

CIRCULAR DATED 8 JUNE 2011

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

This Circular is issued by China Jishan Holdings Limited. **If you are in any doubt** as to the action you should take, you should consult your stockbroker, registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser immediately.

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

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

**Your attention is drawn to the section entitled “Risk Factors” in the letter to Shareholders from China Jishan Holdings Limited, which you should read carefully.**



**CHINA JISHAN HOLDINGS LIMITED**

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

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

- 1. THE PROPOSED ACQUISITION OF ASSETS AND RELOCATION OF EXISTING PRODUCTION FACILITIES AND FACTORY BUILDINGS; AND**
- 2. THE PROPOSED APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE AUDITORS OF CHINA JISHAN HOLDINGS LIMITED**

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	22 June 2011 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	24 June 2011 at 10.30 a.m.
Place of Extraordinary General Meeting	:	Copthorne King's Hotel, Prince II Room, Level 13, 403 Havelock Road, Singapore 169632

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## DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

- “Act”* : The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
- “Articles”* : The articles of association of the Company, as amended, supplemented or modified from time to time
- “Assets”* : The assets including the Land, the Buildings and the Facilities, particulars of which are set out in Paragraph 2.3 of this Circular
- Audit Committee* : The audit committee of the Company, currently comprising of Mr. Lien Kait Long, Mr. Xu Ping Wen and Mr. Yip Wei-Jen
- “Board”* : The board of directors of the Company as at the date of this Circular unless the content otherwise requires
- “Buildings”* : The production and office buildings to be constructed pursuant to the Proposed Acquisition
- “CDP”* : The Central Depository (Pte) Limited
- “Company”* : China Jishan Holdings Limited, a company incorporated in Singapore with limited liability and the Shares of which are listed on the Main Board of SGX-ST
- “Controlling Shareholder”* : A person who (a) holds directly or indirectly 15% or more of the issued shares excluding treasury shares in a company (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder); or (b) in fact exercises control over a company
- “Deloitte”* : Deloitte & Touche LLP, an accounting limited liability partnership registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A)
- “Depositors”* : The term “Depositors” shall have the meaning ascribed to it by section 130A of the Act
- “Director(s)”* : The director(s) for the time being of the Company
- “EGM”* : The extraordinary general meeting of the Company to be held at Copthorne King’s Hotel, Prince II Room, Level 13, 403 Havelock Road, Singapore 169632 on 24 June 2011 at 10.30 a.m., for the Shareholders to consider and, if thought fit, approve, among other things, the Proposed Acquisition and the Proposed Appointment notice of which is set out on page 25 of this Circular
- “Estimated Expenses”* : The estimated expenses for the Proposed Acquisition, being approximately RMB300 million
- “EPS”* : Earnings per Share
- “Facilities”* : The infrastructure facilities to be acquired and/or installed by the Company in relation to the Proposed Acquisition

<i>“FY” or “Financial Year”</i>	: Financial year ended or, as the case may be, ending 31 December
<i>“Group”</i>	: The Company and its subsidiaries
<i>“Land”</i>	: The New Land #1 (apportioned into 2 parts) and New Land #2 (as defined in Paragraph 2.3(a) of this Circular) located at the Consolidated Zone of Dyeing and Printing Industry in Binhai Industrial Zone, Shaoxing City, Zhejiang Province, the PRC (中国浙江省绍兴市滨海工业区印染产业集聚区)
<i>“Latest Practicable Date”</i>	: 30 May 2011, being the latest practicable date prior to the date of this Circular
<i>“Listing Manual”</i>	: The listing manual of the SGX-ST, as the same may be amended, varied or supplemented from time to time
<i>“M&amp;A”</i>	: The Memorandum and Articles
<i>“Memorandum”</i>	: The memorandum of association of the Company, as amended, supplemented or modified from time to time
<i>“NTA”</i>	: Net tangible assets
<i>“PRC”</i>	: The People’s Republic of China, for the purpose of this Circular, excluding Hong Kong, Macau and Taiwan
<i>“Proposed Acquisition”</i>	: The proposed acquisition of Assets and relocation of existing production facilities and factory buildings
<i>“Proposed Appointment”</i>	: The proposed appointment of Deloitte as auditors of the Company
<i>“Securities Accounts”</i>	: The securities account maintained with CDP, but not including the securities accounts maintained with a Depository Agent (as defined in Section 130A of the Act)
<i>“SGX-ST”</i>	: Singapore Exchange Securities Trading Limited
<i>“Shaoxing Zhongxing”</i>	: Shaoxing Zhongxing Asset Evaluation Co., Ltd (绍兴中兴资产评估有限公司)
<i>“Shareholders”</i>	: Registered holders of Shares except that where the registered holder is CDP, the term <i>“Shareholders”</i> in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited
<i>“Shares”</i>	: Ordinary shares in the capital of the Company
<i>“Singapore Listing Rules”</i>	: Rules of the Listing Manual, as amended, supplemented or modified from time to time
<i>“Substantial Shareholder”</i>	: A person who has an interest of 5% or more of the aggregate of the nominal amount of all the Shares of the Company
<i>“m”</i>	: Metres
<i>“RMB”</i>	: Renminbi, the lawful currency of the PRC

“S\$”, “SGD” or “\$” and “cents” : Singapore dollars and cents respectively

“%” : Percentage or per centum

“sq m” : Square metres

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

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 Act, the Singapore Listing Rules or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Act, the Singapore Listing Rules or any modification thereof, as the case may be.

Words importing the singular number shall include the plural number where the context admits and *vice versa*. Words importing the masculine gender shall include the feminine gender where the context admits. Reference to persons shall, where applicable, include corporations.

