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**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)

**DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF PROPERTIES**

**AND**

**DISCLOSEABLE TRANSACTION  
INCREASE OF REGISTERED CAPITAL OF  
KONGYUE INFORMATION**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**



**China Everbright Capital Limited**

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A notice convening the EGM of the Company to be held at 11:00 a.m. on 8 September 2006 at Room 3701, Tower II, Lippo Centre, 89 Queensway, Admiralty, Hong Kong is set out on pages 32 to 33 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 46th Floor, Hopewell Centre, 183 Queen's Road East, 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.

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	4
Acquisition .....	5
Increase of registered capital of Kongyue Information .....	8
Reasons for and benefit of Acquisition and increase of registered capital of Kongyue Information .....	8
Financial effects of Acquisition and increase of registered capital of Kongyue Information .....	9
Effect on the shareholding structure .....	9
Implications under the Listing Rules .....	10
EGM .....	10
Recommendations .....	10
General .....	11
<b>Letter from the Independent Board Committee</b> .....	12
<b>Letter from China Everbright</b> .....	13
<b>Appendix I — Valuation of the Properties</b> .....	22
<b>Appendix II — General Information</b> .....	28
<b>Notice of EGM</b> .....	32

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## DEFINITIONS

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

“associates”	has its meaning as defined in the Listing Rules
“Acquisition”	the acquisition of the Properties pursuant to the S&P Agreement
“Announcement”	the announcement of the Company dated 31 July 2006 regarding, among other things, the Acquisition, the increase of registered capital of Kongyue Information, the Placing and the Subscription.
“Board”	the board of directors of the Company
“China Everbright”	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) of the regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the S&P Agreement, the transactions contemplated thereunder and the Special Mandate
“Consideration Shares”	23,000,000 new Shares to be issued as fully paid pursuant to the S&P Agreement under the Special Mandate
“Company”	Jolimark Holdings Limited, a company established in the Cayman Islands and its Shares are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“DTZ”	DTZ Debenham Tie Leung Limited, an independent property valuer in Hong Kong
“EGM”	an extraordinary general meeting of the Company convened to approve the S&P Agreement and the allotment and issue of the Consideration Shares under Special Mandate
“General Mandate”	the general mandate granted to the Board pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 15 May 2006
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang which are executive Directors, Ms. Tai Noi Kit and Ms. Ou Ri Ai
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Zone of the People’s Republic of China

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## DEFINITIONS

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“Independent Board Committee”	a committee of the Board comprising Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao, the independent non-executive Directors, appointed to advise the Independent Shareholders on the fairness and reasonableness of the terms of the S&P Agreement, the transactions contemplated thereunder and the Special Mandate
“Independent Shareholders”	Shareholders of the Company except Kytronics Holdings and its associates
“Jiangmen Information”	江門市江裕信息科技有限公司 (Jiangmen Kongyue Information Technology Ltd.*), a limited liability company established in the PRC
“Jingtian”	Jingtian & Gongcheng Attorneys at Law, Beijing, the legal adviser of the Company on PRC laws
“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 which is owned as to 95% by Kong Yue Investment and 5% by Jiangmen Information.
“Kong Yue Investment”	Kong Yue Investment Limited, a limited liability company established in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Kytronics Holdings”	Kytronics Holdings Limited, the controlling Shareholder of the Company which holds 58.10% of the Company as at the Latest Practicable Date. Kytronics Holdings is a Company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr. Ou Guo Liang, Ms. Tai Noi Kit and Ms. Ou Ri Ai in equal shares, i.e. each holding a 20% shareholding interest in Kytronics Holdings
“Latest Practicable Date”	18 August 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the procuring of purchasers for 23,000,000 Placing Shares on best effort basis by Kingsway Financial Services Group Limited pursuant to the terms of the Placing and Subscription Agreement
“Placing and Subscription Agreement”	the placing and subscription agreement entered into between the Company, Kytronics Holdings, the Guarantors and Kingsway Financial Services Group Limited dated 31 July 2006 in relation to the Placing and Subscription. Please refer to the Announcement for details.
“Placing Price”	HK\$1.34 per Share
“Placing Shares”	23,000,000 Shares beneficially owned by Kytronics Holdings and placed pursuant to the Placing
“PRC”	the People’s Republic of China

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## DEFINITIONS

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“Properties”	the land use right of a parcel of land located at 18 Jiangyue Road, Jinguzhou Economic Development Zone, Xinhui District, Jiangmen, Guangdong Province, the PRC, together with the buildings erected thereon, including a four-storey industrial complex, a five-storey dormitory building and a single-storey warehouse
“Purchasers”	Kong Yue Investment and Jiangmen Information, being the shareholders of Kongyue Information
“RMB”	Renminbi, the legal currency of the PRC
“SFO”	the Securities and Futures Ordinance
“Shareholder(s) “	holder(s) of the Share(s)
“Share(s) “	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“S&P Agreement”	the conditional sale and purchase agreement dated 31 July 2006 entered into among the Company, the Purchasers and the Vendor relating to the sale and purchase of the Properties
“Special Mandate“	a special mandate to be sought from the Independent Shareholders at the EGM to satisfy the allotment and issue of the Consideration Shares
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription made by Kytronics Holdings of the Subscription Shares pursuant to the terms and conditions of the Placing and Subscription Agreement
“Subscription Price”	HK\$1.34 per Share
“Subscription Shares”	23,000,000 new Shares issued under the General Mandate and subscribed by Kytronics Holdings pursuant to the Subscription
“Vendor”	江裕科技園(新會)有限公司 (Kong Yue Industrial Park (Xinhui) Ltd.*), a WFOE owned by Kong Yue Holding Limited. Kong Yue Holding Limited is owned as to 36% by Mr. Au Pak Yin, 32% by each of Mr. Ao Kao and Mr. Ao Pak U, brothers of Mr. Au Pak Yin
“WFOE”	a wholly foreign owned enterprise established in the PRC
“%”	per cent

\* For identification purposes only

*The exchange rate used for reference purpose in this circular is HK\$1.00 to RMB1.04.*



**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  
Mr. Ng Shu Kai

*Registered office*

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

*Independent Non-executive Directors:*

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

*Principal place of business in Hong Kong*  
Room 3701, Tower II  
Lippo Centre  
89 Queensway  
Admiralty  
Hong Kong

21 August 2006

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF PROPERTIES  
AND  
DISCLOSEABLE TRANSACTION  
INCREASE OF REGISTERED CAPITAL OF KONGYUE INFORMATION**

**INTRODUCTION**

On 31 July 2006, the Group entered into the S&P Agreement with, among others, the Vendor for the Acquisition at a consideration of RMB62.4 million (approximately HK\$60.0 million).

The Board also resolved to, upon completion of the S&P Agreement, increase the registered capital of Kongyue Information, an indirect non wholly-owned subsidiary of the Company, by RMB62.4 million (approximately HK\$60.0 million), to be contributed by Kong Yue Investment and Jiangmen Information in proportion to their respective shareholding interest in Kongyue Information by way of injection of their respective interest in the Properties.

