), including the relevant annual caps (the “**Annual Caps**”), is 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, Guangdong Precision, or any of their respective associates. We are independent from and not connected with the Group, Guangdong Precision, or any of their respective substantial shareholders, directors or chief executives, 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 Transaction.

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 management (the “**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 Management that no material facts 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 representations 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 TAKEN INTO ACCOUNT

In formulating our view on the transaction contemplated under the Guangdong Precision Master 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.

(A) Background of and reasons for the Continuing Connected Transaction

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

Pursuant to the existing CCT agreement (the “**Existing CCT Agreement**”) dated 8 November 2013 with Guangdong Precision, the Group agreed to purchase plastic parts, components and molds from Guangdong Precision from time to time during the three years ending 31 December 2016. The Existing CCT Agreement was approved by the then Independent Shareholders on 19 December 2013.

In view of the expiry of the Existing CCT Agreement on 31 December 2016, the Guangdong Precision Master Agreement for a further term expiring on 31 December 2019, which will be put forward for approval by the Independent Shareholders at the EGM, were signed on 27 October 2016 in order to govern the conduct of the continuing connected transaction contemplated under the Guangdong Precision Master Agreement for the three years ending 31 December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Guangdong Precision Master Agreement and subject to the Annual Caps, the Group will continue to carry out the procurement of plastic parts, components and molds from Guangdong Precision (“**Procurement of precision plastic parts**”) from 1 January 2017 to 31 December 2019.

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

1. Guangdong Precision has established itself as competitively priced and reliable suppliers to the Group which meet the Group’s stringent quality requirements and delivery schedules; and
2. The close proximity of Guangdong Precision to the Group’s production base would enable the Group to streamline and centralize its direct materials procurement process and reduce overall production cost of the Group.

In light of the above and (i) Guangdong Precision has been engaged to supply the Group precision plastic parts in the Continuing Connected Transaction, which are the same product types in the Existing CCT Agreement; (ii) the Continuing Connected Transaction is of the type that is 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 Guangdong Precision Master Agreement is the renewal of the Existing CCT Agreement with the intention to ensure to continue the existing business transaction between the Group and Guangdong Precision, we are of the view that the Continuing Connected Transaction is in line with the existing business of the Group, and is fair and reasonable and in the interests of the Shareholder and the Company as a whole.

(B) The Major Terms of the Guangdong Precision Master Agreement

On 8 November 2013, the Group entered into the Existing CCT Agreement with Guangdong Precision for a term of three years commencing from 1 January 2014 to regulate the future business transaction between the Group and Guangdong Precision. We noted that, save for the Annual Caps, there are no changes to the major terms of the Guangdong Precision Master Agreement, compared with the Existing CCT Agreement.

Major Terms of the Guangdong Precision Master Agreement

Guangdong Precision is principally engaged in the manufacture of precision plastic parts. Pursuant to the Guangdong Precision Master Agreement which sets out major terms for the supply of plastic parts, components and molds by Guangdong Precision to the Group throughout the contract term from 1 January 2017 to 31 December 2019, the price payable by the Group for the procurement of precision plastic parts will be on normal commercial terms, negotiated on an arm’s length negotiations, with reference to the prevailing market price of similar or comparable products offered by Guangdong Precision to other independent third parties at the time the procurement was made. The procurement invoices will be settled by the Group on a monthly account basis by bank transfer. For products supplied by Guangdong Precision without the required quality standards, the Group reserves the rights for product returns. It is also stipulated in the Guangdong Precision Master Agreement that Guangdong Precision can supply precision plastic parts to other independent third parties and the Group can also procure the same types of products from other available independent suppliers in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stipulated in the Guangdong Precision Master Agreement, the Group can procure precision plastic parts from other available independent suppliers in the market. Shareholders should note that there is no provision in Guangdong Precision Master Agreement requiring the Group to exclusively transact with Guangdong Precision. As advised by the Management, the Management follows the procurement policy and considers several criteria for the selection of supplier of precision plastic parts, including but not limited to, the fee quotation, quality and quantity of direct material supplied, delivery lead time and payment terms offered by the relevant suppliers. Therefore, we consider the arrangement of no exclusivity provision in Guangdong Precision Master Agreement provides 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 Guangdong Precision.