Any reference to a time of a day in this Circular is a reference to Singapore time.

Any discrepancy with the tables in this Circular between the listed amounts and the totals thereof is due to rounding.

Unless otherwise stated, the following exchange rate which is used in this Circular are for information only:

RMB1.00 = S\$0.1953

## CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

All statements contained in this Circular, statements made in the press releases and oral statements that may be made by the Company, or each of the respective directors, key executives or employees acting on behalf of the Company, that are not statements of historical fact constitute “**forward-looking statements**”. Some of these statements can be identified by words that are biased or by forward-looking terms such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “will”, “would” and “should” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group’s expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements and other matters discussed in this Circular, including but not limited to:

- the Group’s revenue and profitability; and
- other matters discussed in this Circular regarding matters that are not historical facts,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group’s actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risks, uncertainties and other factors are discussed in more detail in this Circular.

Given the risks and uncertainties that may cause the Group’s actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Circular, you are advised not to place undue reliance on those statements.

None of the Company, the Group or any other person represents or warrants to you that the Company and/or the Group’s actual future results, performance or achievements will be as discussed in those statements. The Company’s and the Group’s actual results may differ materially from those anticipated in these forward-looking statements. Further, the Company and the Group disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any regulatory or supervisory body or agency.

# LETTERS TO SHAREHOLDERS



## CHINA JISHAN HOLDINGS LIMITED

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

### Directors :

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

### Registered Office :

1 Sophia Road  
# 05-03 Peace Centre  
Singapore 228149

8 June 2011

To the Shareholders of  
**China Jishan Holdings Limited**

Dear Sir / Madam,

- 1. THE PROPOSED ACQUISITION OF ASSETS AND RELOCATION OF EXISTING PRODUCTION FACILITIES AND FACTORY BUILDINGS; AND**
- 2. THE PROPOSED APPOINTMENT OF DELOITTE & TOUCHE LLP AS AUDITORS OF CHINA JISHAN HOLDINGS LIMITED**

### 1. INTRODUCTION

The Board had on 24 January 2011 announced the Company's intention to relocate its existing production facilities and factory buildings located at Wuyang Bridge, Shaoxing City, Zhejiang Province, the PRC (the "Leased Plant") and Keqiao Economic Development Zone, Shaoxing City, Zhejiang Province, the PRC (the "Owned Plant") onto three pieces of land to be acquired by the Company located at the Consolidated Zone of Dyeing and Printing Industry in Binhai Industry Zone, Shaoxing City, Zhejiang Province, the PRC (中国浙江省绍兴市滨海工业区印染产业集聚区). The total estimated expenses in relation to the Proposed Acquisition will be approximately RMB300 million (equivalent to approximately S\$58.59 million), including but not limited to the consideration for the land use right of the Land, expenses for acquisition and installation of the Facilities, and the construction costs of the Buildings located at the Consolidated Zone of Dyeing and Printing Industry in Binhai Industry Zone, Shaoxing City, Zhejiang Province, the PRC (中国浙江省绍兴市滨海工业区印染产业集聚区).

The purpose of this Circular is to provide the Shareholders with information relating to, and to seek the approval of the Shareholders for the same at the EGM to be held on 24 June 2011 at 10.30 a.m. for, the following matters:-

- (i) the Proposed Acquisition including, *inter alia*, information on the Assets to be acquired by the Company, the rationale for the Proposed Acquisition, and the financial effects of the Proposed Acquisition on the Group; and
- (ii) the Proposed Appointment.

## 2. THE PROPOSED ACQUISITION

### 2.1 Overview of the Proposed Acquisition

To implement the PRC central government's environmental protection policy and to enhance the competitive strengths of the dyeing and printing industry in Shaoxing City, the Shaoxing local government is encouraging the printing and dyeing industry in Shaoxing City to collectively be relocated to Binhai Industrial Zone, Shaoxing City (浙江绍兴滨海工业区) by the end of 2014.

Further, in August 2009, the land on which the Leased Plant is located (the "Existing Land #1") had been re-classified by the local land authority from industrial land into residential and commercial land. Pursuant to such reclassification, commercial development on the Existing Land #1 shall commence and the Group has to complete the relocation of its current production facilities and factory buildings located on the Existing Land #1, before August 2012. In December 2009, the land on which the Owned Plant is located (the "Existing Land #2") had also been re-classified by the local land authority into residential and commercial land, and the corresponding commercial development on the Existing Land #2 shall commence before December 2017.

Other than the Existing Land #1 and the Existing Land #2, the Company does not lease or own any other land.

In view of the above, the Company intends to acquire the Land to construct a new operational plant on the Land and to relocate its existing production facilities and factory buildings located at the Leased Plant and the Owned Plant onto the Land.

The Proposed Acquisition shall comprise three major parts: (i) the acquisition of land use right in respect of the Land for an aggregate cash consideration of approximately RMB60 million (equivalent to approximately S\$11.72 million); (ii) construction of the Buildings, at a price of approximately RMB180 million (equivalent to approximately S\$35.15 million); and (iii) the purchase and installation of the Facilities from various suppliers to be determined by the Company, at a price of approximately RMB60 million (equivalent to approximately S\$11.72 million). The Proposed Acquisition is expected to be fully completed within three (3) years upon the completion of the successful acquisition of the land use right in respect of the Land.

Within the Estimated Expenses, the total estimated expenses in relation to the relocation of the Group's existing production facilities and factory buildings located at the Leased Plant and the Owned Plant onto the Land (including but not limited to installation expenses, transportation expenses and costs incurred during the uninstal procedures) are approximately RMB10 million and will be funded by internal funds of the Company.