The Vendor is a WFOE owned by Kong Yue Holding Limited. Kong Yue Holding Limited is owned as to 36% by Mr. Au Pak Yin, a Director and a shareholder of Kytronics Holdings, and 32% by each of Mr. Ao Kao and Mr. Ao Pak U, brothers of Mr. Au Pak Yin. Hence, the Vendor is a connected person of the

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## LETTER FROM THE BOARD

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Company under the Listing Rules. As the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the entering into the S&P Agreement constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and, together with the Special Mandate, is subject to approval by the Independent Shareholders at the EGM. Kytronics Holdings and its associates will abstain from voting on the ordinary resolution proposed at the EGM.

As the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the increase of registered capital of Kongyue Information exceed 5% but are less than 25%, such increase of registered capital constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to disclosure requirement.

The Independent Board Committee has been formed to advise the Independent Shareholders. China Everbright has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether or not the terms of the S&P Agreement, the transactions contemplated thereunder and the Special Mandate are fair and reasonable and in the interest of Independent Shareholders and the Company as a whole.

The purpose of this circular is to provide you with (i) further details of the Acquisition, the allotment and issue of the Consideration Shares under Special Mandate and the increase of registered capital of Kongyue Information; (ii) the recommendation from the Independent Board Committee in respect of the terms of the S&P Agreement, the transaction contemplated thereunder and the Special Mandate; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of terms of the S&P Agreement, the transaction contemplated thereunder and the Special Mandate; and (iv) a notice of EGM.

### ACQUISITION

The Group has entered into the S&P Agreement with, among others, the Vendor for the Acquisition, further details of which are set out below.

### THE S&P AGREEMENT

**Date:** 31 July 2006

**Parties:**

- (a) the Company
- (b) Vendor Kong Yue Industrial Park (Xinhui) Ltd., a WFOE owned by Kong Yue Holding Limited which is an investment holding company. Kong Yue Holding Limited is owned as to 36% by Mr. Au Pak Yin, a Director and a shareholder of Kytronics Holdings, and 32% by each of Mr. Ao Kao and Mr. Ao Pak U, brothers of Mr. Au Pak Yin.
- (c) Purchasers Kong Yue Investment, an investment holding company established in the British Virgin Islands and a direct wholly-owned subsidiary of the Company; and

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## LETTER FROM THE BOARD

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Jiangmen Information, an investment holding company established in the PRC which is owned as to 90% by Mr. Ou Guo Liang, a Director and a shareholder of Kytronics Holdings, and 10% by Mr. Ou Bo Chou, brother of Mr. Au Pak Yin.

Kong Yue Investment and Jiangmen Information are shareholders of Kongyue Information holding 95% and 5% interest respectively.

(d) Kytronics Holdings the controlling Shareholder of the Company.

### **Properties to be acquired:**

Kong Yue Investment and Jiangmen Information agreed to acquire, and the Vendor agreed to sell, the Properties, comprising the land use right of a parcel of land with a site area of 37,270 sq.m. located at 18 Jiangyue Road, Jinguzhou Economic Development Zone, Xinhui District, Jiangmen, Guangdong Province, the PRC, together with the buildings erected thereon as set out below:

- (i) A 4-storey industrial complex with a total gross floor area of 29,693.38 sq.m. and a 5-storey dormitory building with a total gross floor area of 4,361.36 sq.m. which are owned by the Vendor and are currently leased to the Group for industrial, office and other ancillary uses; and
- (ii) A single-storey warehouse with a total gross floor area of 5,143.4 sq.m. which is owned by the Vendor and is currently leased to the Group for storage use.

The audited book value, including mainly the cost of land and construction and renovation cost of industrial complex and warehouse, was approximately RMB40 million as at 31 December 2005 in the accounts of the Vendor.

### **Consideration:**

The consideration of the Acquisition is RMB62.4 million (approximately HK\$60.0 million) which was arrived at after arm's length negotiations among the Group, Jiangmen Information and the Vendor, and was determined by reference to the valuation of the Properties as at 30 June 2006 of approximately RMB62.4 million (approximately HK\$60.0 million) conducted by DTZ. Please refer to Appendix I for the valuation report of DTZ on the Properties.

The consideration will be satisfied as to 95% by the Company and 5% by Jiangmen Information. The Company will satisfy its portion of consideration amounting to RMB59.3 million (approximately HK\$57.0 million) (i) by cash of approximately RMB27.2 million (approximately HK\$26.2 million), which is expected to be financed by proceeds of the Subscription, payable to the Vendor within a year following the date of completion of the S&P Agreement; and (ii) by the issue of 23,000,000 Consideration Shares at the issue price of HK\$1.34 per Share to Kytronics Holdings, as designated by the Vendor under the S&P Agreement, at the completion of the S&P Agreement. Jiangmen Information will satisfy its portion of consideration amounting to approximately RMB3.1 million (approximately HK\$3.0 million) by cash payable to the Vendor within a year following the completion of the S&P Agreement.



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## LETTER FROM THE BOARD

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### Consideration Shares

The Consideration Shares of 23,000,000 Shares represent:

- (i) approximately 4.1% of the issued share capital before the issue of the Subscription Shares and the Consideration Shares; and
- (ii) approximately 3.8% of the enlarged issued share capital upon issue of the Subscription Shares and the Consideration Shares.

The Consideration Shares will be issued under the Special Mandate to be sought from the Independent Shareholders at the EGM. The Consideration Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with Shares in issue at the time of allotment and issue of the Consideration Shares.

### Issue price of the Consideration Shares

The issue price of HK\$1.34 per Consideration Share represents:

- (i) a discount of about 1.47% to the closing price of HK\$1.36 per Share as quoted on the Stock Exchange on 28 July 2006 (the last trading day prior to the publication of the Announcement);
- (ii) a discount of about 3.60% to the average closing price of HK\$1.39 per Share as quoted on the Stock Exchange for the last five full trading days up to and including 28 July 2006;
- (iii) a discount of about 4.29% to the average closing price of HK\$1.40 per Share as quoted on the Stock Exchange for the last ten full trading days up to and including 28 July 2006; and
- (iv) a premium of about 11.67% to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The issue price per Consideration Share, which is the same as the Placing Price and the Subscription Price, was negotiated on an arm's length basis between the Company and the Vendor by reference to, among other things, the trading prices of the Shares prior to the date of the S&P Agreement. The Board consider that the issue price is fair and reasonable and in the interests of the Company and its Shareholders as a whole. Application has been made to the Stock Exchange to grant the approval for the listing of, and permission to deal in, the Consideration Shares.

### Conditions of the S&P Agreement:

The Acquisition shall be conditional upon, among other things, the fulfillment of the followings:

- (i) the Company and Jiangmen Information obtaining to its satisfaction a legal opinion from Jingtian on, *inter alia*, the complete title of the Vendor to the Properties and the right of the Vendor to sell the Properties;
- (ii) the obtaining of all necessary approvals by the parties in respect of the Acquisition;
- (iii) the obtaining of approval from the Independent Shareholders at the EGM on the Acquisition and the issue of Consideration Shares; and

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## LETTER FROM THE BOARD

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- (iv) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consideration Shares.

