

CIRCULAR DATED 10 MARCH 2014

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If you are in doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of China Jishan Holdings Limited. ("**Company**"), you should immediately hand this Circular and the enclosed Notice of Extraordinary General Meeting and Proxy Form to the purchaser or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

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**CHINA JISHAN HOLDINGS LIMITED**

(Incorporated in the Republic of Singapore)  
Company Reg. No. 200310591E

**CIRCULAR TO SHAREHOLDERS**

in relation to

- (1) THE PROPOSED ACQUISITION OF 25% EQUITY INTEREST IN SHAOXING KEQIAO DISTRICT JISHAN UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD FROM ZHEJIANG JISHAN HOLDINGS GROUP CO., LTD (THE "PROPOSED ACQUISITION");
- (2) THE PROPOSED INVESTMENT OF UP TO AN AGGREGATE AMOUNT OF RMB 102,000,000 INTO SHAOXING KEQIAO DISTRICT JISHAN UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD (THE "PROPOSED INVESTMENT"); AND
- (3) THE PROPOSED DIVERSIFICATION INTO THE BUSINESS OF PROVISION OF FINANCING SERVICES THROUGH THE INCORPORATION OF SHAOXING KEQIAO DISTRICT JISHAN UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD (THE "PROPOSED DIVERSIFICATION").

Independent Financial Adviser to the Independent Directors in relation to  
the Proposed Acquisition as an interested person transaction



**SAC Capital Private Limited**

(Incorporated in the Republic of Singapore)  
(Company Registration Number 200401542N)

**IMPORTANT DATES AND TIMES**

Last date and time for lodgment of Proxy Form	:	24 March 2014 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	26 March 2014 at 10.00 a.m.
Place of Extraordinary General Meeting	:	Furama RiverFront Singapore, Jupiter I (Level 3) 405 Havelock Road Singapore 169633

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## DEFINITIONS

In this Circular, the following definitions shall apply unless otherwise stated or the context otherwise requires:

- “Additional Registered Capital”** : Additional registered capital of RMB 100,000,000, to be injected into the JV Company pursuant to the Shareholders’ Agreement
- “Approval”** : Private Capital Management approval granted by the financial department of the Zhejiang provincial government
- “associate”** : (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and
- (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Audit and Risk Committee”** : The audit and risk committee of the Company
- “Board of Directors”** : The Board of Directors of the Company for the time being
- “CDP”** : The Central Depository (Pte) Limited
- “Company”** : China Jishan Holdings Limited
- “Companies Act”** : Companies Act (Chapter 50) of Singapore, as the same may be amended, varied or supplemented from time to time
- “Controlling Shareholder”** : A person who:
- (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or
  - (b) in fact exercises control over the Company
- “Directors”** : The directors of the Company for the time being
- “EGM”** : The extraordinary general meeting of the Company, notice of which is set out on page 37 of this Circular
- “EPS”** : Earnings per Share

<b>“First Subscription”</b>	: Subscription for RMB 26,000,000 of the registered capital of the JV Company by ZJPD
<b>“FY” or “Financial Year”</b>	: Financial year ended, or as the case may be, ending 31 December
<b>“Independent Directors”</b>	: The independent directors of the Company, namely, Lien Kait Long, Yip Wei Jen, Xu Ping Wen
<b>“Independent Financial Adviser” or “IFA”</b>	: SAC Capital Private Limited, the independent financial adviser to the Independent Directors in relation to the Proposed Acquisition as an interested person transaction
<b>“Guidance Papers”</b>	: A draft policy paper, <i>Guidance on the Development of Private Microcredit Management Companies (Trial)</i> (浙江省人民政府办公厅关于开展民间融资管理试点工作的实施意见), prepared by the Zhejiang provincial government of the PRC on August 2013 and other supplemental policy papers
<b>“Jin Cheng”</b>	: Jin Cheng International Holdings Limited, a company, incorporated in the British Virgins Islands, and wholly-owned by Mr. Jin Guan Liang
<b>“JV Company”</b>	: Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd (绍兴柯桥区稽山力合民间资本管理有限公司), a joint venture company incorporated in the PRC on 18 December 2013, of which 26%, 25%, 20%, 23% and 6% of its total equity interest is held by ZJPD, ZJHG, UPG, SSI and SSEI respectively
<b>“Group”</b>	: The Company and its subsidiaries
<b>“Latest Practicable Date”</b>	: 2 March 2014, being the latest practicable date prior to the despatch of this Circular
<b>“Listing Manual”</b>	: The Listing Manual of the SGX-ST, as the same may be amended, varied or supplemented from time to time
<b>“MSEs”</b>	: Medium, small and micro-sized enterprises
<b>“New Business”</b>	: Has the meaning ascribed to it in section 4.2 of this Circular
<b>“Notice of EGM”</b>	: Notice of the EGM set out on page 37 of this Circular
<b>“NTA”</b>	: Net tangible assets
<b>“JV Parties”</b>	: ZJPD, ZJHG, UPG, SSI and SSEI, and <b>“JV Party”</b> means any of them
<b>“PRC”</b>	: The People’s Republic of China
<b>“Proposed Acquisition”</b>	: The proposed acquisition by ZJPD of 25% of the equity interest in the JV Company from ZJHG
<b>“Proposed Investment”</b>	: The proposed investment of up to an aggregate amount of RMB 102,000,000 into the JV Company
<b>“Proposed Diversification”</b>	: The proposed diversification into the business of provision of financing services through the incorporation of the JV Company
<b>“RMB”</b>	: The lawful currency of the People’s Republic of China

<b>“Second Subscription”</b>	:	Subscription for the Additional Registered Capital in accordance with ZJPD’s proportionate equity interest in the JV Company, up to an aggregate amount of RMB 51,000,000
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company
<b>“Shareholders”</b>	:	Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term “Shareholders” shall in relation to such Shares mean the Depositors whose direct securities accounts maintained with CDP are credited with Shares
<b>“Shareholders’ Agreement”</b>	:	The Shareholders’ Agreement dated 27 November 2013 entered into between ZJPD, ZJHG, UPG, SSI and SSEI relating to the incorporation of the JV Company
<b>“S&amp;P Agreement”</b>	:	The sale and purchase agreement dated 30 December 2013 entered into between ZJPD and ZJHG relating to the Proposed Acquisition
<b>“SSI”</b>	:	Shanghai Grand Investment Co., Limited (上海盛大投资有限公司)
<b>“SSEI”</b>	:	Shanghai Shengqing Industrial Investment Co., Limited (上海盛庆实业投资有限公司)
<b>“subsidiaries”</b>	:	The subsidiaries of a company (as defined in Section 5 of the Companies Act) and “subsidiary” shall be construed accordingly
<b>“Substantial Shareholder”</b>	:	A person who holds directly or indirectly five (5%) per cent or more of the issued share capital in the Company
<b>“S\$”</b>	:	The lawful currency of the Republic of Singapore
<b>“UPG”</b>	:	Zhejiang Uni-Power Group Holdings Limited (浙江中新力合控股有限公司)
<b>“ZJHG”</b>	:	Zhejiang Jishan Holdings Group Co., Ltd (浙江稽山控股集团有限公司)
<b>“ZJPD”</b>	:	Zhejiang Jishan Printing and Dyeing Co., Ltd (浙江稽山印染有限公司), the wholly-owned subsidiary of the Company
<b>“%” or “per cent”</b>	:	Per centum or percentage

The terms “Depositor” and “Depository Register” shall have the meanings ascribed to them respectively by Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, unless otherwise stated or the context otherwise requires.

Any reference to a time of a day in the Circular is a reference to Singapore time unless otherwise stated.

The headings in this Circular are inserted for convenience only and shall not affect the construction of this Circular.

Where any word or expression is defined in this Circular, such definition shall extend to the grammatical variations and cognate expressions of such word or expression.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

Any discrepancies in this Circular between the listed amounts and the equivalent foreign exchange amounts thereof are due to rounding.

# CHINA JISHAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
Company Reg. No. 200310591E

## Directors

Jin Guan Liang (Executive Chairman)  
Jing Rong Hai (Executive Director/ Chief Executive Officer)  
Yu Ming Hai (Executive Director)  
Lien Kait Long (Lead Independent Director)  
Yip Wei Jen (Independent Director)  
Xu Ping Wen (Independent Director)

## Registered Office

1 Sophia Road,  
#05-03 Peace Centre  
Singapore 228149

10 March 2014

To: The Shareholders of China Jishan Holdings Limited

Dear Shareholder

- (1) **THE PROPOSED ACQUISITION;**
- (2) **THE PROPOSED INVESTMENT; AND**
- (3) **THE PROPOSED DIVERSIFICATION.**

## 1. INTRODUCTION

### 1.1 Overview

The Directors propose to seek the approval of Shareholders at the EGM to be held on 26 March 2014 at 10.00 a.m. at Furama RiverFront Singapore, Jupiter I (Level 3), 405 Havelock Road, Singapore 169633 for the following:

- (a) the Proposed Acquisition;
- (b) the Proposed Investment; and
- (c) the Proposed Diversification.

The purpose of this Circular is to explain the reasons for, and to provide Shareholders with information relating to the Proposed Acquisition, the Proposed Investment and the Proposed Diversification to be tabled at the EGM.

### 1.2 Shareholders' Agreement

On 27 November 2013, the wholly-owned subsidiary of the Company, Zhejiang Jishan Printing and Dyeing Co., Ltd (浙江稽山印染有限公司) ("ZJPD") entered into a shareholders' agreement (the "**Shareholders' Agreement**") with Zhejiang Jishan Holdings Group Co., Ltd (浙江稽山控股集团有限公司) ("ZJHG"), Zhejiang Uni-Power Group Holdings Limited (浙江中新力合控股有限公司) ("UPG"), Shanghai Grand Investment Co., Limited (上海盛大投资有限公司) ("SSI") and Shanghai Shengqing Industrial Investment Co., Limited (上海盛庆实业投资有限公司) ("SSEI"), pursuant to which ZJPD, ZJHG, UPG, SSI and SSEI (collectively, the "**JV Parties**" and each, a "**JV Party**") shall incorporate a joint venture company, Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd (绍兴柯桥区稽山力合民间资本管理有限公司) (the "**JV Company**") to undertake the business of provision of financial services.

Pursuant to the Shareholders' Agreement, the JV Company will be a company incorporated in the PRC with a registered capital of RMB 100,000,000. The principal business activities of the JV Company shall comprise project investment, capital management and capital investment consulting services. The JV Parties shall initially contribute to the registered capital of the JV Company in the following proportions:

Shareholder	Equity contribution (RMB)	Proportion of equity interest (%)
ZJPD	26,000,000	26
ZJHG	25,000,000	25
UPG	20,000,000	20
SSI	23,000,000	23
SSEI	6,000,000	6
Total	100,000,000	100

### 1.3 Information on the JV Parties

ZJHG is a company duly incorporated and validly existing under the laws of the PRC, with Mr. Jin Guan Liang, Mr. Jin Rong Hai, and Ms. Jin Yao Yun holding 80%, 10% and 10% of equity interest in ZJHG respectively. Ms. Jin Yao Yun is the wife of Mr. Jin Guan Liang and the sister of Mr. Jin Rong Hai. The principal activities of ZJHG are manufacturing, import and export.