It will take around three months for the Company to relocate its current operational facilities onto the Land and to resume the normal production procedures. During these three months, the production and operation of the facilities being relocated will be adversely affected. However, the management of the Company will endeavour to minimise such impact to the Company (e.g. by way of transferring one operational plant's production orders to the other operational plant and scheduling the relocation during the off-peak season, etc). In view of the above, the total estimated cost of the stoppage of production as a result of the relocation will be equal to or less than RMB18 million, representing approximately three months' income of the Group (total revenue minus the variable costs after taking into consideration tax effects) based on its first quarter financial results for FY2010<sup>(1)</sup>.

**Note:**

(1) This is because the first quarter will usually be the off-peak season of the year.



## 2.2 Application of Rule 1006 of the Listing Manual

The relative figures for the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual are set out below. These figures are provided for illustrative purposes only, as (i) the exact costs to be incurred by the Group for the Proposed Acquisition cannot be ascertained as at the Latest Practicable Date; and (ii) the Proposed Acquisition will be conducted in stages, and no formal agreement for the proposed acquisition of the land use rights of the Land, the proposed construction of the Buildings, and purchase and installation of the Facilities has been entered into by the Group as at the Latest Practicable Date.

Given that there is no single sale and purchase agreement underlying the Proposed Acquisition, the Company has used the Latest Practicable Date for the purpose of calculating its market capitalisation. As at the Latest Practicable Date, the relative percentage details under Rule 1006 are as follows:-

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profits attributable to the assets acquired compared with the Group's net profits	Not applicable <sup>(1)</sup>
(c)	Estimated Cost of RMB300 million compared to the Company's market capitalisation of RMB126,820,548	237%
(d)	Number of equity securities issued as consideration for the acquisition, compared with the number of equity securities previously issued	Not applicable

### Notes:

- (1) There is no past profit and loss contribution for the Land and the Facilities to be acquired and Buildings to be constructed.
- (2) The market capitalisation of S\$24,120,000 (equivalent to approximately RMB126,820,548) is based on the weighted average share price of S\$0.08 on the Latest Practicable Date, 301,500,000 issued shares and the exchange rate of S\$1: RMB5.2579 on the close of the Latest Practicable Date, published in Bloomberg.

Accordingly, as the relative figures computed on the bases set out in Rule 1006 exceed 100%, the Proposed Acquisition constitutes a very substantial acquisition under Listing Rule 1015 of the Listing Manual. However, the Proposed Acquisition is not a reverse take-over as it is a 100% cash acquisition and there will not be any change to the major shareholders nor the Board of the Company.

In view of the above, the Company sought for SGX-ST waiver of Rule 1015 in relation to the Proposed Acquisition on 1 December 2010 subject to the following conditions:

- (a) obtaining shareholders' approval for the Proposed Acquisition at a shareholders' meeting to be convened
- (b) issuing an announcement as soon as practicable via SGXNet on the granting of the waiver by the SGX-ST and the Company's justifications for seeking the waiver (pursuant to Rule 107).

The Company had made an announcement in relation to the SGX waiver on 24 January 2011

The Estimated Expenses are based on estimates and subject to the final consideration of the Land, the final construction cost of the Buildings and the final acquisition and installation fees of the Facilities. In the event that the Company needs to acquire the Land, construct the Buildings or acquire and/or install the Facilities at a higher cost than the Estimated Expenses, the Audit Committee will, after taking into account the Group's internal sources of funds, the effects of the Proposed Acquisition and the Group's present bank borrowings, give its opinion on whether the Proposed Acquisition is in the interests of the Group and is not prejudicial to the Shareholders as a whole.

## 2.3 Information on the Land and Facilities to be acquired and the Buildings to be constructed by the Company

The Proposed Acquisition will be conducted in stages, and no formal agreement for the proposed acquisition of the land use rights of the Land, the proposed construction of the Buildings, and purchase and installation of the Facilities has been entered into by the Group as at the Latest Practicable Date.

### (a) Acquisition of the Land

The Company had on 30 September 2010 entered into two allocation agreements with The Leading Office of the Consolidating and Upgrading Project of Dyeing and Printing Industry in Shaoxing City (绍兴县印染产业集聚升级工程领导小组办公室) (the “Leading Office”), pursuant to which the Leading Office will allocate to the Company two pieces of land with an aggregate area of approximately 221 mu (equivalent to approximately 147,332 sq m) located at the Consolidated Zone of Dyeing and Printing Industry in Binhai Industrial Zone, Shaoxing City, Zhejiang Province, the PRC (中国浙江省绍兴市滨海工业区印染产业集聚区) (collectively known as the “New Land #1”).

Other than the New Land #1, the Company also intends to apply for an additional piece of new land with an area of approximately 60 mu (equivalent to approximately 40,000 sq m) located at the Consolidated Zone of Dyeing and Printing Industry in Binhai Industrial Zone, Shaoxing City, Zhejiang Province, the PRC (中国浙江省绍兴市滨海工业区印染产业集聚区) (the “New Land #2”). The Company is still in the process of negotiation with the Leading office for acquiring the land right of the New Land #2 and has yet to conduct any valuation on it. The Company will conduct a valuation on the New Land #2 prior to the signing of the formal transfer agreement for the land use rights of the New Land #2 with Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局).

For the purpose of this Circular, the New Land #1 and the New Land #2 shall collectively constitute the Land. A map which shows the detailed location of the Land is attached in Schedule 1 of this Circular.