It should be noted that the purpose of the Guangdong Precision Master Agreement is to provide a framework of the agreed general terms and conditions governing the procurement of precision plastic parts by the Group from Guangdong Precision, and such a transaction to be undertaken by the Group will be subject to specific terms and conditions (including the quality, quantity, product specifications and payment terms) as stated in the applicable purchase orders to be entered into between Kongyue Information and Guangdong Precision (the “**Formal Documents**”). The terms of the Formal Documents will be consistent with the principles and the terms of the Guangdong Precision Master Agreement. Notwithstanding the fact that the actual price for the procurement of precision plastic parts payable by the Group is subject to the terms of the Formal Documents, such purchase price shall be determined based on the pricing policy as stipulated in the Guangdong Precision Master Agreement whereby the prices for the procurement of precision plastic parts payable by the Group shall be negotiated on an arm’s length basis and will be provided on normal commercial terms or on terms to the Group no less favorable than those available from independent third parties, in particular the prices of the products under the Guangdong Precision Master Agreement will be determined with reference to the market prices of similar products, and the payment terms will be on market terms which are no less favorable than those available from independent third parties to the Group.

As advised by the Management, according to the procurement policy of the Group, the Group has established a list of pre-approved suppliers for each type of direct materials procured by the Group from time to time, comprising of independent suppliers and suppliers which are the associates of the connected person to the Group so as to maintain commercial flexibility and strengthen bargaining power. In order to optimize the portfolio of the Group’s suppliers and reduce the Group’s procurement cost, the Group will review and update its list of pre-approved suppliers annually in accordance with the past performance of such suppliers, including but not limited to, price competitiveness of their fee quotations and product quality supplied to the Group.

Depending on the number of available pre-approved suppliers on specific direct materials procured by the Group, the Group will invite two to three pre-approved suppliers to provide fee quotations to the Group for review and selection. Details of product specification will be provided to pre-approved suppliers through email or fax for fee quotations. Normally, the Group will request fee quotations from suppliers when it is the first purchase of direct materials or the periodic update of quoted price for the recurring purchases (at least two updates per year). We were advised by the Management that the Group will normally invite at least two to three fee quotations from the pre-approved supplier list, which may include Guangdong Precision, in relation to the procurement of precision plastic parts. As advised by the Management, there was no material price change for the majority of major direct materials purchased by the Company in the bi-annual price list

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for each of the two years ended 31 December 2015 and the nine months ended 30 September 2016. With the consideration of the above and the efficiency in the use of human resources, the Management is of the view that bi-annual price update for major direct materials is sufficient and adequate. Based on our review of the Group's bi-annual price list of major direct materials for each of the two years ended 31 December 2015 and the nine months ended 30 September 2016 provided by the Management and noted that there was no material price change for the majority of major direct materials purchased by the Group during the periods, we concur with the Management's view on the adequacy and sufficiency of the bi-annual regular update of quoted price of precision plastic parts.

Based on the signed fee quotations obtained from two to three pre-approved suppliers, the staff of the purchasing department will prepare a quotation summary (the "**Quotation Summary**") which lists out the pricing term, quality and quantity of direct material supplied, delivery lead time and payment term for further review and evaluation from both technical and commercial perspectives, firstly by the manager of the purchasing department and further jointly by the production management and finance departments and subject to the final approval by the CEO of the Group.