### **INCREASE OF REGISTERED CAPITAL OF KONGYUE INFORMATION**

The Board resolved to, upon completion of the S&P Agreement, increase the registered capital of Kongyue Information, by RMB62.4 million (approximately HK\$60.0 million) equivalent to the valuation of the Properties from RMB99.6 million (approximately HK\$95.8 million) to RMB162.0 million (approximately HK\$155.8 million). Such increase will be contributed by Kong Yue Investment and Jiangmen Information in proportion to their respective shareholding interest in Kongyue Information by way of injection of their respective interest in the Properties.

The principal activities of Kongyue Information are manufacturing and sales of business equipment and tax control equipment in the PRC. Kongyue Information is currently owned as to 95% by Kong Yue Investment and 5% by Jiangmen Information. For the two years ended 31 December 2005, Kongyue Information had audited net profit (before tax and extraordinary items) of approximately RMB35.7 million (approximately HK\$34.3 million) and approximately RMB42.5 million (approximately HK\$40.9 million) respectively. During the same period, Kongyue Information had audited net profit (after tax and extraordinary items) of approximately RMB31.6 million (approximately HK\$30.4 million) and approximately RMB38.3 million (approximately HK\$36.8 million) respectively. During the same period, Kongyue Information recorded audited net asset value of approximately RMB128.1 million (approximately HK\$123.2 million) and approximately RMB166.1 million (approximately HK\$159.7 million) respectively.

### **REASONS FOR AND BENEFIT OF ACQUISITION AND INCREASE OF REGISTERED CAPITAL OF KONGYUE INFORMATION**

The Group is principally engaged in the provision of business equipment and tax control equipment in the PRC and has actively anticipated in the tender of the Golden Tax Project (the "Project") through Kongyue Information. The Project is the auditing and checking system that connects all tax authorities in the PRC through the Internet to monitor tax payments from corporate taxpayers at all levels. The third phase of the Project commenced in early 2006 which required sizeable retailers and service providers with fixed outlets to purchase and use tax control electronic cash registers to facilitate the tax assessment and review of the PRC Tax Bureau. Around 30 provinces in the PRC have begun to invite tender for tax control equipment. The Group through Kongyue Information won the bid in Guangdong Province in early 2006 and was selected as one of the five suppliers of tax control equipments to retailers in the Province.

The Group currently leases the Properties from the Vendor for industrial, office, storage and other ancillary uses under three tenancy agreements for terms up to 1 September 2009, 1 May 2010 and 1 November 2012 respectively. For each of the two years ended 31 December 2005, the annual rent paid by the Group was approximately RMB3.0 million (approximately HK\$2.9 million) in aggregate respectively. The Group intends to, through Kongyue Information, bid for contracts in different provinces in the PRC to further extend its market share. Details of fixed assets of the candidate, in particular, production complex, are among the information required in the tender document. The Board believes that the size of fixed asset value of a candidate is one of the major factors of the authority in selecting suppliers. As such, the Board considers that the increase in the registered capital and therefore fixed asset value of Kongyue Information through the injection of the Properties will build confidence of the authority on the strength of Kongyue Information in tax control equipment business and thus will increase the chance of Kongyue Information to be selected in tenders.

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## LETTER FROM THE BOARD

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The Board considers that the terms of the S&P Agreement and the increase of registered share capital of Kongyue Information are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECTS OF ACQUISITION AND INCREASE OF REGISTERED CAPITAL OF KONGYUE INFORMATION

The registered capital of Kongyue Information will be increased by way of injection of the Properties upon completion of the Acquisition. The consideration for the Properties will be satisfied by way of cash and issue of Consideration Shares. The cash consideration is expected to be financed by the net proceeds of the Subscription and therefore would not affect the working capital position of the Group. Taking into account such amount of net proceeds of the Subscription, the total assets and net assets of the Group will be increased by approximately RMB62.4 million (approximately HK\$60 million) immediately following the completion of the Acquisition and the increase of the registered capital of Kongyue Information, attributable to the increase in non-current assets of RMB62.4 million, which is equivalent to the aggregate consideration of the Properties. The 5% of the Properties owned by Jiangmen Information will be reflected by the increase in the minority interest shown in the consolidated balance sheet of the Group. The Properties are expected to continue to be used by the Group as production complex and warehouse and thus are not expected to generate any recurrent income to the Group.

The Acquisition itself is not expected to have any material impact on the profit and loss of the Group. The respective tenancy agreements pursuant to which the Group leases the Properties from the Vendor will be terminated after completion of the Acquisition. The Board expects that, after completion of the Acquisition, the Group would incur an annual depreciation cost on the Properties of an amount similar to the annual rent paid by the Group during the two years ended 31 December 2005.

Save as disclosed above, the Board is of the opinion that there is no material effect on the earnings, assets and liabilities of the Group as a result of the Acquisition and the increase of registered capital of Kongyue Information.

### EFFECT ON THE SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 Shares, of which 583,000,000 fully paid Shares were in issue. The shareholding structure of the Company immediately before and after the Acquisition are summarised as follows (*Note 1*):

Name of Shareholders	No. of Shares held as at the Latest Practicable Date but before the Acquisition		No. of Shares held after the Acquisition	
	Approximate %	Approximate %		
Kytronics Holdings ( <i>Note 2</i> )	338,695,533	58.10%	361,695,533	59.69%
Legend Capital ( <i>Note 3</i> )	<u>10,800,000</u>	<u>1.85%</u>	<u>10,800,000</u>	<u>1.78%</u>
Sub-total	349,495,533	59.95%	372,495,533	61.47%
Public ( <i>Note 4</i> )	<u>233,504,467</u>	<u>40.05%</u>	<u>233,504,467</u>	<u>38.53%</u>
Total	<u><u>583,000,000</u></u>	<u><u>100%</u></u>	<u><u>606,000,000</u></u>	<u><u>100%</u></u>

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## LETTER FROM THE BOARD

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*Note 1:* Assuming no Shares are issued as a result of the exercise of options pursuant to the share option scheme of the Company before completion of the Acquisition.

*Note 2:* Including the 23,000,000 Subscription Shares.

*Note 3:* Legend Capital Management Limited (“Legend Capital”) is a subsidiary of Legend Holdings Limited (“Legend Holdings”), a prominent information technology group in the PRC. Legend Holdings is also the controlling shareholder of Lenovo Group Limited and Digital China Holdings Limited, both of which are listed on the Main Board of the Stock Exchange.

*Note 4:* Including the 23,000,000 Placing Shares.

### IMPLICATIONS UNDER THE LISTING RULES

The Vendor is a connected person of the Company under the Listing Rules. As the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the entering into the S&P Agreement constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and are subject to the approval by the Independent Shareholders at the EGM. Kytronics Holdings and its associates will abstain from voting on the ordinary resolution proposed at the EGM. The Consideration Shares will be issued under the Special Mandate to be sought from the Independent Shareholders at the EGM.

As the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the increase of registered capital of Kongyue Information exceed 5% but are less than 25%, such increase in registered capital constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to disclosure requirement.

### EGM

A notice of EGM to be held at 11:00 a.m. on 8 September 2006 at Room 3701, Tower II, Lippo Centre, 89 Queensway, Admiralty, Hong Kong is set out on pages 32 to 33 of this circular.