UPG is a company duly incorporated and validly existing under the laws of the PRC, whose shareholders are Mr. Chen Hang Sheng, Mr. Zhu Jia Lian, Mr. Jiang Min, Mr. Yang Sheng, Mr. Cai Chao Yong, Mr. Zhou Ji, Mr. Liao Lian Yan, and Mr. Zhang Han Xing. UPG is a financial institution in the Zhejiang province with a registered capital of RMB 450 million. In the past 7 years, UPG has served more than 4000 companies in the Yangtze River delta economic zone of the PRC, providing a total financing amount of more than RMB 16 billion. UPG specialises in small and medium micro enterprises to create financing solutions, with up to 20% of customers receiving venture capital. UPG has previously provided financing for Focused Photonics Inc. and Zhejiang Huace Film & TV Co Ltd, both of which have been successfully listed on the Shenzhen Stock Exchange.

SSI is a company duly incorporated and validly existing under the laws of the PRC, whose shareholders are Mdm Wang Xin Ai and Mr. Zhu Feng Ming. Mr. Zhu Feng Ming is the husband of Mdm. Wang Xin Ai. The principal activities of SSI are real estate development and facilities leasing.

SSEI is a company duly incorporated and validly existing under the laws of the PRC, whose shareholders are Ms. Zhu Yi and Mr. Zhu Feng Ming. Ms. Zhu Yi is the daughter of Mr. Zhu Feng Ming and Mdm. Wang Xin Ai. The principal activities of SSEI are investment and capital management.

The JV Parties are business acquaintances of Mr. Jin Guan Liang who have expressed strong interest in investing in the JV Company

Save as disclosed above, none of the shareholders of UPG, SSI and SSEI are related to, or have any connections (including business dealings) with each other. Neither UPG, SSI and SSEI nor their associates are related to the Directors, Controlling Shareholders and their associates.

### 1.4 Incorporation of the JV Company under Chapter 9 of the Listing Manual

Mr. Jin Guan Liang, being the Executive Chairman of the Company, owns 80% of the equity interest in ZJHG. Mr. Jin Rong Hai, being the Executive Director and Chief Executive Officer of the Company, owns 10% of the equity interest in ZJHG.



In addition, Mr. Jin Guan Liang has a direct interest in 16,649,500 Shares, and pursuant to Section 7 of the Companies Act (Cap. 50), Mr. Jin Guan Liang is deemed to be interested in the Shares held by Jin Cheng by virtue of the fact that he owns 100% of the issued share capital of Jin Cheng. Jin Cheng owns 217,709,500 Shares<sup>1</sup>, amounting to approximately 72.21% of the total issued Shares of the Company, and is thus a substantial shareholder of the Company. Therefore, Mr. Jin Guan Liang has a direct and indirect interest in the Shares, amounting to a shareholding interest of approximately 77.7% in the Company.

Accordingly, ZJHG is an interested person and the incorporation of the JV Company is an interested person transaction as defined under the Listing Manual.

As announced by the Group dated 28 November 2013, in compliance with Rule 916(2)(b) of the Listing Manual, the Audit and Risk Committee, having considered the terms and conditions of the Shareholders' Agreement, is of the view that the risks and rewards of the JV Company are in proportion to the equity of each joint venture partner and the terms of the Shareholders' Agreement are not prejudicial to the interests of the Company and its minority Shareholders. Thus, Shareholders' approval is not required for the incorporation of the JV Company under Chapter 9 of the Listing Manual.

### 1.5 Salient terms of the Shareholders' Agreement

The JV Company will be incorporated with a registered capital of RMB 100,000,000. Within 6 months of the date of the incorporation of the JV Company, the registered capital of the JV Company will be increased to RMB 200,000,000. The JV Parties are entitled to subscribe for additional registered capital of RMB 100,000,000 (the **"Additional Registered Capital"**) in accordance with each JV Party's equity contribution.

Any JV Party shall not transfer and/or pledge the equity interest in the JV Company to a third party other than the JV Parties without the prior written consent of the other JV Parties prior written consent and the approval from the JV Company's board.

Any JV Party is entitled to transfer part of the equity interest in the JV Company to other JV Parties with every JV Party's consent. In the event that the JV Party intends to transfer all the equity interest in the JV Company to other JV Parties, the JV Party shall seek written consent from every JV Party and the board's approval.

Notwithstanding the foregoing, after the expiry of the first 2 years of incorporation of the JV Company (when UPG would have management and administrative rights in the JV Company (the **"2-year period"**)) UPG is entitled to transfer its equity interest in the JV Company to a third party whose businesses is not in competition with the JV Company's business. After such transfer, UPG shall continue to perform the obligations under the Shareholders' Agreement, including the management of the day-to-day business of the JV Company.

The JV Parties also agreed that ZJPD and ZJHG shall be entitled to transfer all or part of their equity interest in the JV Company to each other. The JV Parties will endeavor to obtain the approval of the JV Company's board to such transfer.

Subject to the approval of the board of the JV Company, UPG shall nominate the general manager, risk manager and operations manager, and shall take charge of building the management team of the JV company. UPG shall also be in charge of the day to day management of the JV Company.

In the event that the JV Company's rate of return on common stockholders' equity is more than 10% per annum (the **"10% ROE Target"**) for the 2-year period, UPG will receive a 20% cut of the ROE that is above the 10% ROE Target. This is UPG's only remuneration for the management of the JV Company.

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<sup>1</sup> Jin Cheng holds 213,909,500 shares in the Company under DBS Nominees Pte Ltd.

In the event that the JV Company's rate of return on common stockholders' equity is less than the 10% ROE Target, UPG will compensate the other JV Parties (based on their proportionate shareholdings in the JV Company) for the shortfall from the 10% ROE Target.

The other JV Parties have the right, during the period of 2 years and 6 months from the incorporation of the JV Company, to require UPG to acquire their shares in the JV Company at their respective investment cost plus 10% per annum.

In the event that the JV Company were to incur an accumulated audited net loss greater or equal to RMB5.0 million during the 2-year period, the other JV Partners have the right to acquire UPG's shares in the JV Company (based on their proportionate shareholdings in the JV Company) at the audited net asset value of the JV Company, and UPG will also have to compensate the other JV Parties for the shortfall from the 10% ROE Target.

The company seal (公章) of the JV Company shall be held by an individual appointed by ZJPD and ZJHG.

The board of the JV Company shall consist of 5 directors, 4 of whom shall be appointed by ZJPD, ZJHG, UPG and SSI respectively. The directors appointed by ZJPD and UPG shall be the chairman and vice-chairman of the board, respectively. The 5<sup>th</sup> director shall be a professional independent party appointed by ZJPD. Therefore, ZJPD shall be entitled to appoint 2 directors to the board of the JV Company.

Upon the completion of the Proposed Acquisition as set out in Section 2 of this Circular, ZJPD shall have absolute controlling position in the JV Company, and shall have effective control over the shareholders' meeting and board meeting of the JV Company. ZJPD will hold 51% of the equity interest of the JV Company, and will be able to appoint 3 directors to the board of the JV Company.

The JV Company shall be operative for a period of thirty (30) years from the date of the issuance of the business license of the JV Company (the "**Operating Period**"). Each JV Party can apply for the extension of the Operating Period at least 6 months before the expiry of the Operating Period with the approval of the shareholders of the JV Company at a shareholders' meeting.

The Company will make the necessary announcements if any of the JV Parties exercises its rights as disclosed above.

## **2. THE PROPOSED ACQUISITION**

ZJPD has on 30 December 2013 entered into a sales and purchase agreement (the "**S&P Agreement**") with ZJHG pursuant to which ZJHG has agreed to sell, and ZJPD has agreed to purchase, 25% of the total equity interest in the JV Company for a consideration of RMB 25,000,000. After the completion of the Proposed Acquisition, ZJPD will own 51% of the total equity interest in the JV Company.

### **2.1 Proposed Acquisition under Chapter 9 of the Listing Manual**

As mentioned in the paragraph 1.4 of this Circular, ZJHG is an interested person. Therefore, the Proposed Acquisition is an interested person transaction as defined under the Listing Manual.

Pursuant to Rule 906 of the Listing Manual, Shareholders' approval (in addition to an immediate announcement) is required where:

- the value of an interested person transaction is equal to or exceeds 5.0% of the Group's latest audited net tangible assets; or
- the value of an interested person transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is equal to or exceeds 5.0% of the Group's latest audited net tangible assets. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

Based on the audited accounts of the Group for FY 2012, the audited net tangible assets of the Group were RMB 164,825,000. Given that the aggregate consideration for the Proposed Acquisition is RMB 25,000,000, representing approximately 15.2% of the latest audited net tangible assets of the Group, the Proposed Acquisition is an interested person transaction which exceeds the 5.0% threshold mentioned above. Consequently, the Proposed Acquisition is subject to the approval of the Shareholders.

Save as disclosed above, as at the Latest Practicable Date, the Group does not have any other interested person transaction with Mr. Jin Guan Liang and Mr. Jin Rong Hai or any of their associates or any other interested persons of the Group for the current financial year ending 31 December 2013.

## 2.2 Rationale and Benefits for the Proposed Acquisition

The Guidance Papers states that during the pilot period, Shaoxing county shall only have two private capital management companies (that satisfy the requisite qualifications) approved by the financial department of Zhejiang Government (the “**Approval**”).

Accordingly, there is strong competition amongst interested PRC enterprises to obtain the Approval. The JV Company had to be incorporated as quickly as possible in order to submit the application to and obtain the Approval on an expeditious basis.

Therefore, the Group needed to find a party who met the following criteria:

- (i) had the resources to invest in 25% of the JV Company;
- (ii) willing to sell the shares at cost to the Group if Shareholders’ approval (for the Proposed Acquisition) was obtained by the Group;
- (iii) willing to remain as a shareholder of the JV Company if Shareholders’ approval (for the Proposed Acquisition) was not obtained by the Group.

ZJHG was the only party that the Group could find which met all the above criteria.

The JV Company was incorporated on 18 December 2013, and has obtained the business licence from the Administration for Industry & Commerce of the Shaoxing county. The JV Company has also obtained the Approval from the financial department of Zhejiang Government on 31 December 2013.

Following the completion of the above steps, ZJPD is proposing to undertake the Proposed Acquisition to obtain statutory control of the JV Company and safeguard the commercial interests of the Company. After the Proposed Acquisition, ZJPD will own 51% of the total equity interest in the JV Company and will be in a position to exercise statutory control of the JV Company, which means that ZJPD will be able to pass all ordinary resolutions which are tabled for the approval of the shareholders of the JV Company at a general meeting.

In addition, as the JV Company will become a 51%-owned subsidiary of the Group (through ZJPD) after the Proposed Acquisition, the revenue, profits, assets and liabilities of the JV Company will be consolidated into the Group in accordance with the Singapore Financial Reporting Standards.

## 2.3 S&P Agreement

Under the S&P Agreement, ZJPD shall purchase ZJHG’s 25% equity interest in the JV Company for a consideration of RMB 25,000,000 (the “**Consideration**”). The Consideration shall be fully paid by ZJPD within 3 days of the date of completion of the S&P Agreement. Accordingly, all the rights and obligations attached to ZJHG’s 25% equity interest in the JV Company shall be transferred to ZJPD.

The S&P Agreement is conditional upon Shareholders’ approval being obtained.

The consideration of RMB 25,000,000 is based on the initial equity contribution of RMB 25,000,000 by ZJHG under the Shareholders' Agreement. Accordingly, ZJPD will not be making any excess payment to ZJHG over the initial equity contribution made by ZJHG.

## **2.4 IFA Opinion**

The Company has appointed SAC Capital Private Limited as the IFA to the Independent Directors in relation to the Proposed Acquisition as an interested person transaction.