The particulars of the Land to be acquired are set out in the table below:-

Description and Location	Approximate Land Area (sq m)	Date of Expiration of Land Use Right	Land Use Right Certificate	Use/ Activities
Consolidated Zone of Dyeing and Printing Industry in Binhai Industrial Zone, Shaoxing City, Zhejiang Province, the PRC (中国浙江省绍兴市滨海工业区印染产业集聚区) (the New Land #1)	63,332	N.A. <sup>(1)</sup>	N.A. <sup>(2)</sup>	Industrial
Consolidated Zone of Dyeing and Printing Industry in Binhai Industrial Zone, Shaoxing City, Zhejiang Province, the PRC (中国浙江省绍兴市滨海工业区印染产业集聚区) (the New Land #1)	84,000	N.A. <sup>(1)</sup>	N.A. <sup>(2)</sup>	Industrial

Description and Location	Approximate Land Area (sq m)	Date of Expiration of Land Use Right	Land Use Right Certificate	Use/ Activities
Consolidated Zone of Dyeing and Printing Industry in Binhai Industrial Zone, Shaoxing City, Zhejiang Province, the PRC (中国浙江省绍兴市滨海工业区印染产业集聚区) (the New Land #2)	40,000	N.A. <sup>(1)</sup>	N.A. <sup>(2)</sup>	Industrial

**Notes:**

- (1) The Company is in the process of finalising the formal transfer agreements for the land use rights of the Land with Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局) and the actual expiration date of the land use rights will be fixed in the formal transfer agreements. As at the Latest Practicable Date, the Company understands from the Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局) that the expiration date is expected to be 50 years from the date of the formal transfer agreements for the land use rights.
- (2) The Company is in the process of finalising the formal transfer agreements for the land use rights of the Land and will not obtain the land use right certificates from Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局) until the formal transfer agreements for land use rights have been signed and officially registered with the relevant authorities.

The Company has entered into two letters of intent (the “Letters of Intent”) with the Management Committee of Binhai District, Shaoxing County (绍兴县滨海管理委员会) to reserve the New Land #1 for purchase at an estimated consideration of RMB50 million. Prior to the signing of the Letters of Intent, the Company had engaged Shaoxing Zhongxing to conduct valuation on the New Land #1 based on its market price, and two valuation reports were issued by Shaoxing Zhongxing on 19 November 2010 (the “Valuation Reports”). The results of the Valuation Reports will remain valid for 1 year from the base date of the assets evaluation, being 16 November 2010, and expiring on 16 November 2011.

The estimated consideration of RMB50 million for the acquisition of the New Land #1 under the Letters of Intent was arrived after arm’s length negotiations between the Company and the Management Committee of Binhai District, Shaoxing County (绍兴县滨海管理委员会) with reference to, among others, the location of the Land, the average market price of land in the vicinity as well as the appraised value (i.e. RMB71 million) of the New Land #1 appraised by Shaoxing Zhongxing, a qualified and independent professional valuer. Based on the information currently available, the Directors consider that the consideration for the New Land #1 is fair and reasonable and in the interests of the Company and Shareholders as a whole.

As definitive transfer agreements for the land use rights of the Land will be signed with Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局) to procure the land use right certificates upon the completion of the pre-acquisition procedures, the estimated consideration of RMB60 million for the acquisition of the land use rights of the Land is subject to final consideration to be agreed between the Company and Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局).

Pursuant to the Letters of Intent, it is agreed between the parties that

- (a) the Company shall pay in aggregate RMB5.02 million (equivalent to approximately S\$980,875) as deposit for participate in the bidding of the New Land #1, which will then be used as deposit for the commencement of the basic construction process and completion of the Proposed Acquisition (the “Construction Deposit”) after the successful acquisition of the land use rights of the New Land #1 from Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局). In the event that the Proposed Acquisition is not approved by the Shareholders, the Company’s Controlling Shareholder, Mr. Jin Guan Liang, will immediately compensate the Company for the full amount of the Construction Deposit;

- (b) the Company shall pay in aggregate RMB20.89 million (equivalent to approximately S\$4.08 million) as deposit (the "Land Deposit") for purchasing the New Land #1. In the event that the Group fails to acquire the land use rights of the New Land #1, the Land Deposit will be returned to the Company without any interest;
- (c) the basic construction process on the New Land #1 shall commence within 5 months after the successful acquisition of the land use rights of the the New Land #1 from Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局). Upon the commencement of the basic construction process within the aforesaid period, the Management Committee of Binhai District (滨海区管理委员会) will return 40% of the Construction Deposit to the Company; and
- (d) the Proposed Acquisition should be completed within 24 months after the successful acquisition of the land use rights of the the New Land #1 from Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局). Upon the completion of the Proposed Acquisition within the aforesaid period, the Management Committee of Binhai District (滨海区管理委员会) will return 60% of the Construction Deposit to the Company).

As at the Latest Practicable Date, the Company has paid the Construction Deposit to the Management Committee of Binhai District (滨海区管理委员会).

**(b) Acquisition of the Facilities**

The Company intends to acquire and install the Facilities for its new production plant including but not limited to electricity supply system (电力供应系统), water supply and wastewater recycling system (供水系统和废水处理系统) and information and automation system (信息自动化系统). It is expected that the above Facilities will be acquired and installed from September 2011.

The Company intends to invite public tenders and take into account the prevailing market rates before choosing the relevant contractor for the acquisition and installation of the Facilities. Further, all expenses which exceed RMB500,000 will go through the Company's internal control evaluation procedures. The Group's internal control and internal audit department will review the relevant control procedures to ensure that they are in the interests of the Company and ensure all relevant procedures are adhered to. The procurement department of the Group will itemise the various expenditure items and group items that can be sourced from the same supplier together and will procure a minimum of 3 quotes from the suppliers. Whilst pricing may be an important consideration in the purchase evaluation, the Company will also take into consideration the after-sales service, warranties and reliability of service.

