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JOLIMARK HOLDINGS LIMITED

映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2028)

**RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS**

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



China Everbright Capital Limited

A notice convening the extraordinary general meeting of the Company to be held at Room 1005, Olympia Plaza, 255 King's Road, North Point, Hong Kong on Monday, 28 January 2008 at 11:00 a.m. (the "EGM"), is set out on pages 28 to 30 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.

Hong Kong, 9 January 2008

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 19 December 2007 regarding the Renewed Master Agreements
“Annual Caps”	means the maximum annual aggregate value for each of the Continuing Connected Transactions under the Renewed Master Agreements for the three years ending 31 December 2010
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Au Family Shareholders”	means Mr. Au Pak Yin, Ms. Tai Noi Kit (Mr. Au Pak Yin’s spouse), Mr. Au Kwok Lun, Ms. Ou Ri Ai and Mr. Ou Guo Liang, each of them is the shareholder of Kytronics Holdings, Mr. Au Pak Yin and Ms. Tai Noi Kit being the parents of Mr. Au Kwok Lun, Ms. Ou Ri Ai and Mr. Ou Guo Liang
“Board”	means the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“China” or “PRC”	means the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	means Jolimark Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	means the transactions between the Group and each of Guangdong Precision, Jiangmen Yida and KY Import/Export pursuant to the Renewed Master Agreements
“Directors”	means the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Continuing Connected Transactions and the Annual Caps

DEFINITIONS

“EGM Notice”	the notice convening the EGM as set on pages 28 to 30 of this circular
“Existing CCT Agreements”	means (i) the supply agreement entered into between Kongyue Information and Guangdong Precision; (ii) the supply agreement entered into between Kongyue Jolimark and Guangdong Precision; (iii) the supply agreement entered into between Kongyue Information and Jiangmen Yida; and (iv) the import and export agency agreement entered into between Kongyue Information and KY Import/Export, all dated 19 July 2004. Details of the Existing CCT Agreements have been disclosed in the Company’s prospectus dated 20 June 2005
“Group”	means the Company and its subsidiaries, and “member of the Group” shall be construed accordingly
“Guangdong Precision”	廣東江裕精密工業製造有限公司 (Guangdong Kong Yue Precision Industry Ltd.), a limited liability company established in the PRC and is beneficially owned by Au Family Shareholders
“Guangdong Precision Master Agreement”	means the master supply agreements dated 19 December 2007 entered into between Guangdong Precision and each of Kongyue Information and Kongyue Jolimark for the supply of precision plastic parts
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Import and Export Agency Service Agreement”	means the master service agreement dated 19 December 2007 entered into between KY Import/Export and Kongyue Information for the (i) import services relating to the Group’s direct materials and equipment; and (ii) export services relating to the Group’s products
“Independent Board Committee”	means an independent committee of the Board, comprising Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao, all of them being independent non-executive Directors, which has been established by the Board to advise the Independent Shareholders in respect of the Renewed Master Agreements

DEFINITIONS

“Independent Financial Adviser” or “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) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Master Agreements
“Independent Shareholder(s)”	means the Shareholders who are not required to abstain from voting at the EGM in relation to the resolutions for approving the transactions contemplated under the Renewed Master Agreements
“Jiangmen Yida”	江門江裕億達精工有限公司 (Guang Dong Jotech Kong Yue Precision Industries Ltd.), a limited liability company established in the PRC and is beneficially owned as to 40% by the Au Family Shareholders and their associates
“Jiangmen Yida Master Agreement”	means the master supply agreement dated 19 December 2007 entered into between Jiangmen Yida and Kongyue Information for the supply of metal stamped parts
“Kongyue Information”	新會江裕信息產業有限公司 (Kong Yue Electronics & Information Industry (Xin Hui) Ltd.), a limited liability company established in the PRC and is owned as to 95% by a wholly-owned subsidiary of the Company and 5% by a connected person
“Kongyue Jolimark”	江門江裕映美信息科技有限公司 (Jiangmen Kong Yue Jolimark Information Technology Ltd.), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“KY Import/Export”	江門市江裕信息產品進出口有限公司 (Jiangmen Kong Yue Information Product Import Export Ltd.), a limited liability company established in the PRC and is wholly owned by Au Family Shareholders and their associates
“Kytronics Holdings”	means Kytronics Holdings Limited, the holding company of the Company and is wholly owned by Au Family Shareholders
“Latest Practicable Date”	4 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“percentage ratios”	refers to the percentage ratios under rule 14.07 of the Listing Rules
“PRC”	The People’s Republic of China
“Renewed Master Agreements”	means Guangdong Precision Master Agreements, Jiangmen Yida Master Agreement and Import and Export Agency Service Agreement
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	means ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance
“Substantial Shareholder”	means the substantial shareholder (as defined under the Listing Rules) of the Company
“%”	per cent