Based on the considerations as set out in its letter dated 10 March 2014 to the Independent Directors, the IFA is of the opinion that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and the independent Shareholders. Accordingly, the IFA advises the Independent Directors to recommend the independent Shareholders to vote in favour of the resolution relating to the Proposed Acquisition.

It must be noted that the IFA's opinion and advice are based upon market, economic, industry and other conditions prevailing as at the Latest Practicable Date, and information made available to the IFA as at the Latest Practicable Date.

A copy of the IFA letter dated 10 March 2014 is reproduced in Appendix 1 of this Circular. Shareholders are advised to read the IFA letter carefully.

## **2.5 Consent**

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of and references to its name and to act in such capacity in relation to this Circular.

## **2.6 Audit and Risk Committee's Statement**

The Audit and Risk Committee has reviewed the terms, rationale and benefits of the Proposed Acquisition and the opinion of the IFA in the IFA letter addressed to the Independent Directors in respect of the Proposed Acquisition, and is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its independent Shareholders.

Going forward, as part of its internal controls review of key financial, operational and compliance risk areas as recommended under the Code of Corporate Governance, the Audit and Risk Committee will also include a review of whether the JV Company is in compliance with the applicable anti-money laundering laws in the PRC.

## **2.7 Directors' Recommendations**

The Board of Directors (other than Mr. Jin Guan Liang and Mr. Jin Rong Hai who have abstained from making any recommendations in view of their shareholding interest in ZJHG), having considered the terms of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the interests of the Company. Accordingly, the Board of Directors (with the exception of Mr. Jin Guan Liang and Mr. Jin Rong Hai), recommends that the Shareholders vote in favour of the resolution relating to the Proposed Acquisition to be proposed at the EGM.

## **2.8 Shareholders Who Will Abstain from Voting**

As Mr. Jin Guan Liang holds 80% of the equity interest in ZJHG and approximately 77.7% of the equity interest in the Company,<sup>1</sup> he will abstain and has undertaken steps to ensure that his associates (including Jin Cheng) will abstain from voting at the EGM in respect of the resolution to approve the Proposed Acquisition.

Mr. Jin Guan Liang and his associates (including Jin Cheng) will also decline to accept appointments as proxies from any Shareholder to vote unless given specific instructions by the Shareholder as to how he wants his votes to be cast.

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<sup>1</sup> Mr. Jin Guan Liang has a direct interest of 16,649,500 Shares and is deemed to be interested in the 217,709,500 Shares held by Jin Cheng. Therefore, Mr. Jin Guan Liang has a direct and indirect interest in Shares amounting to a shareholding interest of approximately 77.7% in the Company.

Save as disclosed, none of the Directors or Substantial Shareholders has any interest in the Proposed Acquisition.

### 3. THE PROPOSED INVESTMENT

Pursuant to the Shareholders' Agreement, ZJPD shall subscribe for RMB 26,000,000 of the registered capital for the incorporation of the JV Company (the "**First Subscription**"), and the JV Parties shall increase the registered capital to RMB 200,000,000 within 6 months of the date of the incorporation of the JV Company. It was provided in the Shareholders' Agreement that the JV Parties shall subscribe for the Additional Registered Capital in accordance with each JV Party's proportionate equity interest in the JV Company

So assuming the Proposed Acquisition is approved by the Shareholders, after the completion of the Proposed Acquisition, ZJPD will own 51% of equity interest in the JV Company and subscribe for the Additional Registered Capital in accordance with ZJPD's proportionate equity interest in the JV Company, up to an aggregate amount of RMB 51,000,000 (the "**Second Subscription**").

In this regard, the Board of Directors is seeking Shareholders' approval for the First Subscription, the Proposed Acquisition and the Second Subscription, which will result in the Company investing up to an aggregate amount of RMB 102,000,000 in the JV Company (the "**Proposed Investment**").

The RMB 102,000,000 will be funded with internal resources and bank borrowings. This amount was arrived at based on the estimated working capital requirements of the JV Company, even though the JV Company has not commenced its business, and therefore has no book value besides its registered capital.

The internal resources are derived from (i) the Company's ordinary business income, and (ii) the proceeds from the Company's disposal of the entire equity interest in Zhejiang Jishan Extra Width Co., Ltd and its related assets, which was approved by Shareholders at an EGM held on 25 October 2013.

#### 3.1 Rationale for the Proposed Investment

The Proposed Investment will provide the JV Company with working capital to undertake the business of provision of financial services as set out in the Paragraph 4 of this Circular.

#### 3.2 Relative figures computed on the bases set out in Rule 1006 of the Listing Manual

The Company hereby sets out the relative figures <sup>(1)</sup> for the Proposed Investment according to Rule 1006 (a) to (d) of the Listing Manual, based on the latest announced unaudited consolidated financial statements of the Company for the financial year ended 31 December 2013 ("**FY2013**"):

<b>Rule 1006(a)</b>	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable <sup>(2)</sup>
<b>Rule 1006(b)</b>	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Nil <sup>(3)</sup>
<b>Rule 1006(c)</b>	The aggregate value of the consideration given of RMB 102,000,000 given, compared with the Company's market capitalisation <sup>(4)</sup> of approximately RMB 179,452,800 based on the total number of issued shares excluding treasury shares	56.8%
<b>Rule 1006(d)</b>	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable <sup>(5)</sup>
<b>Rule 1006(e)</b>	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable <sup>(6)</sup>

**Notes:**

- (1) The figures computed here are based on the unaudited financial results for the financial year ended 31 December 2013 which were announced on 27 February 2014.
- (2) This rule is not applicable as the Proposed Investment is not a disposal.
- (3) As at the Latest Practical Date, the JV Company has not commenced its business.
- (4) Under Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of shares in issue (301,500,000) by the weighted average price (S\$0.124 or approximately RMB 0.5952 at an exchange rate of SGD 1 to RMB 4.8 on the close of the market day preceding the date of the Shareholders' Agreement, published by Bloomberg) of such shares transacted on the market day (26 November 2013) preceding the date of the Shareholders' Agreement.
- (5) This rule is not applicable as the Company did not issue equity securities as consideration.
- (6) This rule is not applicable as the Proposed Investment is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

As the relative figure computed under Rule 1006(c) of the Listing Manual is more than 20%, the Proposed Investment is considered a major transaction under Chapter 10 of the Listing Manual, and is therefore subject to Shareholders' approval.

### 3.3 Financial Effects of the First Subscription, the Proposed Acquisition and the Proposed Investment

The pro forma financial effects of the First Subscription, the Proposed Acquisition and the Proposed Investment on the Group are set out below. The pro forma financial effects have been prepared based on the figures derived from the Group's unaudited consolidated financial statements for FY2013 and are purely for illustration purposes only and do not reflect the actual financial position of the Group after the completion of the First Subscription, the Proposed Acquisition and the Proposed Investment.

#### (a) Share Capital

The effect of the completion of the First Subscription, the Proposed Acquisition and Proposed Investment on the share capital of the Group is illustrated as follows:

	Before the First Subscription, the Proposed Acquisition and the Proposed Investment	After the First Subscription, the Proposed Acquisition and the Proposed Investment
<b>Number of Shares('000)</b>	301,500	301,500
<b>Issued and paid up share capital (RMB'000)</b>	125,808	125,808

#### (b) NTA

	Before the First Subscription, the Proposed Acquisition and the Proposed Investment	After the First Subscription, the Proposed Acquisition and the Proposed Investment
<b>NTA (RMB'000)</b>	138,624	138,624
<b>Weighted average number of issued shares ('000)</b>	301,500	301,500
<b>NTA per share (RMB)</b>	0.46	0.46

For illustrative purposes only, had the First Subscription, the Proposed Acquisition and Proposed Investment taken place on 31 December 2013 (being the end of the most recently completed financial year) and based on the unaudited consolidated financial statements of the Group as at 31 December 2013, the First Subscription, the Proposed Acquisition and Proposed Investment would have had the following impact on the Group's NTA for FY2013:



(c) **EPS**

For illustrative purposes only, had the First Subscription, the Proposed Acquisition and Proposed Investment taken place on 1 January 2013 (being the beginning of the most recently completed financial year) and based on the unaudited consolidated financial statements of the Group as at 31 December 2013, the First Subscription, the Proposed Acquisition and Proposed Investment would have had the following impact on the Group's EPS for FY2013:

	Before the First Subscription, the Proposed Acquisition and the Proposed Investment	After the First Subscription, the Proposed Acquisition and the Proposed Investment
Net loss after tax (RMB'000)	(19,520)	(19,520)
Weighted average number of issued shares ('000)	301,500	301,500
EPS per share (RMB cents)	(6.47)	(6.47)

(d) **Gearing**

The effect of the completion of the First Subscription, the Proposed Acquisition and Proposed Investment on the Gearing of the Group is illustrated as follows:

	First Subscription		Proposed Acquisition		Proposed Investment	
	Before	After	Before	After	Before	After
Total borrowings <sup>(1)</sup> (RMB'000)	422,000	422,000	422,000	422,000	422,000	473,000
Shareholders' equity <sup>(2)</sup> (RMB'000)	138,624	138,624	138,624	138,624	138,624	138,624
Gearing Ratio <sup>(3)</sup> (%)	304	304	304	304	304	341

**Notes:**

- (1) Total borrowings refer to borrowings from financial institutions of the Group, including bank overdrafts, lease liabilities and term loans but excludes contingent liabilities and convertible bonds and bonds.
- (2) Shareholders' equity is represented by the aggregate of the issued and paid-up share capital and reserves of the Group.
- (3) Gearing ratio is computed by dividing the total borrowings with the Shareholders' equity.

**3.4 Details of any Service Contracts**

No Directors are proposed to be appointed to the Company in connection with the Proposed Investment.

**3.5 Directors' Recommendations**

The Board of Directors (other than Mr. Jin Guan Liang and Mr. Jin Rong Hai who have abstained from making any recommendations in view of their shareholding interest in ZJHG), having considered the terms of the Proposed Investment, is of the opinion that the Proposed Investment is in the interests of the Company. Accordingly, the Board of Directors (with the exception of Mr. Jin Guan Liang and Mr. Jin Rong Hai), recommends that the Shareholders vote in favour of the resolution relating to the Proposed Investment to be proposed at the EGM.

**3.6 Shareholders Who Will Abstain from Voting**

As Mr. Jin Guan Liang holds 80% of the equity interest in ZJHG, he will abstain and has undertaken steps to ensure that his associates (including Jin Cheng) will abstain from voting at the EGM in respect of the resolution to approve the Proposed Investment.

Mr. Jin Guan Liang and his associates (including Jin Cheng) will also decline to accept appointments as proxies from any Shareholder to vote unless given specific instructions by the Shareholder as to how he wants his votes to be cast.

Save as disclosed, none of the Directors or Substantial Shareholders has any interest in the Proposed Investment.

### 3.7 Disclosure of Directors' and Substantial Shareholders' interest

The interests of Directors and Substantial Shareholders in the Shares of the Company as at the Latest Practicable Date, are as follows: -

	Direct Interest		Deemed Interest	
	Number of shares	%	Number of shares	%
<b>Directors</b>				
Jin Guan Liang <sup>(1)</sup>	16,649,500	5.52	217,709,500	72.21
<b>Substantial Shareholders (other than Directors) (5% or more)</b>				
Jin Cheng <sup>(1)</sup>	217,709,500	72.21	—	—

**Note:**

- (1) Mr. Jin Guan Liang has a deemed interest in 217,709,500 shares held by Jin Cheng by virtue of his 100% ownership in Jin Cheng. 213,909,500 shares held by Jin Cheng are registered in the name of DBS Nominees (Pte) Limited.