The Company expects that the suppliers for the Facilities and their respective ultimate beneficial owners to be third parties independent of the Company and its connected persons. In case the suppliers are connected person of the Company, the Company will make disclosures and/or seek necessary shareholders' approval as and when appropriate, in accordance with the Singapore Listing Rules.

It is expected that the acquisition and installation fees of the Facilities will be approximately RMB60 million (equivalent to approximately S\$11.72 million).

**(c) Construction of the Buildings**

The Company intends to construct the production facilities and office buildings on the Land. Based on the Company's internal studies, it intends to commence the construction of the main production building from September 2011.

The Company also intends to invite public tenders and take into account the prevailing market rates before choosing the relevant contractor for the construction of the Buildings. In addition, all expenses which exceed RMB500,000 will also go through the Group's internal control evaluation procedures. The Company expects that the contractors for the Buildings and their respective ultimate beneficial owners to be third parties independent of the Company and its connected persons.

In case the suppliers are connected persons of the Company, the Company will make disclosures and/or seek necessary shareholders' approval as and when appropriate, in accordance with the Singapore Listing Rules.

It is expected that the construction cost for the Buildings will be approximately RMB180 million (equivalent to approximately S\$35.15 million).

The construction of Buildings and acquisition and installation of Facilities will be separated into two stages. The first stage is expected to be completed by the end of FY2011 to enable the Company to relocate its current operational facilities located at the Existing Land #1 by the first financial quarter of FY2012. The second stage is expected to be completed within three (3) years upon the completion of the successful acquisition of the land use right in respect of the Land, and the Company will relocate its current operational facilities located at the Existing Land #2 after the completion of the construction of Buildings and acquisition and installation of Facilities.

#### **2.4 Conditions Precedent for the Proposed Acquisition**

The Proposed Acquisition is conditional upon the approvals of the Shareholders as required under Chapter 10 of the Listing Manual.

#### **2.5 Completion**

The Proposed Acquisition is expected to be completed within three (3) years upon the completion of the successful acquisition of the land use right in respect of the Land.

#### **2.6 Total Consideration and Funding for the Proposed Acquisition**

The Estimated Expenses for the Proposed Acquisition is approximately RMB300 million (equivalent to approximately S\$58.59 million), which is based on estimates and subject to the final acquisition consideration of the Land, the final construction cost of the Buildings and the final acquisition and installation fees of the Facilities. In the event that the Company needs to acquire the Land, construct the Buildings or acquire and/or install the Facilities at a higher cost than the Estimated Expenses, the Company will make appropriate announcements on the SGXNET to provide Shareholders' with information in respect of the actual costs that may be incurred, the financial effects and the source of funds for these additional costs, and the Audit Committee will, after taking into account the Group's internal sources of funds, the effects of the Proposed Acquisition and the Group's present bank borrowings, give its opinion on whether the Proposed Acquisition is in the interests of the Group and is not prejudicial to the Shareholders as a whole. Further, under such circumstance, the Board will also take into account factors including, *inter alia*, the financial performance and requirements of the Group, the financial effects of such acquisition, construction and/or installation, whichever is applicable, the Audit Committee's opinions and whether there is adequate sources of funds to finance the additional costs, to decide whether separate approval will be sought from the Shareholders for the higher cost to be incurred.

The Proposed Acquisition will be financed by the Group's internal funds of approximately RMB150 million and external bank borrowings of approximately RMB150 million. As the Proposed Acquisition will be undertaken in stages over the course of an estimated timeline of three (3) years, the Estimated Expenses are payable progressively over such period of time. Accordingly, the internal funds of approximately RMB150 million refers to the Group's currently available cash as well as the estimated cash that is generated from the Group's operating activities during the duration of, and even after, the Proposed Acquisition.



The Directors have confirmed that as at the Latest Practicable Date, after taking into account the Group's internal and external sources of funds, and the effects of the Proposed Acquisition, the Group has adequate working capital to meet its present operating requirements.

## **2.7 Information on the Group, Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局), The Leading Office of the Consolidating and Upgrading Project of Dyeing and Printing Industry in Shaoxing City (绍兴县印染产业集聚升级工程领导小组办公室) and the Management Committee of Binhai District (滨海区管理委员会)**

The Group is principally engaged in the provision of dye and printing processes with an existing annual processing capacity of approximately 318 million metres for print and dye of textiles for garments and home furnishing products.

Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局) is a governmental authority of the People's Government of Shaoxing County and is principally in charge of the administration of land resources in Shaoxing County. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shaoxing County Ministry of Land and Resources of the PRC (中国绍兴县国土资源局) and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

The Leading Office of the Consolidating and Upgrading Project of Dyeing and Printing Industry in Shaoxing City (绍兴县印染产业集聚升级工程领导小组办公室) is a temporary governmental authority of the People's Government of Shaoxing County and is principally in charge of the consolidation and upgrading project of the dyeing and printing industry in Shaoxing City. The People's Government of Shaoxing County had transferred persons from various departments of the People's Government of Shaoxing County into this leading office to facilitate the consolidating and upgrading process and to solve any problems that may arise thereof. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, The Leading Office of the Consolidating and Upgrading Project of Dyeing and Printing Industry in Shaoxing City (绍兴县印染产业集聚升级工程领导小组办公室) and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

The Management Committee of Binhai District (滨海区管理委员会) is a governmental authority of the People's Government of Binhai District, Shaoxing County and is principally in charge of assignment of lands for the consolidating and upgrading project of the dyeing and printing industry in Shaoxing City and other general management issues in the Binhai District. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, The Management Committee of Binhai District (滨海区管理委员会) and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

## **2.8 Rationale for the Proposed Acquisition**

The Directors are of the view that the Proposed Acquisition is beneficial to the Group for the following reasons:

**(i) *The Proposed Acquisition will allow the Group to relocate its production facilities and factory buildings onto the Land to accommodate the current processing capacity of the Leased Plant and the Owned Plant***

The Existing Land #1 and the Existing Land #2, which are used by the Group for its business operations, have been re-classified into residential and commercial land. As such, the Company intends to carry out the Proposed Acquisition in order to relocate its existing production facilities and factory buildings to accommodate the current processing capacity of the Leased Plant and the Owned Plant.