Unless otherwise specified in this circular, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ at the rate of RMB1.00=HK\$1.03. No representation is made that any amounts in HK\$ or RMB can be or could have been converted at the relevant dates at the above rate or any other rates at all.

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



JOLIMARK HOLDINGS LIMITED
映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2028)

Executive Directors:

Mr. Au Pak Yin (*Chairman*)

Mr. Au Kwok Lun

Mr. Ou Guo Liang

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 1005, Olympia Plaza

255 King's Road, North Point
Hong Kong

9 January 2008

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS**

1. INTRODUCTION

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 “Golden Tax Project”, a nationwide project promulgated by the PRC government for the computerization of the tax collection in the PRC.

The Group has entered into the Existing CCT Agreements with Guangdong Precision, Jiangmen Yida and KY Import/Export, pursuant to which the Group has (i) purchased precision plastic parts from Guangdong Precision; (ii) purchased metal stamped parts from Jiangmen Yida; and (iii) obtained import/export service from KY Import/Export, in the ordinary and usual course of its business and on normal commercial terms. The transactions contemplated under the Existing CCT Agreements constituted continuing connected transactions under the Listing Rules. Details of the Existing CCT Agreements and the transactions thereunder were disclosed in the Company's prospectus dated 20 June 2005. Each of the Existing CCT Agreements expired on 31 December 2007.

LETTER FROM THE BOARD

Guangdong Precision, Jiangmen Yida and KY Import/Export are associates of Au Family Shareholders under the Listing Rules. As Au Family Shareholders, through Kytronics Holdings, in aggregate control approximately 61% of the issued shares of the Company as at the Latest Practicable Date and are substantial shareholders of the Company, Guangdong Precision, Jiangmen Yida and KY Import/Export are connected persons of the Company under the Listing Rules.

In order to continue the transactions under the Existing CCT Agreements after 31 December 2007, the Group has entered into the Renewed Master Agreements with the relevant parties. Accordingly, the Company will convene the EGM to seek Independent Shareholders' approval for the Continuing Connected Transactions and the Annual Caps for the three years ending 31 December 2010 pursuant to the Renewed Master Agreements.

The purposes of this circular are: (i) to provide you with further information regarding the Continuing Connected Transactions and the Annual Caps; (ii) to set out the letter of advice from China Everbright to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Continuing Connected Transactions and the Annual Caps; (iii) to set out the recommendation and opinion of the Independent Board Committee after taking into consideration the advice of China Everbright in relation to the terms of the Continuing Connected Transactions and the Annual Caps; and (iv) to give you notice of the EGM to consider and, if thought fit, to approve the resolutions relating to the Continuing Connected Transactions and the Annual Caps at the EGM.

2. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

(a) Particulars of The Renewed Master Agreements

Details of the Renewed Master Agreements are set out below:

(i) *Guangdong Precision Master Agreements*

Date:	19 December 2007	
Parties:	Purchasers:	Kongyue Information and Kongyue Jolimark, both of which are subsidiaries of the Company
	Supplier:	Guangdong Precision
Subject:	Pursuant to Guangdong Precision Master Agreements, Guangdong Precision, which is principally engaged in the manufacture of precision plastic parts, agreed to supply precision plastic parts to Kongyue Information and Kongyue Jolimark from time to time as requested by Kongyue Information and Kongyue Jolimark.	

LETTER FROM THE BOARD

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

Term: Subject to the Independent Shareholders' approval on the Continuing Connected Transactions, Guangdong Precision Master Agreements shall have a term for the period from 1 January 2008 to 31 December 2010.