Save as disclosed above, none of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Investment.

### 3.8 Profit Guarantee – Information required under Rule 1013 of the Listing Manual

(a) *Terms of the Profit Guarantee under the Shareholders' Agreement*

During the first 2 years of incorporation of the JV Company (when UPG has management and administrative rights in the JV Company), UPG has given a profit guarantee (the “**Profit Guarantee**”) to the other JV Parties, the terms of which are as follows:

- (i) in the event that the JV Company's rate of return on common stockholders' equity is less than 10% per annum (the “**10% ROE Target**”) for the 2-year period, UPG will compensate the other JV Parties (based on their proportionate shareholdings in the JV Company) for the shortfall from the 10% ROE Target;
- (ii) the other JV Parties have the right, during the period of 2 years and 6 months from the incorporation of the JV Company, to require UPG to acquire their shares in the JV Company at their respective investment cost plus 10% per annum; or
- (iii) in the event that the JV Company were to incur an accumulated audited net loss greater or equal to RMB5.0 million during the 2-year period, the other JV Partners have the right to acquire UPG's shares in the JV Company (based on their proportionate shareholdings in the JV Company) at the audited net asset value of the JV Company, and UPG will also have to compensate the other JV Parties for the shortfall from the 10% ROE Target.

No security is provided by UPG for the Profit Guarantee. Please refer to Section 1.5 of this Circular for more details on the salient terms in the Shareholders' Agreement.



(b) *Views of the Board*

The Board is of the view that the Profit Guarantee helps to safeguard the interests of the Shareholders, having taking into account, inter alia, the following factors:

- (i) the terms and rationale of the Proposed Investment;
- (ii) the New Business Scope is very different from the existing business of the Group and the current management of the Group does not have the relevant experience and expertise; and
- (iii) the Group is able to acquire such experience and expertise from UPG, which has accumulated relevant financing experience from serving more than 4000 companies in the Yangtze River delta economic zone of the PRC for over 7 years.

As the Group is reliant on UPG's experience in the first two years, the Profit Guarantee will ensure that the Group is not exposed to unnecessary risk.

(c) *Commercial bases and assumptions upon which the quantum of the profit guarantee is based*

There are no commercial bases and assumptions upon which the quantum of the profit guarantee is based.

(d) *Additional Information on UPG*

Mr Yang Sheng is the legal representative and chairman of the board of directors of UPG. The other directors of UPG are Mr. Cai Chao Yong and Mr. Chen Hang Sheng, who is also its general manager.

#### **4. THE PROPOSED DIVERSIFICATION**

##### **4.1 Existing Business of the Group**

The Group is principally engaged in the business of printing and dyeing, manufacturing, wholesale and retail of textile, household products, garment and related products.

##### **4.2 New Business**

As part of the Group's strategy to pursue diversification to strengthen the Group's operations and financial position, the Group intends to diversify into the business of provision of financial services through the incorporation of the JV Company. It is expected that the major clients of the JV Company will be MSEs located in the Shaoxing county in the PRC.

Pursuant to the Guidance Papers, the JV Company is entitled to raise the funds, but the amount of the funds raised by the JV Company shall not exceed four times the registered capital of the JV Company during the pilot period and shall not exceed eight times the registered capital of the JV Company after the pilot period. At least 50% of the funds must be raised by the JV Company in Shaoxing county, the PRC. Further, at least 50% of the funds raised by the JV Company shall be invested in Shaoxing county, the PRC. The funds raised by the JV Company will be managed by the local custodian banks and when the funds are invested in a project, the JV Company may choose to pay a premium to a qualified guarantee company. The guarantee company will then guarantee the sum of money that is invested by the JV Company. The guarantee company will repay this sum to the JV Company if the investee is unable to do so for any reason.

The JV Company may choose any qualified guarantee company, one of which is UPG Guarantee Services Ltd (an associated company of UPG), the largest guarantee company in Zhejiang Province, the PRC.

The JV Company will be principally engaged in the business of project investment, capital management and capital investment consulting services, which will specifically involve the following activities:

(a) *Project Investments*

The JV Company will provide the short-term loans by (i) cooperation with the banks, which have good commercial relationships with MSEs, to establish a sub-loan fund, and authorize the banks to lend the funds coming from the sub-loan fund to MSEs; (ii) provision of short-term standard loans (repayable within one month); and (iii) provision of customized non-standard loans to the enterprises having long-term cash flow demands, with the approval of the project committee of the JV Company, which will comprise members of the JV Company's management team.

The JV Company will also undertake project investments by (i) underwriting private placement bonds; (ii) participating in equity investments into private companies with good prospects; (iii) providing combination products of the equity and debt.

(b) *Capital Management*

The JV Company intends to conduct the businesses of fund raising and capital investment management through designing and the sale of the financial products.

(c) *Capital Investment Consulting Services*

The JV Company will provide consulting services on the financial products and financial plans to the investors who bought such products and plans.

(the "New Business").

#### **4.3 Management of the New Business**

The Board of Directors recognises that the New Business is very different from the existing business of the Group and the current management of the Group does not have the relevant experience and expertise in the Proposed Diversification. However, the Board of Directors is of the view that such experience and expertise required can be acquired and developed by the Group over time as the New Business develops. In particular, the Group will be able to learn from UPG, which has accumulated relevant financing experience from serving more than 4000 companies in the Yangtze River delta economic zone of the PRC over 7 years. The members of the management team of the JV Company will be nominated by UPG, and approved by the board of directors of the JV Company.

The Group will evaluate the manpower and expertise required to carry out the New Business and will hire suitably qualified staff, external consultants and professionals with the necessary expertise and experience as and when required for the New Business. The Group will appoint the deputy general manager and the financial controller of the JV Company, and these staff will work closely with the members of the management team who are nominated by UPG, so that the Group can learn from UPG's experience and expertise.

In addition, the Group may set up project management team(s) on an ad-hoc basis to be led by the Group's executive directors to support and oversee the development and management of any projects that the JV Company decides to invest in, and to do all necessary things in connection with the Proposed Diversification as and when appropriate. The Group may also engage any additional manpower with suitable expertise and experience as and when required to assist the project management team(s).

#### **4.4 Financing of the Proposed Diversification**

The Group intends to fund the Proposed Diversification with internal resources and bank borrowings.

#### 4.5 Rationale for the Proposed Diversification

The Board of Directors believes that the operating environment of the Group's existing business in the PRC are expected to remain challenging in view of the intense competition and decreasing demand in the printing and dyeing industry which the Group principally serves. To strengthen the Group's operations and financial position, the Company intends to pursue a diversification strategy and has been actively seeking strategic opportunities.

The Board of Directors is of view that the JV Company will be better equipped to attract MSEs. The JV Company will be one of the first private capital management companies approved in the Shaoxing county, and will be able to approve and provide loans more quickly than traditional Chinese banks due to its efficient process and a less bureaucratic environment, which is important to MSEs.

The Board of Directors is of view that the provision of financing services presents an opportunity for the Group to gain exposure to the private capital market. In particular, through cooperation with UPG, the Group will gain more professional experience within the financial services industries. The services will provide MSEs which have great financing demand that cannot be met under the current capital market with greater access to capital, and also the Proposed Diversification will provide an additional source of revenue for the Group and is thus in the best interest of the Group.

#### 4.6 Approvals, Licences and Government Regulations

Currently, there is no regulatory framework for private capital management companies at the level of the PRC central government authorities. In 28 November 2011, the Zhejiang Provincial Government published the "Certain Opinions of General Office of Zhejiang Provincial Government on Strengthening and Improving the Administration of the Private Financing (Trial)" (《浙江省人民政府办公厅关于加强和改进民间融资管理的若干意见（试行）》，浙政办发〔2011〕133号), in which it was stipulated that (amongst others) certain counties were allowed to explore pilot regulatory work on the regulation and administration of private financing. As at the Latest Practicable Date, the Shaoxing local government has issued the Guidance Papers in relation to the pilot programme for the regulation of private capital management companies. However, specific rules and regulations have yet to be implemented.

Pursuant to the Guidance Papers, the financial department of Zhejiang provincial government shall only approve 2 private capital management companies to be established in Shaoxing county, the PRC, with the minimum registered capital of RMB 50,000,000 and with professional management abilities. The qualified applicants shall submit the application documents to the Shaoxing county government for their first review, and the municipal government financial management department shall review and then file the application documents transferred by the Shaoxing county government to the provincial government financial management department for their final compliance review.

The JV Company has been successfully incorporated on 18 December 2013 and has obtained the business licence from the Administration for Industry & Commerce of the Shaoxing county on 18 December 2013. The JV Company has also obtained the Approval from the financial department of Zhejiang provincial government on 31 December 2013. The details of the business licence and Approval are set out as follows:

Name of the Licence and Approval	Brief description of activities	Validity period	Authority
Business Licence	Project investment, capital management and capital investment consulting services.	20 years	The Administration for Industry & Commerce of the Shaoxing county
Approval	Project investment, capital management and capital investment consulting services.	Not Applicable	Financial Department of Zhejiang Provincial Government

Saved as disclosed herein, as at the Latest Practicable Date, based on the advice of the Company's PRC counsel and subject to the specific rules and regulations to be implemented Shaoxing local government, there are no other approvals required for conducting the New Business pursuant to the Guidance Papers.

#### **4.7 Risks Factors Relating to the Proposed Diversification**

(a) *Risk factors relating to the Proposed Diversification*

(i) *Risk factors relating specifically to the JV Company*

The JV Company's operations are geographically limited to Shaoxing county, the PRC.

According to the Guidance Papers, at least 50% of the funds must be raised by the JV Company in Shaoxing county, the PRC. Further, at least 50% of the funds raised by the JV Company shall be invested in Shaoxing county, the PRC. As such, the JV Company's business prospects and performance will be largely dependent on the economic development of Shaoxing county, the PRC, particularly that of MSEs. MSEs are substantially influenced by overall economic and market conditions, such as cyclical fluctuations of the macroeconomic environment and changes in the industry market, which may cause them to encounter operating and financial difficulties. Should the above events occur, it would (a) reduce the clientele of the JV Company's financing and investment activities; and/or (b) cause the clientele of the JV Company to breach their contracts. The JV Company may suffer from revenue losses resulting from (a) and (b).

Changes in the interest rates and net interest spread could have a negative impact on the JV Company's revenues and results of operations.

The JV Company's revenue mainly depends on its net interest spread. Changes in interest rates may cause JV Company to adjust its interest rates on loans and to control its cost of financing. If it is unable to do so, the JV Company's net interest spread may be narrowed, which may affect the JV Company's financial status. In addition, interest rates charged by the JV Company in respect of its loan business must be less than 4 times that of the benchmark interest rate of the People's Bank of China. If the benchmark interest rate of the People's Bank of China plummets, it will seriously affect the interest income of the JV Company.

As a local capital management company, the JV Company's business is subject to greater credit risks than larger lenders, which could adversely affect the JV Company's results of operations.

The JV Company bears greater risks than banks and other financial institutions as its target clientele are local MSEs which may not be capable of resisting and dealing with market risks. Should there be adverse changes in the market or industry, MSEs may face difficulties with repayment to the JV Company. In addition, if there are changes in local policy, industrial restructuring, inflation or recession, the clientele of the JV Company may be affected significantly. Compared with the clientele of the banks, the clientele of the JV Company are more sensitive to systemic risks, as such the clientele of the JV Company have significantly higher credit risks than the clientele of the banks. Should there be an occurrence of a systemic risk, there is a risk that the clientele of the JV Company will have credit defaults, which may cause losses to the JV Company.