The manager of the purchasing department will first review the Quotation Summary and compare all quotations obtained. As advised by the Management, pricing term is the most important criteria for the Group's purchasing department in selecting suppliers. In addition, the Group's purchasing department also reviews and compares other terms offered by the relevant suppliers, including the quality and quantity of direct material supplied, delivery lead time and payment terms offered by the relevant suppliers. After discussion with the Management, we were advised that the Group usually procure direct materials from supplier(s) with the lowest fee quotation if the quality and quantity of direct material supplied, delivery lead time and payment terms offered by different suppliers are similar. Under certain circumstances where supplier(s) with the lowest fee quotation offer very long delivery lead time, the Group's purchasing department may consider other non-monetary factors, including quality and quantity of direct material supplied and payment terms of different suppliers in making purchase decisions. After the receipt and review of all initial fee quotations from Guangdong Precision and the independent suppliers, the Group will then invite each of the suppliers to submit a revised offer based on preliminary feedback provided by the Group, or seek a new fee quotation from another pre-approved supplier. A revised Quotation Summary will be prepared for further review and evaluation.

The production management and finance departments will jointly review the revised Quotation Summary from both technical and commercial perspectives to ensure that whenever Guangdong Precision is awarded a contract, purchase prices for the direct materials payable by the Group to Guangdong Precision will be on market terms which are no less favorable than those available from independent third parties to the Group. The revised Quotation Summary will be subject to final approval by the CEO of the Group.

Apart from the aforementioned internal control measures, the Group also performs (i) a regular review and bi-annual periodic checking process of all purchased materials by the relevant personnel and management from the finance department ; (ii) annual internal audit review of the purchases made under the Continuing Connected Transaction conducted by the internal audit department; and (iii) bi-annual regular checks by relevant personnel and management to review and assess the Continuing Connected Transaction is conducted in accordance with the terms of Guangdong Precision Master Agreement. As such, we consider

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

that the Group has devoted reasonable human resources to ensure the pricing policy of the Group could be implemented, and we are of the view that the above-mentioned price determination basis is justifiable and acceptable.

We have reviewed ten sets of Quotation Summaries of fee quotations for the Group's direct materials provided by (i) Guangdong Precision; and (ii) other independent suppliers, which were gathered randomly during the period between 1 January 2015 to 30 September 2016. After comparison of such fee quotations, we noted that the terms, including the fee quotations, offered by Guangdong Precision to the Group were not less favorable 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 Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Based on the ten sets of Quotation Summaries obtained and corresponding fee quotations from the pre-approved suppliers, we are of the view that the pricing policy and the related control measures have been effectively implemented by the Group during the period between 1 January 2015 to 30 September 2016.

The Group has been conducting the similar transactions described under the Existing CCT Agreement. As such, we have reviewed the 2015 annual report (the "**2015 Annual Report**") of the Company, where we note that the aforesaid continuing connected transaction has been reviewed by the independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; (c) in accordance with the agreements governing them on terms that are fair and reasonable; and (d) have not exceeded the relevant annual maximum amount stipulated in the relevant agreement.

In addition, as stated in the 2015 Annual Report, the auditors of the Company were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors of the Company have issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transaction in accordance with Rule 14A.56 of the Listing Rule. Accordingly, we consider that the Group has established a good track record on compliance matters in relation to the transaction described under the Guangdong Precision Master Agreement.

Given the aforementioned internal control measures and (i) the independent non-executive Directors will continue to review, among other things, whether the transaction contemplated under the Guangdong Precision Master Agreement is conducted on normal and commercial terms pursuant to Rule 14A.55 of the Listing Rules; and (ii) the auditors of the Company will continue to review transaction contemplated under the Guangdong Precision Master Agreement in accordance with Rule 14A.56 of the Listing Rule, we are of the view that adequate measures have been put in place, as required under the Listing Rules mentioned above, to monitor the transaction contemplated under the Guangdong Precision Master Agreement in order to protect the interests of the Company and the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(C) The Annual Caps

The Continuing Connected Transaction is subject to the Listing Rules' requirements and conditions as discussed in detail under the section headed "Reporting requirements and conditions of the Continuing Connected Transactions" below. In particular, the Continuing Connected Transaction is subject to the Annual Caps.