**(ii) *Excellent opportunity to relocate the Group's existing production facilities with strong support from the Shaoxing local government***

As the Existing Land #1 and the Existing Land #2 have been re-classified into residential and commercial land, the Group has been actively looking for opportunities to construct a new production plant and relocate its existing production facilities and factory buildings located at the Leased Plant and the Owned Plant. The Group is exposed to risk of higher costs should

the relocation not be completed within the requisite time-frame. The Proposed Acquisition presents an excellent opportunity for the Group to relocate its current business efficiently and acquire Assets at a lower price than what it would have been in a thriving market, and hence reduce the Group's exposure to the aforesaid risks.

In addition, as the government had indicated its intention to consolidate the dyeing and printing companies into the Binhai Industrial Zone, Shaoxing City (浙江绍兴滨海工业区) by the end of 2014 to enhance the competitive strengths and expedite the economic transition of Shaoxing dyeing and printing industry, the Directors are of the view that this is an excellent opportunity for the Group to relocate its business in view of the strong support from the Shaoxing local government.

**(iii) *The Proposed Acquisition will allow the Group to reduce its reliance on an interested person for the location of its key production facilities***

Currently, the Leased Plant is leased to the Company by the associates of an interested person, (i.e. Zhejiang Jishan Industry Co., Ltd (浙江稽山实业有限公司) and Shaoxing Jishan Textile & Garment Co., Ltd. (绍兴稽山纺织服装有限公司), each of which is indirectly owned by the Company's Controlling Shareholder and Director Mr Jin Guan Liang) in accordance with the renewed lease agreements dated 1 January 2010. After the Proposed Acquisition, the Company will own the new operational plant to be constructed on the Land, and thus will terminate the existing leases between the Company and each of Zhejiang Jishan Industry Co., Ltd (浙江稽山实业有限公司) and Shaoxing Jishan Textile & Garment Co., Ltd. (绍兴稽山纺织服装有限公司). Accordingly, the Group will significantly reduce its reliance on an interested person for the location of its key production facilities.

**(iv) *Excellent opportunity to improve the Group's operational systems and optimise the Group's cost structure***

The Group has been actively looking for opportunities to improve the Group's operational systems and profitability. The Proposed Acquisition will allow the Group to consolidate its present production facilities and factory buildings onto the Land, which will in turn improve the Group's production efficiency and optimise its cost structure. Further, during the Proposed Acquisition, the Group will update and improve its operational system, including but not limited to its information and automation system, electricity supply system and wastewater recycling system, which will in turn help the Group to improve its production capacity and profitability.

In view of the above, the Directors consider that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

## **2.9 Details of Directors (if any) to be appointed in connection with the Proposed Acquisition**

As at the Latest Practicable Date, the Company does not intend to appoint any new director to the Company in connection with the Proposed Acquisition.

## **2.10 Actions subsequent to the Proposed Acquisition**

The Company is currently leasing an operational plant located at the Existing Land #1 from the associates of an interested person, (i.e. Zhejiang Jishan Industry Co., Ltd (浙江稽山实业有限公司) and Shaoxing Jishan Textile & Garment Co., Ltd. (绍兴稽山纺织服装有限公司), each of which is indirectly owned by the Company's Controlling Shareholder and Director Mr Jin Guan Liang) in accordance with the renewed lease agreements dated 1 January 2010. After the Proposed Acquisition and relocation, the Company will terminate the existing leases between the Company and each of Zhejiang Jishan Industry Co., Ltd (浙江稽山实业有限公司) and Shaoxing Jishan Textile & Garment Co., Ltd. (绍兴稽山纺织服装有限公司).

Although the Existing Land #2 had been re-classified by the local land authority as residential and commercial land and the Company is required to relocate its operations at the Existing Land #2, such relocation, is only required to be completed before December 2017. Therefore, the Company is currently focusing on its relocation plans and ensuring that its core business is minimally

disrupted by the relocation. After the Proposed Acquisition and relocation, and depending on market conditions, the available resources of the Company and the strategic direction(s) set by the management of the Company, the Group may consider undertaking property development projects on the Existing Land #2 after the relocation, or transferring the land use right of part or all of the Existing Land #2 to third parties.

In any event, the Company shall comply fully with the Listing Manual and applicable laws (including but not limited to the seeking of approval from the Shareholders and SGX-ST, and the making of timely announcements which shall cover the requisite financial impact details).

### 3. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The proforma financial effects of the Proposed Acquisition below are for illustrative purposes only and may not reflect the actual future financial situation of the Group after the completion of the Proposed Acquisition.

#### 3.1 Proforma Financial Effects on NTA and EPS

Assuming the Proposed Acquisition had been effected as at 31 December 2010, there is no effect on the net tangible assets per share of the Group since the Proposed Acquisition is not an acquisition of a business or existing production plant, there is no past profit and loss contribution to the Land and Facilities to be acquired and the Buildings to be constructed pursuant to the Proposed Acquisition.