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

(ii) *Jiangmen Yida Master Agreement*

Date: 19 December 2007

Parties: Purchasers: Kongyue Information

Supplier: Jiangmen Yida

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

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

Term: Subject to the Independent Shareholders' approval on the Continuing Connected Transactions, Jiangmen Yida Master Agreement shall have a term for the period from 1 January 2008 to 31 December 2010.

LETTER FROM THE BOARD

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

(iii) *Import and Export Agency Service Agreement*

Date: 19 December 2007

Parties: Appointer: Kongyue Information

Appointee: KY Import/Export

Subject: Pursuant to Import and Export Agency Service Agreement, KY Import/Export, which is principally engaged in trading and import and export of goods, agreed to provide (i) import services relating to the Group's direct materials and equipment; and (ii) export services relating to the Group's products. KY Import/Export is not responsible for procuring customers and negotiating the terms of sales. In respect of imports, KY Import/Export is mainly engaged in handling customs documentation in the PRC for the Group and it charges the Group a service fee equivalent to 1% of the contract price of the materials imported. In respect of exports, the Group will export certain products through KY Import/Export, which are effected by sale to KY Import/Export of the products at a reduced contract price equal to 99% of the contract price as between the Group and the ultimate customers of the exported products (the "Reduced Contract Price") and KY Import/Export will resell such products to the ultimate customers at the 100% of the contract price (the "Full Contract Price") in order to comply with customs regulations.

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

Term: Subject to the Independent Shareholders' approval on the Continuing Connected Transactions, Import and Export Agency Service Agreement shall have a term for the period from 1 January 2008 to 31 December 2010.

LETTER FROM THE BOARD

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

(b) Historical amount of the Continuing Connected Transactions

Details of the historical amount of the continuing connected transactions under the Existing CCT Agreements for the two years ended 31 December 2006 and 10 months ended 31 October 2007 are set out below:

	For the year ended 31 December		For the 10 months ended 31 October
	2005	2006	2007 (Note)
	RMB('000)	RMB('000)	RMB('000)
Existing Guangdong Precision Master Agreements	7,713	9,348	11,967
Existing Jiangmen Yida Master Agreement	4,145	6,469	6,187
Existing Import and Export Agency Service Agreement			
(a) Handling fees for import services	1,191	1,910	987
(b) Export sales amount	3,357	1,208	4,679

Note: unaudited figure

The existing Annual Caps for each of the three years ended 31 December 2007 are set forth below:

	For the year ended 31 December		
	2005	2006	2007
	RMB('000)	RMB('000)	RMB('000)
Existing Guangdong Precision Master Agreements	8,319	10,814	14,059
Existing Jiangmen Yida Master Agreement	6,553	8,518	11,074
Existing Import and Export Agency Service Agreement			
(a) Handling fees for import services	2,181	2,836	3,686
(b) Export sales amount	6,000	6,000	6,000

LETTER FROM THE BOARD

3. PROPOSED ANNUAL CAPS

For each of the three financial years ending 31 December 2010, the proposed maximum aggregate value for the Continuing Connected Transactions are as follows:

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

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

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

4. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

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

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

LETTER FROM THE BOARD

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

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

5. LISTING RULES REQUIREMENTS

Given that the relevant applicable percentage ratios set out in the Listing Rules for determining the value for each of the Continuing Connected Transactions are expected to be 2.5% or above on an annual basis and the annual consideration is more than HK\$10,000,000, each of such transactions falls within Rule 14A.35 of the Listing Rules, and is subject to the disclosure and Independent Shareholders' approval requirements under Rules 14A.45, 14A.46, 14A.47 and 14A.48 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

6. INFORMATION ON THE COUNTERPARTIES

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 "Golden Tax Project", a nationwide project promulgated by the PRC government for the computerization of the tax collection in the PRC.

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

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

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

7. PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 72 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded (i) by the chairman of the meeting; or (ii) by at least two Shareholders present in person (or, in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or (iii) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or (iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a

LETTER FROM THE BOARD

corporation by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

8. EGM

Set out on pages 28 to 30 of this circular is the notice convening the EGM at which ordinary resolutions will be proposed to approve the Continuing Connected Transactions and the Annual Caps.