Review of annual cap and historical purchase

The table below sets out (i) the annual caps under the Existing CCT Agreement and (ii) actual purchases for the three financial years ended 31 December 2015 and the nine months ended 30 September 2016:

Annual caps and actual purchases for the three financial years ended 31 December 2015 and the nine months ended 30 September 2016

	For the year ended 31 December			For the nine months ended
	2013	2014	2015	30 September 2016
	RMB million	RMB million	RMB million	RMB million*
Annual cap	36.984	25.859	38.788	58.182 ^{Note}
Actual purchases	17.633	17.344	17.250	13.738

* *unaudited figures*

Note: Pursuant to the Existing CCT Agreement, RMB58.182 million has been determined as the maximum transaction amount for the financial year ending 31 December 2016 (the "2016 Annual Cap"). The procurement amount of the relevant products by Kongyue Information from Guangdong Precision pursuant to the Existing CCT Agreement for the ten months ended 31 October 2016 was approximately RMB16 million. As at the Latest Practicable Date, the 2016 Annual Cap has not been exceeded.

We noted that the actual transaction amounts under the Existing CCT Agreement were substantially lower than the approved existing annual caps in 2013. After discussion with the Management, we were informed that such a difference was mainly attributable to (i) the slowdown in the implementation of "BT to VAT Reform" policy (replacing business tax with value-added tax) by the PRC government and (ii) the overall economic slowdown in the PRC, both of which negatively affected the demand for the dot matrix printers for invoices printing and tax control equipment and hence lowered the actual procurement of precision plastic parts by the Group under the Existing CCT Agreement.

Based on the actual procurement amounts under the Existing CCT Agreement in the nine months ended 30 September 2016, the Management estimates that the annual procurement amounts in 2016 will be approximately RMB18.3 million, which represents an annualized estimate and accounts

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for approximately 31.5% of the approved existing annual caps in 2016. Given the low utilization rate of annual caps, the Management reduces the relevant annual caps under the Guangdong Precision Master Agreement in 2017 to RMB24.7 million.

The proposed Annual Caps

For the year ending 31 December		
2017	2018	2019
<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
24.728	34.620	50.199

Assessment of the proposed Annual Caps

As stated in the Letter from the Board, the proposed Annual Caps under the Guangdong Precision Master Agreement for the three years ending 31 December 2019 are determined with reference to the historical transaction figures under the Existing CCT Agreement and after considering the following factors:

The increases in the proposed Annual Caps are based on (i) the expected increase in the prices of such parts, components and molds during the period due to inflation; and (ii) the expected increase in demand for plastic parts, components and molds due to the growth in expected demand for the Group's product in the coming few years as a result of the continued implementation of the "BT to VAT Reform" policy.

In our assessment of the Management's rationale in determining the proposed Annual Caps, we also have taken into consideration of the following factors:

The expected price trend of precision plastic parts

The Management estimates that the expected increase in price of precision plastic parts will increase by approximately 1-2% annually during the three years ending 31 December 2019 as a result of the inflation.

According to the press release regarding the consumer prices for December 2014 (http://www.stats.gov.cn/english/PressRelease/201501/t20150114_668075.html) and December 2015 (http://www.stats.gov.cn/english/PressRelease/201601/t20160111_1302486.html) by Bureau of Statistics of China, the monthly inflation rate in the PRC ranged from approximately 0.8% to 2.5% during the two years ended 31 December 2014 and 2015. As advised by the Management, the price of precision plastic parts supplied by Guangdong Precision remained relatively stable during the two years ended 31 December 2014 and 2015. Based on the historical and expected inflation rate in the PRC, the Management takes a prudent view on the expected inflation rate and hence a buffer is reserved for possible price increase of precision plastic parts by Guangdong Precision in the three years ending 31 December 2019. We concur with the Management's view that the increase in purchase prices of precision plastic parts generally resulted from with the expected inflation rate of PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The favorable government's policy in promoting online tax invoice and the "BT to VAT Reform" policy in the PRC