Assuming the Proposed Acquisition had been effected as at 1 January 2010, there is no effect on the net earnings per share of the Group since the Proposed Acquisition is not an acquisition of a business or existing production plant, there is no past profit and loss contribution to the Land and Facilities to be acquired and the Buildings to be constructed pursuant to the Proposed Acquisition.

#### 3.2 Proforma Financial Effects on Gearing Ratio

RMB'000	As at 31 December 2010	Upon completion of the Proposed Acquisition
Short term borrowings	318,420	318,420
Long term borrowings <sup>(1)</sup>	66,091	216,091
Total indebtedness <sup>(1)</sup>	384,511	534,511
Shareholders' equity <sup>(2)</sup>	192,870	274,110
Gearing Ratio	1.99	1.95

**Notes:**

- (1) Assuming new borrowings of RMB150 million will be raised for the Proposed Acquisition at the same rates and conditions with current borrowings and that the remaining Estimated Expenses in relation to the Proposed Acquisition will be paid by the Group's operating income generated up to the completion date of the Proposed Acquisition.
- (2) The estimated addition of shareholders' equity upon completion of the Proposed Acquisition comprises of the following three factors:
  - (i) estimated operating results of approximately RMB50 million for the period from 1 January 2011 to the completion of the Proposed Acquisition;
  - (ii) estimated gain of approximately RMB41.24 million to be recognised for the relocation compensation received from the local government upon the completion of relocation; and
  - (iii) final dividend proposed for FY2010 of approximately RMB10 million (S\$0.0065 per share).



#### 4. RISK FACTORS OF THE PROPOSED ACQUISITION

The key risk factors relating to the business and operations of the Group in relation to the Proposed Acquisition are set out below:-

##### ***The Group may face cost overrun for the Proposed Acquisition***

The Estimated Expenses was calculated based on the results of the Group's internal evaluation after taking into consideration current market conditions.

There is no assurance that the Estimated Expenses will be sufficient for the completion of the Proposed Acquisition. Factors such as fluctuations in labour costs, raw materials, equipment's and/or contracting services cost not previously factored into the Estimated Expenses may lead to cost overrun.

Moreover, since the end of 2010, the central bank of the PRC has been raising its benchmark lending and deposit rates, to counteract the risks caused by the rapid development of the real property market and manage inflation expectations. The tight monetary policies may also cause an increase in the Group's interest costs.

In the event that there is cost overrun and the Estimated Expenses are not sufficient for the completion of the Proposed Acquisition, the Group may need to seek alternative options for raising additional funds. This could delay the Proposed Acquisition and/or disrupt the Group's existing business operations, thereby adversely affecting the Group's business operation and financial results.

##### ***The Group may fail to successfully complete the Proposed Acquisition***

Although the Group has entered into the Letters of Intent to secure the right to purchase the New Land #1, the successful completion of the Proposed Acquisition depends on, *inter alia*, the Group's capital resources, the bidding or application results of the Land, the Group's ability to obtain any necessary government or regulatory approval or licenses and the global economic conditions. In the event that the Group unable to acquire the land use rights of the Land, or fails to obtain any of the necessary approvals on a timely basis, the Group's business operation and financial results may be adversely affected.

##### ***Uncertain changes in the PRC governmental rules and policies will make it difficult for the Group to predict and have an impact on the Group's business***

Currently, all the Group's business and operations are located in the PRC. Thus, the Group's business and operations in the PRC are subject to the PRC government rules and policies. From time to time, changes in the rules and policies or the implementation thereof may have impacts on the Group's assets and business, or may require the Group to obtain additional approvals and licences for conduct of its operations in the PRC. In such event, the Group may need to incur additional expenses in order to accommodate to such changes or to comply with such requirements. This will in turn affect the Group's financial performance as the business cost will increase. Furthermore, as such changes in the PRC government rules and policies are uncertain and difficult to predict, in the event that the Group is unable to respond on a timely and effective basis, its operation and business as well as its overall financial performance will be affected.

##### ***The production process may be disrupted by various factors***

The Group's business may be affected by disruptions to the production plants due to causes such as fires, floods, natural calamities, or power failures, resulting in significant damage to the production facilities and inventory. In the event that the Group is unable to resume production on a timely basis or obtain timely replacement of the damaged equipment or inventory, this will have a significant adverse effect on its operations and financial results. In the event of a major fire or explosion, the Group may not be adequately insured for all losses. Accordingly, the occurrence of a major fire or explosion could adversely affect the Group's financial performance.

***The Group faces intense competition in the print and dye industry***

The Group faces intense competition in the print and dye industry in the PRC and elsewhere. Its competitors include both PRC and foreign companies who may have attributes and abilities that may allow them to compete with the Group. It also faces competition from companies in the print and dye industries of developing countries such as India, Vietnam and Pakistan, which are able to provide viable alternatives to the Group's existing and potential customers. In addition, the Group may also face competition from some of its customers who start their own print and dye operations to process their own products. There can be no assurance that the Group will be able to compete successfully in the print and dye industry. Failure to compete successfully in its markets will affect the Group's business and results of operations.

In particular, in the event that the Group's existing or potential competitors offer cheaper alternatives to its services or products, or engage in aggressive pricing in order to increase market share, or if any of the Group's customers commence its print and dye operations to process its own products, the Group's sales may be adversely affected. This will have a material adverse effect on the Group's business and results of operations.