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

The votes to be taken at the EGM will be taken by poll, an announcement of the results of which will be published on the day on which the EGM is held.

9. ACTION TO BE TAKEN

A proxy form for use at the EGM is enclosed herein. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, 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.

10. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 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 14 to 23 of this circular.

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

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

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



JOLIMARK HOLDINGS LIMITED

映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2028)

9 January 2008

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to the Shareholders dated 9 January 2008 (the “**Circular**”) of which this letter forms part. Unless the context otherwise defines, terms used in this letter shall have the same meanings as defined in the Circular.

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

We wish to draw your attention to the letter from the Board as set out on pages 5 to 12 and the letter from China Everbright as set out on pages 14 to 23 of the Circular respectively.

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

Yours faithfully,

Independent Board Committee

Lai Ming, Joseph

Meng Yan

Xu Guangmao

Independent Non-executive Directors

LETTER FROM CHINA EVERBRIGHT

The following is the text of the letter from China Everbright Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions in this circular.



CHINA EVERBRIGHT CAPITAL LIMITED

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

9 January 2008

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Annual Caps contemplated under the Renewed Master Agreements. Details of the Continuing Connected Transactions and the Annual Caps are contained in the letter from the Board (the “**Letter from the Board**”) set out in the circular to the Shareholders dated 9 January 2008 (the “**Circular**”), of which this letter forms part. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Independent Board Committee, comprising all its independent non-executive Directors, namely Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao, has been established to advise the Independent Shareholders whether the terms of the Renewed Master Agreements and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Renewed Master Agreements are in the interests of the Company and the Shareholders as a whole. We, China Everbright Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our recommendation, we have relied on the statements, information and representations provided by the management of the Company (“**Management**”). We have assumed that all such statements, information and representations contained or referred to in the Circular provided by the Management, for which the Directors and the Management have collectively and individually accepted full responsibility, are true, accurate, and complete in all material respects at the time they were made and continue to be so at the date hereof.

We have also relied on our discussions with the Directors and the Management regarding the statements, information and representations contained in the Circular. We have been advised by the Directors and the Management that no material facts have been withheld or omitted from the information provided and referred to in the Circular. The Directors and the Management have

further confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading in any material respects.

We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group, Guangdong Precision, Jiangmen Yida and KY Import/Export.

2. PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Renewed Master Agreements and the Annual Caps are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

2.1. Background to and reasons for the Continuing Connected Transactions

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 “Golden Tax Project”, a nationwide project promulgated by the PRC government for the computerization of the tax collection in the PRC.

Pursuant to the Existing CCT Agreements, the Group has (i) purchased precision plastic parts from Guangdong Precision; (ii) purchased metal stamped parts from Jiangmen Yida; and (iii) obtained import/export agency service from KY Import/Export, in the ordinary and usual course of its business and on normal commercial terms. Each of the Existing CCT Agreements expired on 31 December 2007.

As the Group will continue to carry out such transactions after 31 December 2007, the Company entered into the Renewed Master Agreements with Guangdong Precision, Jiangmen Yida and KY Import/Export on 19 December 2007, pursuant to which the Company would continue to carry out the following transactions from 1 January 2008 to 31 December 2010:

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

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

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

Views

In light of the above and each of Guangdong Precision, Jiangmen Yida and KY Import/Export has been engaged to carry out similar transactions with the Group in accordance with the Existing CCT Agreements, we are of the view that the Continuing Connected Transactions are in line with the existing business of the Group, and are fair and reasonable and in the interests of the Shareholder and the Company as a whole.

2.2. Principal terms of the Renewed Master Agreements

a. Procurement of precision plastic parts and metal stamp parts

Pursuant to Guangdong Precision Master Agreements, Guangdong Precision, which is principally engaged in the manufacture of precision plastic parts, agreed to supply precision plastic parts to Kongyue Information and Kongyue Jolimark from time to time as requested by Kongyue Information and Kongyue Jolimark for the three years commencing from 1 January 2008.

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Pursuant to Jiangmen Yida Master Agreement, Jiangmen Yida, which is principally engaged in the manufacture of metal stamped parts, agreed to supply metal stamped parts to Kongyue Information from time to time as requested by Kongyue Information for the three years commencing from 1 January 2008.