Value-added tax is a kind of turnover tax levied on the value added in the course of the import and sales of goods in the PRC. VAT invoices are issued by the seller to the buyer upon the sale of goods for the purpose of calculating the output VAT payable/input VAT creditable for the seller/buyer. In order to prevent and combat theft, fraud and other criminal activities related to VAT, the PRC government started to implement the "Golden Tax Project" in 1994, pursuant to which, a nationwide computer network is to be developed to match input tax claims made by taxpayers against the corresponding output tax filed by the issuer of the VAT invoice to which the input tax claim relates. VAT payers are required to issue computerized VAT invoices through the "anti-VAT-fraud monitoring system" rather than use handwritten invoices. As more VAT payers need to print computerized VAT invoices, instead of issuing handwritten invoices, it has stimulated the demand for the printers for invoice printing and tax control equipment.

On 27 May 2013, the PRC Ministry of Finance ("MoF") and the State Administration of Taxation ("SAT") issued the Tax Circular Caishui [2013] No. 37 ("**Circular 37**") to extend the "BT to VAT Reform" policy to all over the country starting from 1 August 2013.

From 1 August 2013 onwards, the "BT to VAT Reform" policy was extended to the transportation industry and certain modern service industries countrywide.

Meanwhile, the "Administrative Measures of Online Invoices" formally promulgated by the State Administration of Taxation has taken effect from 1 April 2013, and online tax invoice will be promoted throughout the country. The State Administration of Taxation issued the "Notice on the Issues Concerning the Implementation of the Regular Electronic Value Added Tax Invoice Issued by the Electronic Value-Added Tax Invoice System" in November 2015 and, became effective on 1 January 2016, which states that a regular value-added tax invoice may be issued electronically, and the issuer and the receiver may print the electronic invoice on regular paper, whilst the legality, basic usages and basic application requirements are the same as the regular value added tax invoices under the supervision and printing of the taxation authority.

Starting from 1 May 2016, the "BT to VAT Reform" policy was further extended to the architectural, real estates, financial and daily life services sectors, covering more than 11 million taxpayers.

As stated in the 2016 Interim Report (the "**2016 Interim Report**"), the revenue from the printer and tax control equipment business of the Group in the six months ended 30 June 2016 amounted to approximately RMB207.7million, representing an increase of approximately 19% when compared to that in the six months ended 30 June 2015. As advised by the Management, such an increase in revenue was mainly driven by a 39.6% increase in sales volume of printer and tax control equipment in the six months ended 30 June 2016 when compared to that in the corresponding period of 2015. As stated in the 2016 Interim Report, such an increase in revenue was mainly attributable to the full implementation of the "BT to VAT Reform" policy in PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, according to the market update on dot matrix printer industry in the PRC published in May 2016 by the International Data Corporation (the “IDC”)(<http://www.idc.com.cn/about/press.jsp?id=OTY3>), an independent research company, it is estimated that the total shipment of dot matrix printer in 2016 will be higher than that in 2015 by approximately 16.4%. The market update further stated that (i) the enterprises in architectural, real estates and financial services sectors are generally more well-established and possess sufficient resources to replace the existing invoice printing and tax control equipment; (ii) there are more enterprises in daily life services sector (such as food and beverage, entertainment and education sectors) than those in financial services, real estate and architectural sectors, majority of which are small and middle-sized companies so the replacement of their invoices printing and tax control equipment would be made progressively.

The Management believes that the enterprises operating in highly regulated industries, e.g. financial services sector, have to upgrade the system and infrastructure regularly to comply with the latest regulatory requirements. The replacement of the existing invoice printing and tax control equipment would therefore drive up the demand for invoice printing and tax control equipment in the three years ending 31 December 2019. As a local brand, the Group’s products enjoyed a higher price/performance ratio when compared with overseas counterparts, which will be favorable to our future sales to the large number of small and middle enterprises in daily life services sectors. Furthermore, new taxpayers will henceforth be included as value added tax payers upon the completion of registration, thus expanding the coverage of printer users and further increase the demand of the Group’s invoices printing and tax control equipment in the three years ending 31 December 2019.