Voting at the EGM in respect of the resolution for the approval of the S&P Agreement and the Special Mandate will be taken on a poll. The results of the EGM will be announced by publication in both an English language and a Chinese language newspaper in Hong Kong on the business day following the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this circular. Further, your attention is also drawn to the letter from China Everbright set out on pages 13 to 21 of this circular.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the opinion of China Everbright, considers the terms of the S&P Agreement, the transaction contemplated thereunder and the Special Mandate are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the respective resolution to be proposed at the EGM to approve the S&P Agreement, the transaction contemplated thereunder and the Special Mandate.

### GENERAL

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

Your faithfully,  
For and on behalf of  
**Jolimark Holdings Limited**  
**Au Kwok Lun**  
*Chief Executive Officer*



**JOLIMARK HOLDINGS LIMITED**

**映美控股有限公司**

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

**(Stock Code: 2028)**

21 August 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF PROPERTIES**

We refer to the circular issued by the Company to the Shareholders dated 21 August 2006 (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 S&P Agreement, the transaction contemplated thereunder and the Special Mandate. China Everbright has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the S&P Agreement, the transaction contemplated thereunder and the Special Mandate.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 11 and the letter from China Everbright as set out on pages 13 to 21 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 S&P Agreement, the transaction contemplated thereunder and the Special Mandate are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the respective resolution to be proposed at the EGM to approve the S&P Agreement, the transaction contemplated thereunder and the Special Mandate.

Yours faithfully,  
the Independent Board Committee

**Lai Ming, Joseph**

**Meng Yan**

**Xu Guangmao**

*Independent Non-executive Directors*

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# LETTER FROM CHINA EVERBRIGHT

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*The following is the full text of a letter received from China Everbright setting out its advice to the Independent Board Committee and the independent Shareholders in respect of the S&P Agreement and the transactions (“Transactions”) contemplated by the S&P Agreement for inclusion in this Circular.*



**China Everbright Capital Limited**

40/F., Far East Finance Centre  
16 Harcourt Road  
Hong Kong

21 August 2006

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

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION:  
ACQUISITION OF THE PROPERTIES**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions and the terms of the S&P Agreement. Details of the Transactions are set out in a circular (the “Circular”) of Jolimark Holdings Limited to the Shareholders dated 21 August 2006, of which this letter forms part. Unless otherwise defined, expressions used in this letter have the same meanings as defined in the Circular.

On 31 July 2006, the Company announced that Kong Yue Investment, a wholly-owned subsidiary of the Company, Jiangmen Information, the Company and the Vendor had entered into the conditional S&P Agreement for the acquisition of the Properties at a consideration of RMB62.4 million (approximately HK\$60.0 million).

The Vendor is a WFOE owned by Kong Yue Holding Limited which is owned as to (i) 36% by Mr. Au Pak Yin, a Director and a substantial shareholder of Kytronics Holdings, and (ii) 32% by each of Mr. Ao Kao and Mr. Ao Pak U, both of whom are brothers of Mr. Au Pak Yin. As at the Latest Practicable Date, Kytronics Holdings is the controlling shareholder of the Company. Pursuant to the Listing Rules, the Vendor is therefore a connected person of the Company. Accordingly, the Transactions constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and is subject to approval by the Independent Shareholders at the EGM. Kytronics Holdings and its associates will abstain from voting on the ordinary resolution proposed at the EGM.

China Everbright is a third party independent from the Company and connected persons as defined under the Listing Rules, and therefore is qualified to give independent advice to the Independent Board Committee and Independent Shareholders.

In formulating our opinion, we have relied on the accuracy of the information and representations provided to us by the Company and contained in the Circular, and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be

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## LETTER FROM CHINA EVERBRIGHT

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true as at the date of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due inquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinion expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors.

We have also reviewed the independent valuation report prepared by DTZ Debenham Tie Leung Limited (“DTZ”) in respect of the Properties as set out in Appendix I to the Circular (the “Valuation Report”). We also had the opportunity to discuss with DTZ the valuation of the Properties prepared by it. We have reasons to believe that the opinion given by DTZ has been prepared with due care and consideration.

However, we have not made any independent valuation of the Properties nor have we conducted any independent in-depth investigation into the business and affairs of the Group or any of the subsidiaries or associates.

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

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, we have considered the following principal reasons and factors:

#### **(i) Background of the Group**

The Group is principally engaged in the provision of business equipment and tax control equipment in the PRC and has actively participated in the tender of the third phase of the Golden Tax Project through Kong Yue Information, a limited liability company established in the PRC and owned as to (i) 95% by Kong Yue Investment, a wholly-owned subsidiary of the Company; and (ii) 5% by Jiangmen Information.

According to the Company’s prospectus (“Prospectus”) dated 20 June 2005, the Properties are the Group’s sole operating premises which are located at 18 Jiangyue Road, Jinguzhou Economic Development Zone, Xinhui District, Jiangmen, Guangdong Province, the PRC. The Group does not own but instead leases the Properties from the Vendor for fixed terms and are subject to options to renew/purchase and first right of refusal in favour of the Group.

According to the 2005 annual report of the Company, approximately 30 provinces in the PRC have commenced to invite tenders for provision of tax control equipment under the third phase of the Golden Tax Project. Guangdong is the first province in the PRC to complete the tender process, and Kong Yue Information has been selected by Guangdong Provincial Office as one of the tax control equipment providers in early 2006. Most of the provinces in the PRC are expected to close tender within 2006.

#### **(ii) Strategic rationale**

As abovementioned, the Group has actively participated in the tenders of the third phase of the Golden Tax Project. Kongyue Information won the bid in Guangdong Province in early 2006 and was selected as one of the five suppliers of tax control equipment in Guangdong Province. The Group has submitted and will continue to submit tenders to different provinces in the PRC for provision of tax control equipment. As advised by the Directors, the relevant authorities will select bidders, whom it



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## LETTER FROM CHINA EVERBRIGHT

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considers are able to provide reliable and high quality tax control equipment, after taking into account all relevant factors including (i) research and development capability; (ii) size of fixed assets; (iii) production capacity; (iv) production complex; and (v) after-sales service network of bidders.

As set out in the Letter from the Board, the Group intends to acquire the Properties for injection into Kongyue Information. The Directors consider that the Transactions will (i) allow the Group to own its production complex situated in Jiangmen and (ii) strengthen the Group's fixed assets value, which will increase the chances of Kong Yue Information being selected in tenders.

We received from the Company copies of tender documents from (Guangdong Province National Tax Bureau) ("Guangdong tender document") and (Hunan Province Direct Government Purchase Centre) ("Hunan tender document"). Upon review, we note that Guangdong tender document specifies fixed assets register as a requisite document among the tender submission document. We also note from the Hunan tender document that fixed assets value of bidders is one of the relevant factors considered by (Hunan Province Direct Government Purchase Centre) under its scoring system. Based on the above, we concur with the Directors' view that the Transactions will increase the chances of Kong Yue Information being selected in tenders for tax control equipment.

Taking into account the above; and (i) the Group is a manufacturing enterprise which does not own its sole operating premises situated in Jiangmen, we consider that the Transactions are fair and reasonable and in the interests of the Shareholder and the Company as a whole.