Shareholders should note that there is no provision in either Guangdong Precision Master Agreements or Jiangmen Yida Master Agreement requiring the Group to exclusively source precision plastic parts and metal stamp parts from Guangdong Precision and Jiangmen Yida respectively.

It should be noted that the purpose of the Guangdong Precision Master Agreement and Jiangmen Yida Master Agreement is to provide a framework of the agreed general terms and conditions governing the purchase of relevant direct materials by the Group from each of Guangdong Precision and Jiangmen Yida, and each of such transactions to be undertaken by the Group will be subject to specific terms and conditions (including the purchase volume, product specifications, and payment terms) under the applicable purchase orders to be entered into between the relevant members of the Group and each of Guangdong Precision and Jiangmen Yida (collectively, the **“Formal Documents”**).

Notwithstanding the fact that the actual purchase price of direct materials payable by the Group is subject to the terms of the Formal Documents, such purchase price shall be determined based on the pricing policy stipulated under the Guangdong Precision Master Agreement and Jiangmen Yida Master Agreement whereby the purchase prices for the direct materials payable by the Group shall be on normal commercial terms which will be determined after arm’s length negotiation between the parties with reference to the prevailing market price of direct materials that are comparable to those offered by independent suppliers.

We have reviewed sample copies of certain price quotations for the Group’s direct materials prepared by (i) each of Guangdong Precision and Jiangmen Yida; and (ii) other independent suppliers. After comparison of such price quotations, we noted that the terms, including the selling prices, offered by the Guangdong Precision and Jiangmen Yida to the Group were not less favourable than those offered by other independent third parties to the Group.

Views

Having considered the above, we consider that the terms (including the pricing basis) of Guangdong Precision Master Agreements and Jiangmen Yida Master Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

b. Provision of import and export agency service

Pursuant to Import and Export Agency Service Agreement, KY Import/Export, which is principally engaged in trading and import and export of goods, agreed to provide (i) import services relating to the Group’s direct materials and equipment; and

(ii) export services relating to the Group's products, for the three years commencing 1 January 2008. KY Import/Export is not responsible for procuring customers and negotiating the terms of sales. In respect of imports, KY Import/Export is mainly engaged in handling customs documentation in the PRC for the Group and it charges the Group a service fee equivalent to 1% of the contract price of the materials imported. In respect of exports, the Group will export certain products through KY Import/Export, which are effected by sale to KY Import/Export the products at a reduced contract price equal to 99% of the contract price as between the Group and the ultimate customers of the exported products (the "**Reduced Contract Price**") and KY Import/Export will resell such products to the ultimate customers at the 100% of the contract price (the "**Full Contract Price**") in order to comply with customs regulations.

Shareholders should note that there is no provision in Import and Export Agency Service Agreement requiring Kongyue Information to exclusively obtain import/export services from KY Import/Export.

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

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

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

Views

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

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2.3. The Annual Caps

a. Overview

The Continuing Connected Transactions are subject to Listing Rules requirements and conditions as more particularly discussed under the section headed “Reporting requirements and conditions of the Continuing Connected Transactions” below. In particular, the Continuing Connected Transactions are subject to the proposed related annual cap as discussed below.

Details of the historical amount of the continuing connected transactions under the Existing CCT Agreements for the two years ending 31 December 2006 and 10 months ended 31 October 2007 are set out below:

	For the year ended 31 December		For the 10 months ended 31 October
	2005	2006	2007
			(Note)
	RMB('000)	RMB('000)	RMB('000)
Procurement of precision plastic parts	7,713	9,348	11,967
Procurement of metal stamp parts	4,145	6,469	6,187
Provision of import and export agency service			
(a) Handling fees for import services	1,191	1,910	987
(b) Export sales amount	3,357	1,208	4,679

Note: unaudited figure

Set out below is a summary of the annual caps amounts for the three years ended 31 December 2007 and the three years ending 31 December 2010:

	For the year ended 31 December						For the year ended 31 December					
	2005		2006		2007		2008		2009		2010	
	(Note 1)		(Note 1)		(Note 1)		(Note 2)	Change	(Note 2)	Change	(Note 2)	
	RMB('000)	(%)	RMB('000)	(%)	RMB('000)	(%)	RMB('000)	(%)	RMB('000)	(%)	RMB('000)	(%)
Provision of precision plastic parts	8,319	30%	10,814	30%	14,059	9.54	15,400	15%	17,710	25%	22,138	
Provision of metal stamp parts	6,553	30%	8,518	30%	11,074	(15.6%)	9,350	15%	10,753	25%	13,441	
Provision of import and export agency service												
(a) Handling fees for import services	2,181	30%	2,836	30%	3,686	(40.3%)	2,200	15%	2,530	25%	3,163	
(b) Export sales amount	6,000	0%	6,000	0%	6,000	10%	6,600	15%	7,590	25%	9,488	

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Notes:

1. The annual caps under the Existing CCT Agreements.
2. The Annual Caps under the Renewed Master Agreements.

b. Assessment of Annual Caps

As illustrated above, except for the proposed annual caps for the provision of metal stamp parts and handling fees for import service are expected to decrease in the year ending 31 December 2008, the proposed annual caps for the provision of precision plastic parts and export sales amount are expected to increase by approximately 9.5% and 10% from 2007 to 2008, respectively.

It is noted that the Annual Caps are expected to grow at 15% and 25% during the year ending 31 December 2009 and 2010, respectively. In this regard, we have discussed with the Management on the underlying reasons and noted that the Management have principally taken into account:

1. the historical transaction amounts of the Continuing Connected Transactions for the two years ended 31 December 2006 and the 10 months ended 31 October 2007;
2. the expected growth in demand for the Group's direct materials and import/export service based on the strategic business decision made by the Management in view of, among others, the organic growth of the Group's business and the condition of the PRC business equipment and tax control equipment market;
3. the expected growth in the Group's demand for direct materials and import/export service arising from the re-launch of the Golden Tax Project (Phase III) in the second half of 2008;
4. the expected price trend of precision plastic parts and metal stamp parts over the three years ending 31 December 2010.

In our assessment of the reasonableness and fairness of the Annual Caps, we have reviewed:

1. the historical transaction amounts of the Continuing Connected Transactions for the two years ended 31 December 2006 and the ten months ended 31 October 2007 and the underlying quantitative justification;
2. the projected transaction amounts of the Continuing Connected Transactions for the two months ended 31 December 2007, and the three years ending 31 December 2010;
3. The China's tax control equipment market analysis report issued by China Computer World Research in March 2005; and

4. the historical price trend of direct materials in 2007.

We have also discussed with the Management on the underlying principal assumptions and bases that have been taken into account by the Management in setting the Annual Caps. We concur with the view of the Management that it will be reasonable and in the interests of both the Company and the Shareholders to set the Annual Caps at the proposed levels, after taking into consideration the following:

- the increase in the historical transaction amount of the Continuing Connected Transactions during the two years ended 31 December 2006 and the 10 months ended 31 October 2007;
- Although the official launch of the nationwide Golden Tax Project (Phase III) in the PRC has been postponed in 2006 and 2007, the Management estimates that the Golden Tax Project (Phase III) will be re-launched in second half of 2008, which will bring the Group with substantial market opportunities for its tax control electronic cash registers (税控收款機), mini printers and invoice printers, which in turn, increase the Group's demand for precision plastic parts, metal stamp parts and import/export services. The Group was chosen as one of the five authorised suppliers of tax control electronic cash registers in the tender project of Guangdong Province National Tax Bureau in 2006. As advised by the Management, the Group has carried out a lot of pretender preparation work for certain key provinces and municipalities, including Jiangsu province. Leveraging on the Group's proven track record in the tax control equipment industry and its status as one of the five authorised suppliers of tax control electronic cash registers in Guangdong Province, the Management is optimistic about the future growth in its sale of tax control equipment which will lead to steady growth in the purchase of direct materials and demand for import/export services.
- the procurement cost of some precision plastic parts and metal stamp parts increased by approximately 7% in 2007. The Management expects that the average procurement cost of precision plastic parts and metal stamp parts will increase by approximately 5% for each of 2008, 2009 and 2010, based on their market expertise in this regard.