Furthermore, as stated in the 2016 Interim Report, the products newly launched by the Group which were equipped with unique features and functions enabled a boarder application, thereby gaining more popular in the PRC market in the first half of 2016. With the competitive advantages of the Group’s new products and offerings, the Management expects that it would enhance the market share of our products by acquiring the market for small scale taxpayers after the full implementation of the “BT to VAT Reform” policy in PRC in the three years ended 31 December 2019.

Based on our (i) review of the 2016 Interim Report, sales volume of the printer and tax control equipment increased by approximately 39.6% in the first half of 2016; (ii) review of the official announcement from State Administration of Taxation of the PRC government regarding the full implementation of “BT to VAT” tax system reform policy to cover the architectural, real estate, financial and daily life service sectors; (iii) review of the IDC market update of dot matrix printer market provided by the Management and understood that enterprises in architectural, real estates, financial and daily life services sectors would replace their invoices printing and tax control equipment in the three years ending 31 December 2019; and (iv) review of the historical transaction data for the nine months ended 30 September 2016 and as advised by the Management, the increase in sales volume of the printer and tax control equipment for the nine months ended 30 September 2016 was mainly driven by the increase in demand from financial services and daily life services sectors, which was in line with the abovementioned IDC market update. In these regards, we are of the view that the basis for the determination of the proposed Annual Cap for the year ending 31 December 2017 and the estimated increase in the total shipments in the three years ending 31 December 2019 is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that above and a moderate buffer is created to cater for any unforeseeable circumstances, in particular, for any unexpected market fluctuations, the implementation and promotion of the “BT to VAT Reform” policy and online tax invoice, unexpected fluctuation in direct material costs and unexpected increase in labour cost, for the three years ending 31 December 2019, we are of the view that the basis adopted by the Management in determining the Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned. However, Shareholders should note that the Annual Caps relate to future events and they do not represent a forecast of turnover to be generated from the Continuing Connected Transaction.

(D) Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 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:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the agreement 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 of Directors (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 whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - have not been approved by the Board of directors;
 - were not, in all material respects, in accordance with the pricing policies of the group if the transactions involve the provision of goods or services by the group;
 - were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
 - have exceeded the annual caps.

- (c) the company shall allow, and shall procure the relevant counterparties 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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.

In light of the reporting requirements attached to the Continuing Connected Transaction, in particular, (i) the restriction of the maximum value of the Continuing Connected Transaction by way of the Annual Caps; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transaction 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 Transaction and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of transaction contemplated under the Guangdong Precision Master Agreement, including the Annual Caps, are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable 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 favor of the ordinary resolutions in relation to the Guangdong Precision Master Agreement, including Annual Caps, as detailed in the notice of EGM as set out at the end of the Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Alvin Kam
Managing 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) Directors and Chief Executive

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 Companies 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")	Kytronics Holdings	Interest in controlled corporation (Note 2 and Note 3)	417,657,533 Shares (L)	66.72%

Notes:

- The letter "L" denotes the Director's long position in such securities.
- 417,657,533 Shares were owned by Kytronics Holdings. The issued share capital of Kytronics Holdings is owned as to 100% by KGL, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited ("FHL"), a company wholly-owned by Mr. Au. 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.
- Ms. Tai Noi Kit ("Ms. Tai") is the spouse of Mr. Au. Ms. Tai is therefore deemed to be interested in 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	No. of shares held	Percentage in the relevant class of share capital (approx.) (Note 1)
Kytronics Holdings	Company	Beneficial owner	417,657,533 Shares (Note 2 and Note 3)	66.72% (L)
KGL	Kytronics Holdings	Interest in controlled corporation	417,657,533 Shares (Note 2)	66.72% (L)
FHL	KGL	Interest in controlled corporation	417,657,533 Shares (Note 2)	66.72% (L)
Kent C. McCarthy	Company	Interest in controlled corporation	62,292,000 Shares (Note 4)	9.95% (L)