Competition in the local capital management industry is growing and could cause the JV Company to lose market share and revenues in the future.

In the current market environment in China, local capital management is a new area. As such, the JV Company does not face great competition. Some of its competitors would be financial guarantee companies, investment advisory companies and financial companies. However, as the market matures, and the overall profit margin increases, it will attract more capital management companies (both internal and external) and investors, which will compete directly with the JV Company, and may affect the JV Company's market share, profits and growth potential.

The JV Company requires highly qualified personnel in this line of business, and if it is unable to hire or retain such personnel, the JV Company may not be able to grow effectively.

Sustainable development of a private capital management business depends largely on the efforts of the senior management team and other key employees, who with the relevant experience and knowledge play a crucial role in the JV Company's operations. However, the JV Company cannot guarantee that it will be able to hire suitable candidates, and it also cannot guarantee that its key employees will remain in their employment. If the JV Company is unable to hire suitable candidates or retain them, it may cause serious damage to the JV Company's business operations.

The JV Company may not be able to hire the relevant professionals for its business, thus may not be able to provide professional financial service.

As private capital management is a relatively new industry in Shaoxing county, the PRC, there is a shortage of qualified personnel who have the relevant experience. Financial investments firms like the JV Company will face difficulties in hiring financial, risk management, and audit professionals, who are mainly employed by banks and other financial institutions. Further, due to the nascency of this industry, the quality and experience of such local professionals may not be adequate. The JV Company intends to recruit fresh graduates from universities, but it will take time for new staff to be trained due to the above, the JV Company may not be able to provide its clientele with high end financial services.

There is no available insurance coverage for the financial business, which may expose the JV Company to significant costs and business disruption.

The JV Company's business risks include operation investment risks, such as customer default, investment losses, or losses due to changes in government policies, economic climate, natural disasters, power shortages, loss of personnel, or anything else that may lead to a significant increase in costs resulting from business interruption. Apart from mandatory employee social insurance, the JV Company does not maintain any credit business interruption or general third party liability insurance, nor does it provide any senior management or key personnel with life insurance. In the event of losses due to any of the above, the JV Company's business, financial conditions and results of operations could materially be affected as there is no available insurance coverage.

There may not be sufficient working capital to support expansion of the JV Company's business.

Under the Guidance Papers, funds raised by a private capital management company shall not be more than eight times its registered capital. In the event the JV Company requires more funds for its development and expansion, its registered capital may need to increase accordingly. If such capital injection is not completed in time, the JV Company's continuous business growth may be affected. In addition, most of the funds raised by the JV Company will be from private investors. If such private investors face financial difficulties or do not have funds available for investment, the JV Company may be unable to obtain the necessary financing for the operation of the JV Company.

The JV Company may fail to maintain the licenses and approvals required under new laws and regulations.

In the recent years, China has expedited its economic reform and relevant financial development policies may vary from time to time. Due to the reform, the JV Company may be subject to more stringent supervision. If the JV Company cannot meet the appropriate regulatory requirements pursuant to the change of relevant laws, regulations and policies, the JV Company may not be able to reserve, obtain



or update the relevant licenses, permits or approvals, and this may undermine the competitiveness of the JV Company. In addition, if the JV Company cannot adjust its businesses timely pursuant to the change of the policies, there may be a negative impact on the JV Company's development prospects.

(ii) *Risks factors relating to the industry*

The legal and regulatory systems of Shaoxing county's financial industry is not at a mature stage.

As Shaoxing county's financial market and industry is in a nascent stage, the legal and regulatory framework is not complete. There is lack of supervision for financial institutions, and there are many unapproved financial (investment) funding institutions using private capital to carry out illegal operations. Arising from this disorder, there is a level of uncertainty and hesitancy from the market from investing in capital management companies. Existing pawn, consignment and securities companies mostly rely on the attraction of private capital to increase their capital and expand the scale of their development, and do not verify the nature of such payments. The lack of regulation in the financial industry may cause problems for the industry's healthy development.

(iii) *Risks relating to the PRC*

Our operations in the PRC are subject to the laws and regulations promulgated by the PRC government. The PRC legal system is a codified legal system made up of the PRC constitution, written laws, regulations, circulars, directives and other government orders. The PRC government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. Generally, the PRC economy is developing at a faster pace than its legal system. Therefore, some degree of uncertainty exists in connection with whether existing laws and regulations will apply to certain events or circumstances, and if so, the manner of such application.

In particular, unlike common law jurisdictions like Singapore, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. The administration of the PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction.

Furthermore, in line with its transformation from a centrally planned economy to a free market oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to change. If there is a change in the laws, regulations or policies, the JV Company's operations may be affected adversely, resulting in a material and adverse effect on its financial condition and performance.

#### **4.8 Risk Management**

The JV Company will study and assess each project before deciding to invest in it. It will also make projections on profits and losses and assess the possible risks before making its decision. The JV Company will appoint a risk manager and risk management team to assist in the risk evaluations of each project.

Although the JV Company's operations are geographically limited to Shaoxing county, the PRC, the Directors are of the view that there is potential for profitability as the Shaoxing County has a large enough market for the JV Company's services. Taking into consideration the potential of the New Business, the Directors are of the view that the investment of RMB 102,000,000 (assuming completion of the Proposed Acquisition and Proposed Investment) is in the best interests of the Company.

#### **4.9 Conflicts of Interest**

None of the Directors, Controlling Shareholders or their associates is carrying on or has any interest in any other corporation carrying on the same business or dealing in similar services as the New Business Scope.

#### **4.10 Directors' Recommendations**

The Board of Directors (other than Mr. Jin Guan Liang and Mr. Jin Rong Hai who have abstained from making any recommendations in view of their shareholding interest in ZJHG), having considered the terms of the Proposed Diversification, is of the opinion that the Proposed Diversification is in the interests of the Company. Accordingly, the Board of Directors (with the exception of Mr. Jin Guan Liang and Mr. Jin Rong Hai) recommends that the Shareholders vote in favour of the resolution relating to the Proposed Diversification to be proposed at the EGM.

#### **4.11 The Proposed Diversification resolution is not conditional upon the Proposed Acquisition resolution and the Proposed Investment resolution being passed**

If the Proposed Diversification resolution is approved and the Proposed Acquisition resolution and the Proposed Investment resolution are not approved, the Company will carry out the New Business as a JV Party holding 26% of the equity interest in the JV Company.

### **5. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on page 37 of this Circular, will be held at 26 March 2014 on 10.00 a.m. at Furama RiverFront Singapore, Jupiter I (Level 3), 405 Havelock Road, Singapore 169633 for the purpose of considering and, if thought fit, passing, with or without modification the ordinary resolution set out in the Notice of EGM.

### **6. ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than 48 hours before the time fixed for the EGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he finds that he is able to do so. In such event, the relevant proxy form will be deemed to be revoked.

### **7. LITIGATION**

Neither the Company nor its subsidiaries is engaged in any litigation as plaintiff or defendant in respect of any claims or amounts which are material in the context of the financial position or the business of the Company or its subsidiaries and the Directors have no knowledge of any proceedings which are pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or business of the Company or its subsidiaries.

### **8. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Proposed Investment and the Proposed Diversification, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited consolidated financial statements of the Company for the year ended 31 December 2012;
- (c) the unaudited consolidated financial statements of the Company for the year ended 31 December 2013;
- (d) the Shareholders' Agreement;
- (e) the S&P Agreement; and
- (f) the letter of consent from the IFA as set out in paragraph 2.5 of this Circular.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**CHINA JISHAN HOLDINGS LIMITED**

JIN GUAN LIANG  
EXECUTIVE CHAIRMAN



**LETTER FROM SAC CAPITAL PRIVATE LIMITED TO THE  
INDEPENDENT DIRECTORS IN RELATION TO THE PROPOSED ACQUISITION  
AS AN INTERESTED PERSON TRANSACTION**

**SAC CAPITAL PRIVATE LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200401542N)

1 Robinson Road #21-02 AIA Tower  
Singapore 048542

10 March 2014

To: The Independent Directors of China Jishan Holdings Limited

Mr. Lien Kait Long  
Mr. Yip Wei Jen  
Mr. Xu Ping Wen

Dear Sirs

**PROPOSED ACQUISITION OF 25% EQUITY INTEREST IN SHAOXING KEQIAO DISTRICT JISHAN  
UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD FROM ZHEJIANG JISHAN HOLDINGS  
GROUP CO., LTD**

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 10 March 2014 shall have the same meanings herein.*

**1. INTRODUCTION**

On 27 November 2013, a wholly-owned subsidiary of the Company, Zhejiang Jishan Printing and Dyeing Co., Ltd (浙江稽山印染有限公司) (“**ZJPD**”) entered into a shareholders’ agreement (the “**Shareholders’ Agreement**”) with Zhejiang Jishan Holdings Group Co., Ltd (浙江稽山控股集团有限公司) (“**ZJHG**”), Zhejiang Uni-Power Group Holdings Limited (浙江中新力合控股有限公司) (“**UPG**”), Shanghai Grand Investment Co., Limited (上海盛大投资有限公司) (“**SSI**”) and Shanghai Shengqing Industrial Investment Co., Limited (上海盛庆实业投资有限公司) (“**SSEI**”), pursuant to which ZJPD, ZJHG, UPG, SSI and SSEI (collectively, the “**JV Parties**” and each, a “**JV Party**”) shall incorporate a joint venture company, Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd (绍兴柯桥区稽山力合民间资本管理有限公司) (the “**JV Company**”) to undertake the business of provision of financial services. ZJPD, ZJHG, UPG, SSI and SSEI own equity interests of 26%, 25%, 20%, 23% and 6% in the JV Company respectively.

Subsequently, ZJPD has on 30 December 2013 entered into a sale and purchase agreement (the “**S&P Agreement**”) with ZJHG pursuant to which ZJHG has agreed to sell and ZJPD has agreed to purchase 25% of the total equity interest in the JV Company (the “**Proposed Acquisition**”) for a consideration of RMB25,000,000 (the “**Consideration**”). Upon the completion of the Proposed Acquisition, ZJPD will own a 51% equity interest in the JV Company.

Mr. Jin Guan Liang, being the Executive Chairman of the Company, owns 80% of the equity interest in ZJHG. Mr. Jin Rong Hai, being the Executive Director and Chief Executive Officer of the Company, owns 10% of the equity interest in ZJHG<sup>1</sup>. As at the Latest Practicable Date, Mr. Jin Guan Liang holds, directly and indirectly, approximately 77.73% of the issued ordinary share

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<sup>1</sup> The balance 10% of the equity interest in ZJHG is owned by Ms. Jin Yao Yun. Ms. Jin Yao Yun is the wife of Mr. Jin Guan Liang and the sister of Mr. Jin Rong Hai.

capital of the Company (the “**Shares**”). Accordingly, ZJHG is deemed to be an “interested person” under Chapter 9 of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual (the “**Listing Manual**”) and the Proposed Acquisition will constitute an “interested person transaction” under Chapter 9 of the Listing Manual.