Views

Based on the factors and reasons discussed above, we are of the view that the Annual Caps were set by the Management after due and careful consideration and are fair and reasonable as far as the Company and the Shareholders are concerned. However, as the Annual Caps relate to future events and are based on assumptions which may or may not remain valid for the entire period up to 31 December 2010, consequently, we express no opinion as to how closely the actual amount to be incurred under the Continuing Connected Transactions contemplated under the Renewed Master Agreements will correspond with the Annual Caps.

2.4. Reporting requirements and conditions of the Continuing Connected Transactions

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

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - 1. in the ordinary and usual course of business of the Group;
 - 2. either on normal commercial terms or, if there are not sufficient comparable continuing connected transaction to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - 3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
 - 1. have received the approval of the Board;
 - 2. are in accordance with the pricing policies of the Group;
 - 3. have been entered into in accordance with the relevant agreements governing the Continuing Connected Transactions; and
 - 4. have not 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);
- (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.

After reviewed the annual reports of the Company for the two financial years ended 31 December 2006, we noted that the independent non-executive Directors and the auditors of the Company had reviewed the above-mentioned connected transactions for the two years

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ended 31 December 2006, and had confirmed that such transactions were entered into in accordance with the relevant agreements governing the continuing connected transactions and the pricing policies of the Group.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps; (ii) the proven track record of the Company in compliance with the relevant provisions governing the continuing connected transactions in accordance with the Listing Rules; and (iii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Cap not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

3. RECOMMENDATION

Having considered the principal factors and reasons referred to above, we consider that the Renewed Master Agreements are in the interests of the Company and the Shareholders as a whole, and the terms thereof including the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Renewed Master Agreements as well as the adoption of the Annual Caps.

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

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) Interest of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of Executive Director	Company/name of associated corporation	Capacity	No. of shares held (<i>Note 1</i>)
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation (<i>Note 2</i>)	364,311,533 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: 364,311,533 Shares were owned by Kytronics Holdings. The issued share capital of Kytronics Holdings is owned as to 20% by each of Mr. Au and his spouse Ms. Tai Noi Kit. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics Holdings pursuant to Part XV of the SFO. Each of Mr. Au and his spouse, Ms. Tai Noi Kit, is the beneficial owner of an ordinary share in Kytronics Holdings.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

Interest of Substantial Shareholders

As at the Latest Practicable Date, as far as is known to the Directors and the chief executive of the Company, the following 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	364,311,533 Shares (Note 2)	61.00% (L)
Tai Noi Kit	Kytronics Holdings	Interest in controlled corporation (Note 2)	364,311,533 Shares (Note 2)	61.00% (L)
Kent C. McCarthy	Company	Interest in controlled corporation (Note 3)	71,790,000 Shares (Note 3)	12.02% (L)
Martin Currie (Holdings) Limited	Company	Interest in controlled corporation (Note 4)	40,478,000 Shares (Note 4)	6.78% (L)
Credit Suisse Group	Company	Interest in controlled corporation (Note 5)	35,598,000 Shares (Note 5)	5.96% (L)

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

Note 2: 364,311,533 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 71,790,000 Shares were held by Jayhawk China Fund (Cayman) Limited, Jayhawk Institutional Partners, LP and Buffalo Jayhawk China Fund, companies wholly-owned by Mr. Kent C. McCarthy.

Note 4: The 40,478,000 Shares were held by Martin Currie Inc. and Martin Currie Investment Management, an indirect wholly-owned subsidiaries of Martin Currie (Holdings) Limited.

Note 5: The 35,598,000 Shares were held Credit Suisse (Hong Kong) Limited, an indirect wholly-owned subsidiary of Credit Suisse Group.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

- (b) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation other than statutory compensation.
- (c) None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.
- (d) None of the Directors has any direct and indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Group were made up.