Notes:

1. The letter "L" denotes the person's long position in such securities.
2. 417,657,533 Shares were owned by Kytronics Holdings. The issued share capital of Kytronics Holdings is owned as to 100% by KGL, which in turn is 100% held by FHL, a company wholly-owned by Mr. Au. 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.
3. Ms. Tai is the spouse of Mr. Au. Ms. Tai is therefore deemed to be interested in an ordinary share in Kytronics Holdings.
4. The 62,292,000 Shares were held by Jayhawk Private Equity Fund II. L.P., which is wholly owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 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) As at the Latest Practicable Date, save for the continuing connected transaction contemplated under the Guangdong Precision Master Agreement and the Existing CCT Agreement, 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) As at the Latest Practicable Date, 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 2015, being the date to which the latest published audited financial statements 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'S QUALIFICATION AND CONSENT

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

Name	Qualification
China Everbright Capital Limited	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, China Everbright Capital Limited (i) had no shareholding in any member of the Group and did not 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; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the

Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

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 2015, the date to which the latest published audited financial statements of the Group were made up.

6. DIRECTORS' 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. DIRECTORS' 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, either directly or indirectly, with the business of the Group.

8. GENERAL

- (i) The registered office of the Company is situated at Clifton House, 75 Fort Street, PO Box 1350 GT George Town, Grand Cayman, Cayman Islands.
- (ii) 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.
- (iii) The branch share registrar and the transfer office of the Company is at Computershare Hong Kong Investor Services Limited, Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The company secretary of the Company is Mr. Lai Sai Wo, Ricky. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (v) 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 from the date of this circular up to and including the date of the EGM:

- (i) the Guangdong Precision Master Agreement;
- (ii) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 12 of this circular;
- (iii) the letter of advice from China Everbright, the text of which is set out on pages 13 to 24 of this circular; and
- (iv) the written consent of China Everbright, referred to in paragraph 4 in this appendix.

NOTICE OF EGM



JOLIMARK HOLDINGS LIMITED

映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2028)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“the **EGM**”) of Jolimark Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on Friday, 23 December 2016 at Unit 01, 23A Floor, K.Wah Centre, 191 Java Road, North Point, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (i) the master supply agreement dated 27 October 2016 entered into between 廣東江裕精密工業製造有限公司 (Guangdong Kong Yue Precision Industry Ltd.) and 新會江裕信息產業有限公司 (Kong Yue Electronics & Information Industry (Xin Hui) Ltd.) (“**Kongyue Information**”), a wholly-owned subsidiary of the Company, (the “**Guangdong Precision Master Agreement**”) (a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to, among other matters, the supply of plastic parts, components and molds and the transaction contemplated thereunder be and is hereby approved, ratified and confirmed;
- (ii) the proposed annual caps in relation to the transaction contemplated under the Guangdong Precision Master Agreement for the period commencing from 1 January 2017 until 31 December 2019 and each of the financial years ending 31 December 2017, 2018 and 2019 will not exceed RMB24.728 million, RMB34.620 million and RMB50.199 million 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 Agreement and any or all the matters contemplated in the Guangdong Precision Master Agreement and this resolution. For the avoidance of doubt, all such further acts, things, actions and documents to be done, taken or executed are limited to acts, things, actions and documents which are ancillary to, or incidental to, the continuing connected transaction contemplated under the Guangdong Precision Master Agreement (as defined in the circular dated 2 December 2016 of the Company (the “**Circular**”)) and the proposed annual caps.”

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

Hong Kong, 2 December 2016

NOTICE OF EGM

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.
2. The register of members will be closed from Wednesday, 21 December 2016 to Friday, 23 December 2016 (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 Tuesday, 20 December 2016.
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.

As at the date of this notice, the executive directors of the Company are Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang; and the independent non-executive directors of the Company are Mr. Lai Ming, Joseph, Mr. Meng Yan, Mr. Xu Guangmao and Mr. Yeung Kwok Keung.