Pursuant to Rule 906 of the Listing Manual, the Company is required to obtain the approval of the shareholders of the Company (the “**Shareholders**”) for any interested person transaction of a value equal to or more than 5% of the latest audited net tangible assets (“**NTA**”) of the Company and its subsidiaries (collectively, the “**Group**”) or, when aggregated with other transactions entered into with the same interested person during the same financial year, is equal to or more than 5% of the latest audited NTA of the Group. As the aggregate consideration for the Proposed Acquisition represents 15.2% of the Group’s latest audited NTA value of RMB164.8 million as at 31 December 2012, the Company will be seeking the approval of the Shareholders who are independent for the purposes of the Proposed Acquisition (the “**Independent Shareholders**”) at an extraordinary general meeting to be convened by the Company (the “**EGM**”).

The Company has appointed us as the independent financial adviser (the “**IFA**”) to advise the directors of the Company (the “**Directors**”) who are independent for the purposes of the Proposed Acquisition (the “**Independent Directors**”) on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders.

This letter, which sets out our opinion and advice, has been prepared for the use of the Independent Directors in connection with their consideration of the Proposed Acquisition and their recommendation to the Independent Shareholders arising hereof.

## 2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Independent Directors in respect of the Proposed Acquisition.

We are not and were not involved in any aspect of the negotiations entered into by the Company in connection with the Proposed Acquisition or in the deliberations leading up to the decision by the Directors to undertake the Proposed Acquisition. Accordingly, we do not, by this letter, warrant the merits of the Proposed Acquisition, other than to express an opinion on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders.

We have not conducted a comprehensive review of the business, operations or financial condition of the Group or the JV Company. We have also not evaluated the strategic or commercial merits or risks of the Proposed Acquisition or the future growth prospects or earnings potential of the Group or the JV Company upon completion of the Proposed Acquisition. Such evaluation shall remain the sole responsibility of the Directors, although we may draw upon their views (to the extent deemed necessary or appropriate by us) in arriving at our opinion and advice. Accordingly, we do not express any view as to the future financial performance or position of the Group or the prices at which the Shares may trade, upon completion of the Proposed Acquisition.

Our evaluation is limited to the financial terms of the Proposed Acquisition. In the course of our evaluation, we have held discussions with the Directors and the management of the Company (the “**Management**”) and have relied on the information and representations, whether written or verbal, provided to us by the Directors and the Management, including the information contained in the Circular. We have not independently verified such information or representations and accordingly cannot and do not warrant or accept responsibility for the accuracy, completeness or adequacy of these information or representations. We have, however, made reasonable enquiries and exercised our judgement (as deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the reliability of such information or representations which we have relied on. The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, (a) all material information available to them in connection

with the Proposed Acquisition has been disclosed in the Circular, (b) such information is true and accurate in all material respects; and (c) there is no other information or fact, the omission of which would cause any information disclosed in the Circular to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified the information but nonetheless have made such enquiries and exercised such judgement as deemed necessary and have found no reason to doubt the reliability of the information. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information or facts.

Save as disclosed, all information relating to the Group and the JV Company that we have relied upon in arriving at our opinion and advice has been obtained from the Circular, publicly available information, the Directors and/or the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Group and the JV Company at any time or as at the Latest Practicable Date. In addition, we have not made any independent evaluation or appraisal of the assets and liabilities of the Group and/or the JV Company. We have also not been provided with, nor do we have access to, any business plan or financial projections of the future performance of the Group and the JV Company and we did not conduct any discussions with the directors and management of the Company and the JV Company on any such business plan or financial projections of the Group or the JV Company.

Our opinion and advice, as set out in this letter, are based on the market, economic, industry and other applicable conditions prevailing on, and the information made available to us as of, the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion and advice in the light of any subsequent development after the Latest Practicable Date that may affect our opinion and advice contained herein.

In arriving at our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax position or individual circumstances of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional advisers.

**Our opinion and advice in relation to the Proposed Acquisition should be considered in the context of the entirety of this letter and the Circular.**

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter). We have had no role or involvement and have not provided any advice, financial or otherwise, in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this letter).

### **3. THE PROPOSED ACQUISITION**

#### **3.1 Background Information on the JV Company**

On 27 November 2013, ZJPD entered into the Shareholders' Agreement with ZJHG, UPG, SSI and SSEI, pursuant to which the JV Parties shall incorporate the JV Company to undertake the business of provision of financial services. Pursuant to the Shareholders' Agreement, the JV Company will be a company incorporated in the PRC with a registered capital of RMB100,000,000. The principal business activities of the JV Company shall comprise project investment, capital management and capital investment consulting services, further details of which are set out in paragraph 4.2 of the Circular.

The JV Parties shall initially contribute to the registered capital of the JV Company in the following proportions:

Shareholder	Equity contribution (RMB)	Proportion of equity Interest (%)
ZJPD	26,000,000	26
ZJHG	25,000,000	25
UPG	20,000,000	20
SSI	23,000,000	23
SSEI	6,000,000	6
<b>Total</b>	<b>100,000,000</b>	<b>100</b>

ZJHG is a company duly incorporated and validly existing under the laws of the PRC, with Mr. Jin Guan Liang, Mr. Jin Rong Hai, and Ms. Jin Yao Yun holding equity interests of 80%, 10% and 10% in ZJHG respectively. Ms. Jin Yao Yun is the wife of Mr. Jin Guan Liang and the sister of Mr. Jin Rong Hai. The principal activities of ZJHG are manufacturing, import and export.

UPG is a company duly incorporated and validly existing under the laws of the PRC and the shareholders are Mr. Chen Hang Sheng, Mr. Zhu Jia Lian, Mr. Jiang Min, Mr. Yang Sheng, Mr. Cai Chao Yong, Mr. Zhou Ji, Mr. Liao Lian Yan, and Mr. Zhang Han Xing. UPG is a financial institution in the Zhejiang province with a registered capital of RMB450,000,000. In the past 7 years, UPG has served more than 4,000 companies in the Yangtze River delta economic zone of the PRC, providing a total financing amount of more than RMB16 billion. UPG specialises in small and medium micro enterprises to create financing solutions, with up to 20% of customers receiving venture capital. UPG has previously provided financing for Focused Photonics Inc. and Zhejiang Huace Film & TV Co Ltd, both of which have been successfully listed on the Shenzhen Stock Exchange.

SSI is a company duly incorporated and validly existing under the laws of the PRC, whose shareholders are Mdm. Wang Xin Ai and Mr. Zhu Feng Ming. Mr. Zhu Feng Ming is the husband of Mdm. Wang Xin Ai. The principal activities of SSI are real estate development and facilities leasing.

SSEI is a company duly incorporated and validly existing under the laws of the PRC, whose shareholders are Ms. Zhu Yi and Mr. Zhu Feng Ming. Ms. Zhu Yi is the daughter of Mr. Zhu Feng Ming and Mdm. Wang Xin Ai. The principal activities of SSEI are investment and capital management.

The JV Parties are business acquaintances of Mr. Jin Guan Liang who have expressed strong interest in investing in the JV Company

Save as disclosed above, none of the shareholders of UPG, SSI and SSEI are related to, or have any connections (including business dealings) with each other. Neither UPG, SSI and SSEI nor their associates are related to the Directors, Controlling Shareholders and their associates.

### 3.2 Salient Terms of the Shareholders' Agreement

The JV Company will be incorporated with a registered capital of RMB100,000,000. Within 6 months of the date of the incorporation of the JV Company, the registered capital of the JV Company will be increased to RMB200,000,000. The JV Parties are entitled to subscribe for additional registered capital of RMB100,000,000 (the "**Additional Registered Capital**") in accordance with each JV Party's equity contribution. The JV Parties also agreed, *inter alia*, that ZJPD and ZJHG shall be entitled to transfer all or part of their equity interest in the JV Company to each other.

UPG shall have management and administrative rights in the JV Company for the first 2 years of incorporation of the JV Company. Subject to the approval of the board of the JV Company, UPG shall nominate the general manager, risk manager and operations manager, and shall take charge of building the management team of the JV Company (including the day-to-day management of the JV Company).

Upon the completion of the Proposed Acquisition, ZJPD shall have absolute controlling position in the JV Company, and shall have effective control over the shareholders' meeting and board meeting of the JV Company. ZJPD will hold a 51% equity interest in the JV Company, and will be able to appoint 3 directors to the board of the JV Company.

Further details of the salient terms of the Shareholders' Agreement are set out in paragraph 1.5 of the Circular, and Shareholders are advised to read the information carefully

### **3.3 Information on the Proposed Acquisition**

ZJPD has on 30 December 2013 entered into the S&P Agreement with ZJHG pursuant to which ZJHG has agreed to sell, and ZJPD has agreed to purchase, a 25% equity interest in the JV Company for a consideration of RMB25,000,000. Upon the completion of the Proposed Acquisition, ZJPD will own a 51% equity interest in the JV Company.

The Consideration shall be fully paid by ZJPD within 3 days of the date of the completion of the S&P Agreement. Accordingly, all the rights and obligations attached to ZJHG's 25% equity interest in the JV Company shall be transferred to ZJPD. The S&P Agreement is conditional upon the Shareholders' approval being obtained. The consideration of RMB25,000,000 is based on the initial equity contribution of RMB25,000,000 by ZJHG under the Shareholders' Agreement. Accordingly, ZJPD will not be making any excess payment to ZJHG over the initial equity contribution made by ZJHG.

### **3.4 Rationale for and Benefits of the Proposed Acquisition**

The rationale for and benefits of the Proposed Acquisition are set out in paragraph 2.2 of the Circular, and Shareholders are advised to read the information carefully.

### **3.5 The Proposed Investment**

Pursuant to the Shareholders' Agreement, ZJPD shall subscribe for RMB26,000,000 of the registered capital for the incorporation of the JV Company (the "**First Subscription**"), and the JV Parties shall increase the registered capital to RMB200,000,000 within 6 months of the date of the incorporation of the JV Company. It was provided in the Shareholders' Agreement that the JV Parties shall subscribe for the Additional Registered Capital in accordance with each JV Party's proportionate equity interest in the JV Company.

Assuming that the Proposed Acquisition is approved by the Shareholders, after the completion of the Proposed Acquisition, ZJPD will own a 51% equity interest in the JV Company and subscribe for the Additional Registered Capital in accordance with ZJPD's proportionate equity interest in the JV Company, up to an aggregate amount of RMB51,000,000 (the "**Second Subscription**").

In this regard, the Board of Directors is seeking Shareholders' approval for the First Subscription, the Proposed Acquisition and the Second Subscription, which will result in the Company investing up to an aggregate amount of RMB102,000,000 in the JV Company (the "**Proposed Investment**").

The RMB102,000,000 will be funded with internal resources and bank borrowings. This amount was arrived at based on the estimated working capital requirements of the JV Company, even though the JV Company has not commenced its business, and therefore has no book value besides its registered capital. The internal resources are derived from (a) the Company's ordinary business income, and (b) the proceeds from the Company's disposal of the entire equity interest in Zhejiang Jishan Extra Width Co., Ltd and its related assets, which was approved by Shareholders at an extraordinary general meeting held on 25 October 2013.



#### 4. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have examined the following factors which have a significant bearing on our assessment:

- (a) the rationale for and benefits of the Proposed Acquisition;
- (b) the rationale for and benefits of the Proposed Diversification (as defined herein);
- (c) the reasonableness of the Consideration;
- (d) the historical financial performance and condition of the Group;
- (e) the financial effects of the First Subscription, the Proposed Acquisition and the Proposed Investment on the Group; and
- (f) other relevant considerations.