### **(iii) The properties to be acquired**

Kong Yue Investment and Jiangmen Information agreed to acquire, and the Vendor agreed to sell, the Properties, comprising the land use right of a parcel of land with a site area of 37,270 sq.m. located at 18 Jiangyue Road, Jingzhou Economic Development Zone, Xinhui District, Jiangmen, Guangdong Province, the PRC, together with the buildings erected thereon as set out below:

- A 4-storey industrial complex with a total gross floor area of 29,693.38 sq.m. and a 5-storey dormitory building with a total gross floor area of 4,361.36 sq.m. which are owned by the Vendor and are currently leased to the Group for industrial, office and other ancillary uses; and
- A single-storey warehouse with a total gross floor area of 5,143 sq.m. which is owned by the Vendor and is currently leased to the Group for storage use.

### **(iv) The S&P Agreement**

#### *Consideration*

As set out in the Letter from the Board, the consideration ("Consideration") of the Acquisition amounted to approximately RMB62.4 million, representing approximately HK\$60 million, was arrived at after arm's length negotiations, taking into account the independent valuation of the Properties as at 30 June 2006 performed by DTZ of approximately RMB62.4 million, representing approximately HK\$60 million. We have discussed the property valuation with DTZ to understand the valuation methodology used.

The Consideration will be satisfied as to 95% by the Company and 5% by Jiangmen Information. The Company will satisfy its portion of consideration amounting to RMB59.3 million (approximately HK\$57.0 million) (i) by cash of approximately RMB27.2 million

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## LETTER FROM CHINA EVERBRIGHT

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(approximately HK\$26.2 million), which is expected to be financed by proceeds of the Subscription, payable to the Vendor within a year following the date of completion of the S&P Agreement; and (ii) by the issue of 23,000,000 Consideration Shares at the issue price of HK\$1.34 per Consideration Share to Kytronics Holdings at the completion of the S&P Agreement.

Jiangmen Information will satisfy its portion of consideration amounting to approximately RMB3.1 million (approximately HK\$3.0 million) by cash payable to the Vendor within a year following the completion of the S&P Agreement.

### *Basis of the Consideration*

According to the Appendix I of the Circular, the independent valuation was prepared in existing state basis and adopted the Depreciated Replacement Costs (“DRC”) Approach. It is an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the buildings, less allowances for the age, condition and functional obsolescence. The DRC Approach is subject to adequate potential profitability of the business. DTZ has also complied with the requirements set out in the (i) Valuation Standards (First Edition 2005) on Valuation of Properties published by the Hong Kong Institute of Surveyors; and (ii) Chapter 5 and Practice Note 12 of the Listing Rules.

According to our discussion with DTZ, other than DRC Approach, market comparison approach and income approach were excluded for the purpose of valuing the Properties since there is no readily identifiable market sales and rental comparables due to the specific nature and design of the Properties. DTZ considers that the DRC Approach generally furnishes a reliable indication of value for the Properties.

Upon review, we consider that the valuation methodology adopted by DTZ is generally in line with market practice of valuing the market value of tangible assets such as land and buildings.

Since the consideration of the Acquisition was determined with reference to a recent valuation of the Properties without any premium or discount, we are of the view that the Consideration is fair and reasonable and is in the interests of the Company and Independent Shareholders as a whole.

### *Funding of the cash consideration*

The Company intends to finance the cash consideration of approximately RMB27.2 million by net proceeds from the Subscription of 23,000,000 Shares, which represent approximately 4.1% of the existing issued share capital of the Company, and approximately 3.8% of the issued share capital of the Company as enlarged by the consideration Shares and Subscription Shares. If the net proceeds from the Subscription are below approximately RMB27.2 million, the Group intends to finance the Acquisition by other means, including but not limited to internal resources, debt financing or further equity financing.

### *Issue of the Consideration Shares*

In addition to the above cash consideration, the Company will issue the Consideration Shares at the issue price of HK\$1.34 per Consideration Share to Kytronics Holdings at the completion of the S&P Agreement.

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## LETTER FROM CHINA EVERBRIGHT

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We consider that the settlement of the consideration payable by the Company for the Acquisition, in form of an issue of the Consideration Shares and proceeds through the Subscription (assuming the net proceeds from the Subscription are not less than approximately RMB27.2 million), will not have any negative impact on the Group's cashflow position. Furthermore, given that the consideration payable by the Company for the Transactions is not being financed by any external bank borrowings of the Group, we consider that there will not be any impact on the Group's existing gearing level or any additional burden on interest costs to be borne by the Group. Taking into account the above and the cash consideration can be settled within a year following the completion of the S&P Agreement, we are of the view that the settlement of the consideration payable by the Company for the Acquisition, in form of an issue of the Consideration Shares and net proceeds from the Subscription, is in the interests of the Company and the Shareholders as a whole. However, Independent Shareholders should also pay attention to the dilution effect of the Consideration Shares and Subscription Shares as discussed in the section under "Financial Effect of the Acquisition".

The 23,000,000 Consideration Shares represent approximately 4.1% of the existing issued share capital of the Company, and approximately 3.8% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Subscription Shares.

The issue price of HK\$1.34 per Consideration Share represents:

- (i) a discount of about 1.47% to the closing price of HK\$1.36 per Share as quoted on the Stock Exchange on 28 July 2006 (being the last trading day prior to the publication of the Announcement);
- (ii) a discount of about 3.60% to the average closing price of HK\$1.39 per Share as quoted on the Stock Exchange for the last five full trading days up to and including 28 July 2006;
- (iii) a discount of about 4.29% to the average closing price of HK\$1.40 per Share as quoted on the Stock Exchange for the last ten full trading days up to and including 28 July 2006;
- (iv) a premium of about 11.67% to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of about 47.25% to the net asset value per Share of about RMB0.94 (representing approximately HK\$0.91) as at 31 December 2005.

The issue price per Consideration Share, which is the same as the Placing Price and the Subscription Price, was negotiated on an arm's length basis between the Company and the Vendor by reference to, among other things, the recent trading price of the Shares. The Board consider that the issue price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In order to assess the fairness and the reasonableness of the issue price of the Consideration Shares, we have looked into share placement/subscription exercises by Hong Kong listed Main Board companies in the market during the period between 1 July 2006 (being the date one month prior to the date of the S&P Agreement) and 31 July 2006 (being the date of the S&P Agreement) (the "Relevant Period") and identified a total of 8 share placement/subscription exercises. We have made references to the premium/ discount of the subscription

## LETTER FROM CHINA EVERBRIGHT

prices of those share placement/subscription exercises over/to the average closing price of the 5 trading days up to and including the respective announcement or last trading date before the respective announcement.

Out of the above 8 share placement/subscription exercises, we note that the share placement/subscription exercise carried out by SunCorp Technologies Limited had its subscription price set at a significant premium of approximately 76.06% to the average closing price for the 5 trading days up to and including the last trading date before the respective announcement. We further note that (i) the subscriber will become the single largest shareholder of SunCorp Technologies Limited; and (ii) SunCorp Technologies Limited will enter into several continuing connected transactions with the subscriber. Therefore, the pricing of its subscription shares might be distorted. As such, we consider it inappropriate to include this share placement/subscription exercise in our analysis.