3. LITIGATION

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

4. EXPERT AND CONSENT

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

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

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

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTERESTS

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

8. GENERAL

- The registered office of the Company is situated at Clifton House, 75 Fort Street, PO Box 1350 GT George Town, Grand Cayman, Cayman Islands.
- The principal place of business of the Company in Hong Kong is situated at Room 1005, Olympia Plaza, 255 King's Road, North Point, Hong Kong.
- The branch share registrar and the transfer office of the Company is at Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- The qualified accountant and company secretary of the Company is Mr. Li Ho Cheong, HKICPA and ACCA.
- The English text of this document shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Room 1005, Olympia Plaza, 255 King's Road, North Point, Hong Kong up to and including the date of the EGM:

- the Guangdong Precision Master Agreements, Jiangmen Yida Master Agreement and Import and Export Agency Service Agreement;
- the letter of recommendation from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- the letter issued by China Everbright, the text of which is set out on pages 14 to 23 of this circular; and
- the written consent of China Everbright, referred to in paragraph 4 in this appendix.



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 “**Meeting**”) of Jolimark Holdings Limited (the “**Company**”) will be held at Room 1005, Olympia Plaza, 255 King’s Road, North Point, Hong Kong on Monday, 28 January 2008 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT

- (i) the master supply agreements dated 19 December 2007 entered into between Guangdong Kong Yue Precision Industry Ltd., and each of Kong Yue Electronics & Information Industry (Xin Hui) Ltd. and Jiangmen Kong Yue Jolimark Information Technology Ltd., both of which are subsidiaries of the Company, (the “**Guangdong Precision Master Agreements**”) (a copy of each of which has been produced to the Meeting and marked “A” and “B” respectively and initialed by the chairman of the Meeting for the purpose of identification) in relation to, among other matters, the supply of precision plastic parts and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual caps in relation to the transactions under the Guangdong Precision Master Agreements for the period commencing from the date on which the Guangdong Precision Master Agreements becoming effective until 31 December 2010 and each of the years ending 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed RMB15,400,000, RMB17,710,000 and RMB22,138,000 respectively be and are hereby approved; and
- (iii) the Directors be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the Guangdong Precision Master Agreements and any or all the matters contemplated in the Guangdong Precision Master Agreements and this resolution.”

NOTICE OF EGM

2. “THAT

- (i) the master supply agreement dated 19 December 2007 entered into between Guang Dong Jotech Kong Yue Precision Industries Ltd. and Kong Yue Electronics & Information Industry (Xin Hui) Ltd., a subsidiary of the Company, (the “**Jiangmen Yida Master Agreement**”) (a copy of which has been produced to the Meeting and marked “C” and initialed by the chairman of the Meeting for the purpose of identification) in relation to, among other matters, the supply of metal stamped parts and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual caps in relation to the transactions under the Jiangmen Yida Master Agreement for the period commencing from the date on which the Jiangmen Yida Master Agreement becoming effective until 31 December 2010 and each of the years ending 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed RMB9,350,000, RMB10,753,000 and RMB13,441,000 respectively be and are hereby approved; and
- (iii) the Directors be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the Jiangmen Yida Master Agreement and any or all the matters contemplated in the Jiangmen Yida Master Agreement and this resolution.”

3. “THAT

- (i) the master service agreement dated 19 December 2007 entered into between Jiangmen Kong Yue Information Product Import Export Ltd. and Kong Yue Electronics & Information Industry (Xin Hui) Ltd., a subsidiary of the Company, (the “**Import and Export Agency Service Agreement**”) (a copy of which has been produced to the Meeting and marked “D” and initialed by the chairman of the Meeting for the purpose of identification) in relation to, among other matters, the import services of direct materials and equipment and export services of products and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) the proposed respective annual caps in relation to (i) handling fees for import services and (ii) export sales amount under the Import and Export Agency Service Agreement for the period commencing from the date on which the Import and Export Agency Service Agreement becoming effective until 31 December 2010 and each of the years ending 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed RMB2,200,000, RMB2,530,000 and RMB3,163,000 and RMB6,600,000, RMB7,590,000 and RMB9,488,000 respectively be and are hereby approved; and

NOTICE OF EGM

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

On behalf of the Board
Au Kwok Lun
Director

Hong Kong, 9 January 2008

Registered Office:

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

Principal place of business in Hong Kong:

Room 1005, Olympia Plaza
255 King's 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. 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.
3. 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 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 subsequent to the date of the Meeting or adjourned meeting, not less than 24 hours before the time appointed for 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.