##### 4.1 Rationale for and Benefits of the Proposed Acquisition

The rationale for and benefits of the Proposed Acquisition, as set out in paragraph 2.2 of the Circular, are reproduced in italics below:

*“The Guidance Papers states that during the pilot period, Shaoxing county shall only have two private capital management companies (that satisfy the requisite qualifications) approved by the financial department of Zhejiang Government (the “Approval”).*

*Accordingly, there is strong competition amongst interested PRC enterprises to obtain the Approval. The JV Company had to be incorporated as quickly as possible in order to submit the application to and obtain the Approval on an expeditious basis.*

*Therefore, the Group needed to find a party who met the following criteria:*

- (i) had the resources to invest in 25% of the JV Company;*
- (ii) willing to sell the shares at cost to the Group if Shareholders’ approval (for the Proposed Acquisition) was obtained by the Group;*
- (iii) willing to remain as a shareholder of the JV Company if Shareholders’ approval (for the Proposed Acquisition) was not obtained by the Group.*

*ZJHG was the only party that the Group could find which met all the above criteria.*

*The JV Company was incorporated on 18 December 2013 and has obtained the business licence from the Administration for Industry & Commerce of the Shaoxing county. The JV Company has also obtained the Approval from the financial department of Zhejiang Government on 31 December 2013.*

*Following the completion of the above steps, ZJPD is proposing to undertake the Proposed Acquisition to obtain statutory control of the JV Company and safeguard the commercial interest of the Company. After the Proposed Acquisition, ZJPD will own 51% of the total equity interest in the JV Company and will be in a position to exercise statutory control of the JV Company, which means that ZJPD will be able to pass all ordinary resolutions which are tabled for the approval of the shareholders of the JV Company at a general meeting.*

*In addition, as the JV Company will become a 51%-owned subsidiary of the Group (through ZJPD) after the Proposed Acquisition, the revenue, profits, assets and liabilities of the JV Company will be consolidated into the Group in accordance with the Singapore Financial Reporting Standards.”*

## 4.2 Rationale for and benefits of the Proposed Diversification

The rationale for and benefits of the proposed diversification into the business of provision of financing services through the incorporation of the JV Company (the “**Proposed Diversification**”), as set out in paragraph 4.5 of the Circular, are also reproduced in italics below:

*“The Board of Directors believes that the operating environment of the Group’s existing business in the PRC are expected to remain challenging in view of the intense competition and decreasing demand in the printing and dyeing industry which the Group principally serves. To strengthen the Group’s operations and financial position, the Company intends to pursue a diversification strategy and has been actively seeking strategic opportunities.*

*The Board of Directors is of the view that the JV Company will be better equipped to attract MSEs. The JV Company will be one of the first private capital management companies approved in the Shaoxing county, and will be able to approve and provide loans more quickly than traditional Chinese banks due to its efficient process and a less bureaucratic environment, which is important to MSEs.*

*The Board of Directors is of the view that the provision of financing services presents an opportunity for the Group to gain exposure to the private capital market. In particular, through cooperation with UPG, the Group will gain more professional experience within the financial services industries. The services will provide MSEs which have great financing demand that cannot be met under the current capital market with greater access to capital, and also the Proposed Diversification will provide an additional source of revenue for the Group and is thus in the best interest of the Group.”*

## 4.3 Reasonableness of the Consideration

We understand from the Company that as at the Latest Practicable Date, the JV Company has not commenced any business operations and its only assets comprised the respective share capital contributed by the JV Parties.

As set out in paragraph 1.2 of the Circular, the cost of investment contributed by ZJHG for its 25% equity interest in the JV Company pursuant to the Shareholders’ Agreement amounted to RMB25,000,000. We note that ZJPD would be acquiring the 25% equity interest in the JV Company from ZJHG based on the Consideration of RMB25,000,000, which is at the cost of investment contributed by ZJHG. Accordingly, ZJPD would not be making any excess payment over such investment cost paid by ZJHG.

We also understand from the Company that the net asset value (“**NAV**”) of the JV Company as at the Latest Practicable Date is not materially different from the total investment cost of RMB100,000,000 contributed by the JV Parties. As the NAV attributable to the 25% equity interest in the JV Company would therefore be approximately RMB25,000,000, ZJPD would be undertaking the Proposed Acquisition at around the NAV of the JV Company as at the Latest Practicable Date.

Based on the foregoing, we are of the view that the Consideration does not appear to be unreasonable.

## 4.4 Historical Financial Performance and Condition of the Group

The salient historical financial information of the Group for the last 3 financial years ended 31 December 2011, 2012 and 2013 (“**FY2011**”, “**FY2012**” and “**FY2013**” respectively), is set out below:

Consolidated Statement of Comprehensive Income RMB’000	Audited		Unaudited FY2013
	FY2011	FY2012	
Revenue	527,019	491,636	435,610
Gross profit	70,733	84,635	41,727
Profit/(Loss) before income tax	(20,426)	4,689	(21,239)
Net profit/(loss)	(16,406)	4,872	(19,520)

Statements of Financial Position	← Audited as at →		Unaudited as at
	31 December		31 December
RMB'000	2011	2012	2013
Cash and bank balances	136,616	196,916	144,570
Current assets	270,311	769,608	739,648
Current liabilities	589,458	733,760	755,949
Working capital	(319,147)	35,848	(16,301)
Non-current assets	691,333	248,407	259,893
Non-current liabilities	207,297	119,430	104,968
Total equity	164,889	164,825	138,624

Consolidated Statement of Cash Flows	← Audited →		Unaudited
	FY2011		FY2013
RMB'000	FY2011	FY2012	FY2013
Cash flows from operating activities	91,655 <sup>(1)</sup>	31,429	37,632
Cash flows used in investing activities	(53,654)	(17,346)	(13,966)
Cash flows from/(used in) financing activities	(30,471) <sup>(1)</sup>	(42,693)	3
Net increase/(decrease) in cash and cash equivalents	7,530	(28,610)	23,669
Cash and cash equivalents at end of financial year	65,190	36,580	60,249

**Note:**

- (1) There is variance in the net cash generated from operating activities in the FY2012 annual report *vis-à-vis* the FY2011 annual report as a result of the reclassification of the interest paid of RMB25.7 million from operating activities to financing activities.

Source: Company's annual report for FY2012 and announcement of the Group's unaudited financial statements for FY2013.

We note the following:

- (a) the Group's revenue decreased from RMB527.0 million in FY2011 to RMB491.6 million in FY2012 mainly due to lower processing volumes and a decline in direct sales of fabrics as a result of the slowdown in the overall global and China's domestic economy. The Group's revenue decreased from RMB491.6 million in FY2012 to RMB435.6 million in FY2013 mainly due to lower fabric processing volumes as a result of the overall global economy slowdown and uncertainty in China's domestic economy. The Group reversed from a net loss of RMB16.4 million in FY2011 to a net profit of RMB4.9 million in FY2012 mainly due to improved gross profit as a result of higher processing fees charged to customers, higher revenue contribution from extra-width products and the Group's cost control efforts. The Group recorded a net profit of RMB4.9 million in FY2012 *vis-à-vis* a net loss of RMB19.5 million in FY2013 mainly due to the continued slower demand from overseas and domestic markets in FY2013;
- (b) the Group's working capital ranged between a negative RMB319.1 million and RMB35.8 million as at 31 December 2011, 31 December 2012 and 31 December 2013. The negative working capital as at 31 December 2011 was mainly due to the prepaid lease of RMB427.4 million (recorded under non-current assets) which was transferred and classified under development properties held for sale (recorded under current assets) as at 31 December 2012 as a result of the Group commencing development activities on the plots of land;
- (c) the Group had recorded positive operating cash flows ranging from RMB31.4 million to RMB91.7 million in FY2011, FY2012 and FY2013; and
- (d) as at 30 December 2013, the Group's cash and cash equivalents amounted to RMB60.2 million.



#### 4.5 Financial Effects of the First Subscription, the Proposed Acquisition and the Proposed Investment on the Group

The pro forma financial effects of the First Subscription, the Proposed Acquisition and the Proposed Investment on the Group, based on the unaudited consolidated financial statements of the Group for FY2013, have been set out in paragraph 3.3 of the Circular for illustration purposes only and are not indicative of the actual financial position of the Group following the completion of the First Subscription, the Proposed Acquisition and the Proposed Investment. The objective of this analysis is to illustrate what the historical information of the Group might have been had the First Subscription, the Proposed Acquisition and the Proposed Investment been completed. Shareholders are advised to read the information carefully, including the bases and assumptions set out therein.

We note the following:

- (a) the issued share capital of the Company would remain unchanged upon completion of the First Subscription, the Proposed Acquisition and the Proposed Investment;
- (b) the NTA per Share and the EPS of the Group would remain unchanged upon completion of the First Subscription, the Proposed Acquisition and the Proposed Investment; and
- (c) the gearing of the Group would remain unchanged upon the completion of the First Subscription and the Proposed Acquisition, and the gearing of the Group would increase from 3.04 times to 3.41 times upon completion of the Proposed Investment.

#### 4.6 Other Relevant Considerations

##### 4.6.1 Safeguards for the Group's investment in the JV Company

As set out in paragraph 3.8 of the Circular, there are certain safeguards set out in the Shareholders' Agreement to protect the Group's investment in the JV Company in any one of the following occurrences during the first 2 years of incorporation of the JV Company (when UPG has management and administrative rights in the JV Company) (the "**2-year Period**"):

- (a) in the event that the JV Company's rate of return on common stockholders' equity is less than 10% per annum (the "**10% ROE Target**") for the 2-year Period, UPG will compensate the other JV Parties (based on their proportionate shareholdings in the JV Company) for the shortfall from the 10% ROE Target;
- (b) the other JV Parties have the right, during the period of 2 years and 6 months from the incorporation of the JV Company, to require UPG to acquire their shares in the JV Company at their respective investment cost plus 10% per annum; or
- (c) in the event that the JV Company were to incur an accumulated audited net loss greater or equal to RMB5.0 million during the 2-year Period, the other JV Partners have the right to acquire UPG's shares in the JV Company (based on their proportionate shareholdings in the JV Company) at the audited net asset value of the JV Company, and UPG will also have to compensate the other JV Parties for the shortfall from the 10% ROE Target.

In this regard, notwithstanding that the Group would be embarking on the provision of financing services as a new business, there are safeguards to protect the Group's equity interest in the JV Company.

#### 4.6.2 Statutory control of the JV Company

Upon the completion of the First Subscription, the Proposed Acquisition and the Proposed Investment (assuming that ZJPD subscribes for an aggregate of RMB102,000,000 of the registered capital of the JV Company), ZJPD would own a minimum of 51% equity interest in the JV Company and would be in a position to exercise statutory control of the JV Company. Statutory control will enable ZJPD to pass all ordinary resolutions which are tabled for the approval of the shareholders of the JV Company at a general meeting.

In addition, as the JV Company would be a 51%-owned subsidiary of the Group (through ZJPD after the Proposed Acquisition), the revenue, profits, assets and liabilities of the JV Company would be consolidated into the Group in accordance with the Singapore Financial Reporting Standards.