The following table sets out our findings with respect to these 7 share placement/subscription exercises:

Stock code	Company name	Date of announcement	Subscription Shares as a percentage of issued share capital of the respective company as enlarged by placement/subscription (%)	Discount of placing price to 5-day average closing price up to and including the date of the respective announcement/last trading date before the respective announcement
3318	China Favors and Fragrances Company Limited	3 July 2006	16.45	9.5%
91	New Smart Holdings Limited	4 July 2006	16.38	7.8%
476	China Elegance (Holdings) Limited	7 July 2006	14.52	6.1%
340	Innomaxx Biotechnology Group Limited	10 July 2006	28.8	7.2%
260	Sino Gas Group Limited	11 July 2006	11.51	12.0%
439	Climax International Company Limited	17 July 2006	11.57	9.6%
131	Cheuk Nang (Holdings) Limited	28 July 2006	12.54	10.3%
			<b>Range:</b>	6.1%–12.0%
			<b>Average:</b>	8.9%
2028	Jolimark Holdings Limited	31 July 2006	3.95 <sup>(Note 1)</sup>	3.6%
			3.80 <sup>(Note 2)</sup>	

*Note 1:* Subscription Shares as a percentage of issued share capital of the Company as enlarged by placement/subscription but before Acquisition

*Note 2:* Subscription Shares and Consideration Shares together as a percentage of issued share capital of the Company as enlarged by placement/subscription and after Acquisition

As illustrated above, the issue price of the Consideration Shares represents a discount of approximately 3.6% to the average closing price for the 5 trading days up to and including the Last Trading Day. As the discount of issue of Consideration Shares is lower than the average figures of the comparable transactions, therefore, we consider that pricing of the Consideration Shares is justifiable and acceptable.

(v) **Financial impacts of the Acquisition**

*Effect on net asset value*

According to the 2005 Annual Report, as at 31 December 2005, the audited net asset value of the Group is approximately RMB408.6 million. Since the Company is financing its portion of consideration by (i) cash proceeds raised from the Subscription; and (ii) the issuing of Consideration Shares, there is an increase in the fixed assets and net asset value of the Group by the size of the Properties of approximately RMB62.4 million, but no net cash outflow.

*Effect on earnings*

As discussed in the section headed “Strategic rationale” above, the Transactions will increase the chances of Kong Yue Information being selected in tenders for tax control equipment. If Kong Yue Information is selected as a supplier providing tax control equipment in different regions of the PRC, the earnings of the Group will be positively affected.

The Group currently leases the Properties from the Vendor for industrial, office, storage and other ancillary uses under three tenancy agreements for terms up to 1 September 2009, 1 May 2010 and 1 November 2012 respectively. For each of the two years ended 31 December 2005, the annual rent paid by the Group was approximately RMB3.0 million (approximately HK\$2.9 million) in aggregate respectively. After the completion of the Transactions, the Company is not required to pay such annual rent to the Vendor, thus, reducing the operating cost of the Group.

However, the Shareholders should note that the Group’s depreciation expenses will increase after the Transactions, and this will partially offset the above positive impact on the Group’s future earnings.

*Effects on working capital and gearing*

Since the Company will satisfy its part of consideration of RMB59.3 million (i) by cash of approximately RMB27.2 million which will be raised through the issue of the Subscription Shares; and (ii) by the issue of the Consideration Shares, there is no cash outflow and therefore no effect on the working capital of the Group. Gearing of the Group will be lower due to the strengthening of the capital base through the issue of Subscription Shares and Consideration Shares.

# LETTER FROM CHINA EVERBRIGHT

## *Dilution effect of shareholding*

As summarized in the Letter from the Board, the issue of the Consideration Shares and Subscription Shares will result in a shareholding dilution to the existing Shareholders. Set out below is the dilutive effect on the existing Shareholders' beneficial interests in the issued share capital of the Company as a result of completion of the (i) Transactions and (ii) the Placing and Subscription:

	<b>Beneficial shareholding before the Transactions, Placing and Subscription (%)</b>	<b>Beneficial shareholding after the Placing and the Subscription, but before the Transactions (%)</b>	<b>Dilution effect (%)</b>	<b>Beneficial shareholding after the Placing, the Subscription and the Transactions (%)</b>	<b>Dilution effect (%)</b>
	(= A)	(= B)	(=(A-B)/A)	(= C)	(=(A-C)/A)
Kytronics Holdings	60.48%	58.10%	3.9%	59.69%	1.3%
Legend Capital	1.93%	1.85%	4.1%	1.78%	7.8%
Public	37.59%	36.10%	4.0%	34.73%	7.6%
Placees	—	3.95%	—	3.80%	—

As illustrated, we noted that the beneficial shareholdings of Legend Capital and the existing public shareholders would be diluted by 7.8% and 7.6% upon completion of the Placing, the Subscription and the Transactions respectively.

Having considered that:

- the Transactions will increase the chance of Kong Yue Information to be selected in tenders for tax control equipment;
- the issuance of the Consideration Shares and the Subscription Shares provides non-interest bearing financial resources of approximately RMB59.3 million to the Group for financing the Transactions;
- the pricing of the Consideration Shares is fair and reasonable in so far as the Independent Shareholders are concerned; and
- the issuance and allotment of Consideration Shares and Subscription Shares to Kytronics Holdings shows a strong and solid commitment from Kytronics Holdings,

we consider that the dilution effects on the shareholding of the Independent Shareholders are acceptable.

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## LETTER FROM CHINA EVERBRIGHT

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### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Transactions are in the ordinary and usual course of business of the Group and that the terms of the S&P Agreement, the transaction contemplated thereunder and the Special Mandate, are under normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the respective resolution to be proposed at the EGM to approve the S&P Agreement, the transaction contemplated thereunder and the Special Mandate and that the Independent Board Committee advises the Independent Shareholders accordingly.

Yours faithfully,  
For and on behalf of  
**China Everbright Capital Limited**  
**Jacky Ho**  
*Managing Director*

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this Circular and received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuation as at 30 June 2006 of the property interest to be acquired by the Group.*



10th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

21 August 2006

The Directors  
Jolimark Holdings Limited  
Room 3701, 37th Floor, Tower II,  
Lippo Centre,  
89 Queensway,  
Admiralty,  
Hong Kong

Dear Sirs,

**Re: An industrial complex at No. 18 Jiangyu Road, Lingang Industrial Area of the Jingzhou Economic Development Experimental Zone, Xinshi District, Xinhui, Guangdong Province, the People's Republic of China**

**Instructions, Purpose  
& Date of Valuation**

In accordance with your instruction for us to value the property interest to be acquired by Jolimark Holdings Limited (“the Company”) or its subsidiaries (“the Group”) in the People’s Republic of China (“the PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the value of the property interest as at 30 June 2006.

**Basis of Valuation**

Our valuation of each of the property interest represents its market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Valuation Assumptions**

Our valuation has been made on the assumption that the owner sells the property interest on the market without the benefit of a deferred term contract, management agreement, or any similar arrangement which would serve to increase the value of such property interest.



In valuing the property interest, we have assumed that transferable land use rights in respect of the property interest for the specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have assumed that the grantees or the users of the property interest have free and uninterrupted rights to use or to assign the property interest for the whole of the unexpired term as granted. We are unable to ascertain the title of the property interest but have relied on the advice given by the Group regarding the title of the property interest and the Group's interest in the property.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

### **Valuation Methodology**

In valuing the property to be acquired by the Group, we have valued the property in existing state basis and adopted the Depreciated Replacement Costs ("DRC") Approach. A DRC requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence. The DRC is subject to adequate potential profitability of the business. We have complied with requirements set out in Chapter 5 and Practice Notes 12 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

In valuing the property interests, we have complied with the requirements set out in the Valuation Standards (First Edition 2005) on Valuation of Properties published by the Hong Kong Institute of Surveyors.

### **Source of Information**

We have been provided with copies of documents in relation to the title to the property interest but we have not carried out searches to verify the ownership of the property interest and to ascertain any amendment, which may not appear on the copies handed to us. We have relied to considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notice, easements, tenure, tenancy particulars, floor areas and all other relevant matters. Dimension, measurements and areas included in this valuation certificate are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information supplied.

Some of the information provided to us are prepared in Chinese characters and their English transliterations contained in the valuation certificate attached are for reference only. We would advise you to consult your legal adviser on PRC law to ascertain the interpretation of these information.

**Site Inspection**

We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free of rot, infestation or other structural defects. We have not been able to carry out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

**Currency**

Unless otherwise stated, all sums stated in our valuation are in RMB, the official currency of the PRC.

Our valuation certificate is attached.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Andrew K. F. Chan**  
*Registered Professional Surveyor (GP)*  
*China Real Estate Appraiser*  
*MSc., M.R.I.C.S., M.H.K.I.S.*  
*Director*

*Note:* Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 15 years of experience in the valuation of properties in the PRC.

## Properties to be acquired by the Group

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006
An industrial complex at No. 18 Jiangyu Road, Lingang Industrial Area of the Jinguzhou Economic Development Experimental Zone, Xinshi District, Xinhui, Guangdong Province, the People's Republic of China	<p>The property comprises an industrial complex with an industrial building, a dormitory building and a warehouse building erected on a plot of industrial land with a total site area of approximately 37,270 sq.m. (401,174 sq.ft.). The industrial building and the dormitory building were completed in 1998. The warehouse building was completed in 2003.</p> <p>The property comprises various buildings with a total gross floor area of 39,198.14 sq.m. (421,929 sq.ft.). (Please see note (3) below)</p> <p>The land use rights of the property have been granted for a term due to expire on 9 December 2046 for industrial use.</p>	<p>Portion of the property with total gross floor area of 22,170.77 sq.m. is leased to 江門江裕映美信息科技有限公司, a wholly owned subsidiary of the Group, for industrial use with the latest expiry date on 1 November 2012 at annual rental of RMB1,696,823.04 (equivalent to a monthly rental of RMB141,401.92) with the rights of pre-emption.</p> <p>Remaining portion of the property with total gross floor area of 17,027.37 sq.m. is leased to 新會江裕信息產業有限公司 ("Jiangmen Information"), a wholly owned subsidiary of the Group, for industrial use with the latest expiry date on 1 September 2009 at annual rental of RMB1,303,176.84 (equivalent to a monthly rental of RMB108,598.07) with the rights of pre-emption.</p>	RMB62,460,000 (95% interest attributable to the Group after the Acquisition: RMB59,337,000)

## Notes:

- (1) According to S&P Agreement, Kong Yue Investment and Jiangmen Information agreed to acquire, and the Vendor agreed to sell, the Properties. Details are as follows:
- (i) The properties to be acquired : the land use right of a parcel of land located at 18 Jiangyue Road, Jinguzhou Economic Development Zone, Xinhui District, Jiangmen, Guangdong Province, the PRC, together with the buildings erected thereon, including a four-storey industrial complex, a five-storey dormitory building and a single-storey warehouse
- (ii) Total Gross Floor Area : 39,198.14 sq.m.
- (iii) Consideration : RMB 62,400,000
- (iv) Vendor : Kong Yue Industrial Park (Xinhui) Ltd. (江裕科技園(新會)有限公司)
- Purchasers : Kong Yue Investment Limited ("Kong Yue Investment") and Jiangmen Kongyue Information Technology Ltd. (江門市江裕資訊科技有限公司) ("Jiangmen Information") and

- (v) Conditions of the S&P Agreement : The Acquisition shall be conditional upon, among other things, (i) the Company and Jiangmen Information obtaining to its satisfaction a legal opinion from Jingtian on, inter alia, the complete title of the Vendor to the Properties and the right of the Vendor to sell the Properties; (ii) the obtaining of all necessary approvals by the parties in respect of the Acquisition; (iii) the obtaining of approval from the Independent Shareholders at the EGM on the Acquisition and the issue of Consideration Shares; and (iv) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consideration Shares.
- (vi) Payment terms : The consideration will be satisfied as to 95% by the Company and 5% by Jiangmen Information. The Company will satisfy its portion of consideration amounting to RMB59.3 million (approximately HK\$57.0 million) (i) by cash of approximately RMB27.2 million (approximately HK\$26.2 million), which is expected to be financed by proceeds of the Subscription, payable to the Vendor within a year following the date of completion of the S&P Agreement; and (ii) by the issue of 23,000,000 Consideration Shares at the issue price of HK\$1.34 per Share to Kytronics Holdings, as designated by the Vendor, at the completion of the S&P Agreement. Jiangmen Information will satisfy its portion of consideration amounting to approximately RMB3.1 million (approximately HK\$3.0 million) by cash payable to the Vendor within a year following the completion of the S&P Agreement.

(2) According to Certificate for the Use of State-owned Land:

**Certificate No. (2004) 00706**

- (i) Owner : Kong Yue Industrial Park (XinHui) Ltd. (“Vendor”)  
(江裕科技園(新會)有限公司)
- (ii) Location : Lingang Industrial Area of the Jinguzhou Economic Development Experimental Zone, Xinshi District, Xinhui, Guangdong Province, the People’s Republic of China
- (iii) Use : Industrial
- (iv) Nature of Land Use : Land Grant
- (v) Land Use Term : 50 years, due to expire on 9 December 2046
- (vi) Site Area : 37,270 sq.m.