#### 4.6.3 Outlook of the Group

In the announcement of the Group's unaudited FY2013 financial statements, the following commentary was made in relation to the competitive conditions of the industry in which the Group operates and known factors or events that may affect the Group in the next reporting period and the next 12 months:

*"In view of the uncertain macroeconomic environment, the Group remains cautious on its business outlook for the next 12 months.*

*According to data from the National Bureau of Statistics, China's economic growth slowed to 7.7% in 2013. Economists expect the slowdown to deepen this year as China revamps its economic model for long-term sustainable growth.*

*Meanwhile, the Group will continue to monitor its costs closely and seek to improve productivity of its textile business.*

*As announced on 30 December 2013, the Group entered into an agreement to form a joint venture company to enter the financial services business as part of the Group's strategy to diversify its business for sustainable long-term growth.*

*At the Extraordinary General Meeting held on 25 October 2013, our shareholders gave their vote of approval for the proposed disposal of the entire equity interest in Zhejiang Jishan Extra Width Co., Ltd, through the Group's wholly owned subsidiary, Zhejiang Jishan Printing and Dyeing Co., Ltd.*

*The Board is of the view that this transaction will result in a financial gain for the Company and will generate cash flow for general working capital purposes and future expansion of our business."*

#### 4.6.4 Management of the new business

As set out in paragraph 1.5 of the Circular, UPG shall have management and administrative rights in the JV Company. Subject to the approval of the board of the JV Company, UPG shall nominate the general manager, risk manager and operations manager, and take charge of building the management team of the JV Company (including the day-to-day management of the JV Company). As set out in paragraph 4.3 of the Circular, the Group will be able to learn from UPG which has accumulated relevant financing experience from serving more than 4,000 companies in the Yangtze River delta economic zone of the PRC over 7 years.

Accordingly, notwithstanding that the Group would be embarking on the provision of financing services as a new business, it would be able to tap on and benefit from UPG's expertise and experience in managing this new business.

As further set out in paragraph 4.3 of the Circular, the Group will also (a) evaluate the manpower and expertise required to carry out the new business through the JV Company, (b) appoint the deputy general manager and the financial controller of the JV Company who will work closely with the management team of the JV Company nominated by UPG so that the Group can learn from UPG's experience and expertise, and (c) set up project management team(s) on an ad-hoc basis as and when required for the new business.

We also note that the board of the JV Company would comprise 5 directors, 3 of whom would be effectively appointed by ZJPD following its holding a 51% equity interest in the JV Company. In this respect, the Company (through ZJPD) would be in a position to be able to influence, *inter alia*, the management, operating and financial policies of the JV Company.

#### 4.6.5 Risk factors relating to the Proposed Diversification into the provision of financing services

Pursuant to the Proposed Diversification, the Company would be diversifying into the business of provision of financial services through the JV Company and the risk factors relating to the JV Company would be relevant to the Group. Shareholders are advised to read the risk factors as set out in paragraph 4.7 of the Circular carefully.

#### 4.6.6 Abstention from voting

We note that Mr. Jin Guan Liang, who holds an aggregate interest in 234,359,000 Shares representing approximately 77.73% of the Company's issued share capital as at the Latest Practicable Date, will abstain and has undertaken steps to ensure that his associates (including Jin Cheng International Holdings Limited) will abstain from voting on the resolution in relation to the Proposed Acquisition at the EGM. Accordingly, the Proposed Acquisition will proceed only if, *inter alia*, a majority of the Independent Shareholders were to vote in favour of the Proposed Acquisition at the EGM.

## 5. OUR OPINION AND ADVICE

In arriving at our opinion in respect of the Proposed Acquisition, we have taken into account the following key considerations:

- (a) the rationale for and benefits of the Proposed Acquisition, namely, (i) to obtain statutory control of the JV Company and safeguard the commercial interest of the Company, and (ii) the revenue, profits, assets and liabilities of the JV Company will be consolidated into the Group in accordance with the Singapore Financial Reporting Standards after the Proposed Acquisition as the JV Company will become a 51%-owned subsidiary of the Group (through ZJPD) after the Proposed Acquisition;
- (b) the rationale for and benefits of the Proposed Diversification, namely, the Directors' belief that (i) the operating environment of the Group's existing business in the PRC are expected to remain challenging in view of the intense competition and decreasing demand in the printing and dyeing industry, (ii) the JV Company will be one of the first private capital management companies approved in the Shaoxing county, and will be able to approve and provide loans more quickly than traditional Chinese banks due to its efficient process and a less bureaucratic environment which is important to MSEs, (iii) the provision of financing services would present an opportunity for the Group to gain exposure to the private capital market, and (iv) the Proposed Diversification will provide an additional source of revenue for the Group;
- (c) the reasonableness of the Consideration, namely, that (i) ZJPD would be acquiring the 25% equity interest in the JV Company from ZJHG based on the cost of investment contributed by ZJHG, and (ii) ZJPD would be undertaking the Proposed Acquisition at around the NAV of the JV Company as at the Latest Practicable Date;

- (d) the historical financial performance and condition of the Group, as detailed in paragraph 4.4 of this letter;
- (e) the financial effects of the First Subscription, the Proposed Acquisition and the Proposed Investment on the Group as set out in paragraph 4.5 of this letter, in particular that the gearing of the Group would increase from 3.04 times to 3.41 times upon completion of the Proposed Investment; and
- (f) other relevant considerations as follows:
  - (i) the safeguards for the Group's investment in the JV Company;
  - (ii) the Group (through ZJPD) obtaining statutory control of the JV Company;
  - (iii) the outlook of the Group;
  - (iv) the Group's management of the new business;
  - (v) the risk factors relating to the Proposed Diversification into the provision of financing services; and
  - (vi) Mr. Jin Guan Liang and his associates abstaining from voting on the resolution in relation to the Proposed Acquisition.

Based on the foregoing considerations, we are of the opinion that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and the Independent Shareholders. Accordingly, we advise the Independent Directors to recommend the Independent Shareholders to vote in favour of the Proposed Acquisition.

Our opinion and advice are addressed to the Independent Directors for their benefit and for the purposes of their consideration of the Proposed Acquisition. The recommendation to be made by the Independent Directors to the Independent Shareholders shall remain the responsibility of the Independent Directors. Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent in each specific case, except for the forthcoming EGM and for the purposes of the Proposed Acquisition.

Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore. Our opinion and advice are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**SAC CAPITAL PRIVATE LIMITED**

Huong Wei Beng  
Partner

Lau Sze Mei  
Manager

# CHINA JISHAN HOLDINGS LIMITED

("Company")  
(Incorporated in the Republic of Singapore)  
Company Reg. No. 200310591E

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("EGM") of the Company will be held at Furama RiverFront Singapore, Jupiter I (Level 3), 405 Havelock Road, Singapore 169633 on 26 March 2014 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as Ordinary Resolutions, with or without any amendment:

### **ORDINARY RESOLUTION 1: THE PROPOSED ACQUISITION OF 25% EQUITY INTEREST IN SHAOXING KEQIAO DISTRICT JISHAN UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD FROM ZHEJIANG JISHAN HOLDINGS GROUP CO., LTD (THE "PROPOSED ACQUISITION")**

That:-

approval be and is hereby given for (i) the proposed acquisition of 25% equity interest in Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd from Zhejiang Jishan Holdings Group Co., Ltd; and (ii) the terms and conditions of the S&P Agreement; and

the directors of the Company (the "**Directors**") and any of them be and are hereby authorised and empowered to approve and complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as he or they may consider expedient, desirable or necessary or in the interests of the Company to give effect to the Proposed Acquisition and this Resolution and the transactions contemplated by the Proposed Acquisition and/or authorised by this Resolution.

### **ORDINARY RESOLUTION 2: THE PROPOSED INVESTMENT OF UP TO AN AGGREGATE AMOUNT OF RMB 102,000,000 (COMPRISING THE RESPECTIVE AMOUNTS FOR THE FIRST SUBSCRIPTION, THE SECOND SUBSCRIPTION AND THE PROPOSED ACQUISITION) INTO SHAOXING KEQIAO DISTRICT JISHAN UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD (THE "PROPOSED INVESTMENT")**

That:-

contingent upon the passing of Ordinary Resolution 1, approval be and is hereby given for the proposed investment of up to an aggregate amount of RMB 102,000,000 into Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd; and

the Directors and any of them be and are hereby authorised and empowered to approve and complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as he or they may consider expedient, desirable or necessary or in the interests of the Company to give effect to the Proposed Investment and this Resolution and the transactions contemplated by the Proposed Investment and/or authorised by this Resolution.

### **ORDINARY RESOLUTION 3: THE PROPOSED DIVERSIFICATION INTO THE BUSINESS OF PROVISION OF FINANCING SERVICES THROUGH THE INCORPORATION OF SHAOXING KEQIAO DISTRICT JISHAN UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD (THE "PROPOSED DIVERSIFICATION")**

That:-

approval be and is hereby given for the proposed diversification into the business of provision of financing services through the incorporation of Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd; and

the Directors and any of them be and are hereby authorised and empowered to approve and complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as he or they may consider expedient, desirable or necessary or in the interests of the Company to give effect to the Proposed Diversification and this Resolution and the transactions contemplated by the Proposed Diversification and/or authorised by this Resolution.

BY ORDER OF THE BOARD

Jin Rong Hai  
Chief Executive Officer and Executive Director

10 March 2014

**IMPORTANT: Please read notes below.**

**Notes:**

1. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company.
2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The common seal of such corporation must be affixed to the instrument appointing the proxy.
3. The instrument appointing a proxy must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time appointed for holding the EGM.

# CHINA JISHAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

## IMPORTANT:

1. For investors who have used their CPF monies to buy ordinary shares in the capital of China Jishan Holdings Limited, the circular is forwarded to them at the request of their CPF approved nominees and is sent solely for information only.
2. Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them

## EXTRAORDINARY GENERAL MEETING PROXY FORM

(You are advised to read the notes below before completing this form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of China Jishan Holdings Limited (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholding (%)

as my/our proxy to vote for me/us and on my/our behalf and, if necessary to demand a poll, at an Extraordinary General Meeting of the Company to be held at Furama RiverFront Singapore, Jupiter I (Level 3), 405 Havelock Road, Singapore 169633 on 26 March 2014 at 10.00 a.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box below how I/we wish my/our proxy to vote. If no specific direction as to voting is given, my/our proxy may vote or abstain at his discretion as he will on any other matters arising at the Extraordinary General Meeting.

	FOR	AGAINST
<b>ORDINARY RESOLUTIONS</b>		
(1) THE PROPOSED ACQUISITION OF 25% EQUITY INTEREST IN SHAOXING KEQIAO DISTRICT JISHAN UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD FROM ZHEJIANG JISHAN HOLDINGS GROUP CO., LTD (THE "PROPOSED ACQUISITION");		
(2) THE PROPOSED INVESTMENT OF UP TO AN AGGREGATE AMOUNT OF RMB 102,000,000 INTO SHAOXING KEQIAO DISTRICT JISHAN UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD (THE "PROPOSED INVESTMENT"); AND		
(3) THE PROPOSED DIVERSIFICATION INTO THE BUSINESS OF PROVISION OF FINANCING SERVICES THROUGH THE INCORPORATION OF SHAOXING KEQIAO DISTRICT JISHAN UNI-POWER PRIVATE CAPITAL MANAGEMENT CO., LTD (THE "PROPOSED DIVERSIFICATION").		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

**Total Number  
of Shares Held in:**

(a) CDP Register

(b) Register of Members

Signature(s) of Members/Corporation's Common Seal

**IMPORTANT: Please read notes on the next page.**





## NOTES

- a. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.
- b. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, the appointment shall be deemed to be alternative unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- c. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy by resolution of its directors or other governing body such person as it thinks fit to vote on its behalf.
- d. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 1 Sophia Road, #05-03 Peace Centre, Singapore 228149 not later than forty-eight (48) hours before the time appointed for the Extraordinary General Meeting.
- e. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
- f. In the case of members whose Shares are deposited with The Central Depository (Pte) Limited (“CDP”), the Company shall be entitled to reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Extraordinary General Meeting as certified by the Central Depository (Pte) Limited to the Company.
- g. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
- h. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.