(3) According to 6 Building Ownership Certificates, the building ownership of the Property, comprising a gross floor area of 39,198.14sq.m. is vested in Kong Yue Industrial Park (XinHui) Ltd. (江裕科技園(新會)有限公司). The details are summarized as follows:

Certificate No.	Building	No. of Storey	Gross floor area (sq.m.)
2732193	Floor 1 in Workshop Building	4	7,337.65
2732192	Floor 2 in Workshop Building	4	7,291.28
2732191	Floor 3 in Workshop Building	4	7,291.28
2732190	Floor 4 and Roof in Workshop Building	4	7,773.17
2732194	Dormitory Building	5	4,361.36
1723533	Logistics Warehouse Building	1	5,143.40
	<b>Sub-total</b>		<b>39,198.14</b>

- (4) According to Business Licence No. 003752, Kong Yue Industrial Park (XinHui) Ltd. (江裕科技園(新會)有限公司), a connected party to the Group, was established with a registered capital of HK\$1,000,000 for a valid operation period from 1 July 1999 to 1 July 2029.
- (5) According to the PRC legal opinion:
- (i) The land use rights and building ownership of the property is held by Kong Yue Industrial Park (XinHui) Ltd. (江裕科技園(新會)有限公司) for industrial use;
  - (ii) The existing use of the property complies with the legal use of the property;
  - (iii) The property is not subject to any mortgage;
  - (iv) The lease agreements are valid and binding in the PRC; and
  - (v) The property can be freely transferred, leased or mortgaged to 3rd party.
- (6) Based on the information provided by the Group, we have prepared our valuation on the following assumptions:
- (i) Kong Yue Industrial Park (XinHui) Ltd. (江裕科技園(新會)有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property interest in its existing state and condition for residual term of its land use rights at no extra land premium or other onerous payment payable to the government;
  - (ii) all land premium and costs of urban utilities have been settled in full;
  - (iii) the design and construction of the property as set out in this valuation certificate is in compliance with the local planning regulations; and
  - (iv) the property interest can be disposed of freely to third parties.
- (7) In accordance with the information provided by the Group and the PRC legal opinion, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Red-line Drawing (site plan)	Yes
Building Ownership Certificate	Yes
Business License	Yes

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

- (a) 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 Securities and FO) 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:

<b>Name of Executive Director</b>	<b>Company/name of associated corporation</b>	<b>Capacity</b>	<b>No. of Shares held (Note 1)</b>
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation (Note 2)	338,695,533 (L)
Mr. Au	Company	Interest in controlled corporation (Note 2)	2 Shares (L)
Mr. Au	Kytronics Holdings	Beneficial owner	2 Shares (L)
Mr. Au Kwok Lun	Kytronics Holdings	Beneficial owner	1 Share (L)
Mr. Ou Guo Liang	Kytronics Holdings	Beneficial owner	1 Share (L)

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

*Note 2:* 338,695,533 Shares were owned by Kytronics Holdings. The issue 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.

### 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 person (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 of issued capital (Note 1)
Kytronics Holdings	Company	Beneficial owner	338,695,533 Shares (Note 2)	58.10% (L)
Tai Noi Kit	Kytronics Holdings	Interest in controlled corporation (Note 2)	338,695,533 Shares (Note 2)	58.10% (L)
Kent C. McCarthy	Company	Interest in controlled corporation (Note 3)	52,340,000 Shares (Note 3)	8.98% (L)
Legg Mason Inc.	Company	Interest in controlled corporation (Note 4)	38,026,000 Shares (Note 4)	6.52% (L)

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

*Note 2:* 338,695,533 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 52,340,000 Shares were held by Jayhawk China Fund (Cayman) Limited, a company wholly-owned by Mr. Kent C. McCarthy.

*Note 4:* The 38,026,000 Shares were held by Legg Mason Asset Management (Asia) Pte. Ltd., an indirect wholly-owned subsidiary of Legg Mason Inc.

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 has any existing or proposed service contract with any member of the Group which is not terminable 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) Save as disclosed in this circular, none of the Directors has any direct and indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2005, being the date to which the latest published audited accounts of the Group were made up.

**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.

**EXPERTS AND CONSENT**

The following are the qualification of the experts who have given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
China Everbright	licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activity for the purpose of the SFO
DTZ	professional valuer in Hong Kong
Jingtian	legal adviser of the Company on PRC laws

Each of China Everbright, DTZ and Jingtian has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its names in the form and context in which it is included.

As at the Latest Practicable Date, none of China Everbright, DTZ and Jingtian is beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, none of China Everbright, DTZ and Jingtian has any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005 (the date to which the latest published audited consolidated accounts of the Group were made up).

**DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates has any beneficial interest in other businesses which compete or are likely to compete with business of the Group.



**MISCELLANEOUS**

- (i) The registered office of the Company is situated at Clifton House, 75 Fort Street, PO Box 1350 GT George Town, Grand Caymen, Cayman Islands.
- (ii) The principal place of business of the Company in Hong Kong is situated at Room 3701, Tower II, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.
- (iii) The transfer office of the Company is situated at the office of its branch share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (iv) The qualified accountant and company secretary of the Company is Mr. Wong Kwok Kuen HKICPA, ACCA.
- (v) The English text of this document shall prevail over the Chinese text.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company at Room 3701, Tower II, Lippo Centre, 89 Queensway, Admiralty, Hong Kong up to and including 8 September 2006:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the S&P Agreement;
- (iii) the letter addressed to the Independent Shareholders from the Independent Board Committee, the text of which is set out on page 12 of this circular;
- (iv) the letter of advice from China Everbright to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 13 to 21 of this circular;
- (v) the valuation report from DTZ, the text of which is set out on pages 22 to 27 of this circular; and
- (vi) the letter of consent from the experts referred to in the section headed “Experts and consent” of this appendix; and
- (vii) the PRC legal opinion issued by Jingtian.



**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 of the shareholders (the "Meeting") of Jolimark Holdings Limited (the "Company") will be held at Room 3701, Tower II, Lippo Centre, 89 Queensway, Admiralty, Hong Kong on 8 September 2006 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. **"THAT** the conditional agreement (the "S&P Agreement") dated 31 July 2006 between the Company, Kong Yue Industrial Park (Xinhui) Ltd., Kong Yue Investment, Jiangmen Information and Kytronics Holdings, a copy of which is tabled at the Meeting and marked "A" and initialed by the chairman of the meeting for identification purpose, pursuant to which Kong Yue Investment and Jiangmen Information agreed to acquire the properties comprising the land use right of a parcel of land with a site area of 37,270 square meters located at 18 Jinagyue Road, Jinguzhou Economic Development Zone, Xinhui District, Jiangmen, Guangdong Province, the PRC, together with the buildings erected thereon for a consideration of RMB62.4 million, be and is hereby approved, confirmed and ratified"
2. **"THAT**
  - (a) conditional upon the independent shareholders of the Company approving resolution (1) above and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares (as defined in the circular of the Company dated 21 August 2006), the issue of the Consideration Shares to Kytronics Holdings Limited under special mandate as partial consideration for the S&P Agreement be and is hereby approved; and
  - (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the S&P Agreement."

On behalf of the Board  
**Jolimark Holdings Limited**  
**Au Kwok Lun**  
*Chief Executive Officer*

Hong Kong, 21 August 2006

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## NOTICE OF EGM

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### Notes:

- (1) Any member 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) Where there are joint 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 more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
- (3) In order 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 or must be deposited to the Company’s branch registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen’s Road East, 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 subsequently to the date of the meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking the poll.
- (4) The ordinary resolutions as set out above will be determined by way of a poll.
- (5) As at the date hereof, the Board comprises Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr Ou Guo Liang and Mr. Ng Shu Kai as executive Directors, Mr. Lai Ming Joseph, Mr, Meng Yan and Mr. Xu Guangmao as independent non-executive Directors.