***The Group may not have sufficient insurance coverage***

The Group has maintained insurance coverage for certain fixed assets and inventories owned by the Group. In the event that an accident or natural disaster occurs in the future, it may cause substantial property damage and disruption to the Group's operations and personal injuries, and the Group's insurance coverage may be insufficient to cover such loss. Any uninsured loss or loss in excess of insured limits may render the Group to suffer from damage to its production capacity and any future revenues which could materially and adversely affect its business and financial performance.

In addition, the Group currently does not maintain any insurance policies against loss of key personnel and product liability claims. If such events were to occur, the Group's business and financial performance may be materially and adversely affected.

***The recent global financial crisis could further impair the textile industry thereby limiting demand for the Group's products and affecting the overall availability and cost of external financing for the Group's operations.***

The recent global financial crisis may adversely impact on the Group's business, the businesses of the Group's customers and their potential sources of capital financing. The recent global financial crisis harmed most industries and had been detrimental to the textile industry. The Group's sales and business operations are dependent on the financial health of the textile industry and could suffer if its customers experience, or continue to experience, a downturn in their business. In addition, the lack of availability of credit could lead to a further weakening of the Chinese and global economies and make capital financing of the Group's operations more expensive, or impossible altogether. The combined impact of the crisis on the Group's abilities to obtain capital financing in the future, and the cost and the terms if financing, is unclear. If economic conditions deteriorate, business layoffs, downsizing, industry slowdowns and other similar factors that affect the Group's customers could have further negative consequences for the textile industry and result in lower sales, price reductions in the Group's products and declining profit margins. The economic situation could also harm the Group's current or future lenders or customers, causing them to fail to meet their obligations to the Group. No assurances can be given that an economic downturn will not damage the Group's business, financial condition and results of operations.

***The business and operation of the Group is subject to the PRC'S environmental laws and regulations***

The Group's business and operation is subject to the environmental laws and regulations relating to, *inter alia*, air and water pollution. If stricter rules are imposed on the air and water pollution by the PRC authorities which result in higher production cost in order to comply with such stricter rules, the Group's business and financial performance will be adversely affected.

***The Group may be subject to foreign exchange risk***

In FY2010, approximately 14.5% of the Group's revenue was export sales whilst a substantial part of its expenses and operating costs was denominated in RMB. To the extent that the Group's revenue, purchases and operating costs are not naturally matched in the same currency and to the extent that there are timing differences between the invoicing and the collection of payment, any appreciation of the RMB will translate into lower revenue and profitability of the Group.

Further, since June 2010, the exchange rate between the United States dollar and the RMB has dropped by approximately 2%. Such sharp increase in the RMB value imposes pressures on the profit margins of the PRC's export-oriented textile enterprises. According to a study by the Jiangsu Provincial Academy of Social Sciences (江苏省社会科学院), every percentage point rise in the RMB value equals a 1.47 percentage point contraction in the volume of exports of textile and garments. There is no assurance that the Group will be able to generate sales from its domestic customers sufficient to ensure that its production capacity is appropriate utilised.

Accordingly, the continuing appreciation of the RMB currency will adversely affect its business and financial performance.

***The Group may be affected by raw material availability and increases in pricing***

Prices of certain of the Group's raw materials such as loom-state textiles and dye, are largely affected by crude oil prices, cotton prices and global demand and supply conditions. If the Group is unable to pass on such price increases to its customers or it is unable to find alternative sources for such raw materials at competitive prices, its business and financial performance may be adversely affected.

***The Group may be exposed to third party liability***

Most of the Group's customers inspect the print and dye finished products before accepting delivery. However, the Group cannot assure that its customers will not claim against it for defective products or non-compliance with the contract specifications after acceptance of delivery. Currently, the Group does not maintain insurance for product liability claims. Although it has not experienced any material product liability claims to date, any successful product liability claims against it in the future may have an adverse effect on its business, prospects, financial position and results of operations.

***The Group may infringe third party intellectual property rights***

The Group processes its print and dye finished products in accordance with its customers' specifications. Due to the nature of its business, it may process an order without being aware that third parties have intellectual property rights over similar designs. The Group has established procedures designed to help prevent it from infringing third party intellectual property rights, such as requiring its customers to declare that their order specifications will not infringe any third party intellectual property rights and requiring its customers to indemnify the Group against any claims for infringement. However, it may not be possible for the Group to be aware of the intellectual property rights of third parties or be familiar with the laws governing those rights in other countries/territories in which its products are or may be sold.

Although the Group has not experienced any claims from third parties for infringement of their intellectual property rights, there can be no assurance that third parties will not assert claims against the Group for alleged infringement of their intellectual property rights. Such claims, with or without merit could:

- (a) result in substantial costs and diversion of the Group's resources;
- (b) cause delays in meeting the Group's customers' orders; or
- (c) require the Group to enter into royalty or licensing agreements in order to obtain the right to use the challenged intellectual property in its production process.

The Group cannot guarantee that any of these licences can be obtained on acceptable terms, if at all.

Should any of the claims described above materialise, the Group may be unable to obtain or use the intellectual property rights it needs to process its customers' orders and this may have an adverse impact on its business and financial performance.

***The Group may be affected by trade conflicts between the PRC and other countries***

The Group is principally engaged in the provision of print and dye services for textile, which provides support and is closely linked to the textile industry. A large portion of the PRC's textile products is exported to countries in European Union ("EU") and the the United States of America ("US"). In 2005, the PRC's textile export growth rate had once been affected due to the negative influence of the US and EU trade conflicts, which has caused a decline in the PRC's textile industry and its related industry sectors. In the event that any trade conflicts break out between the PRC and other countries, there is no assurance that import quotas or other measures restricting the imports of PRC's textile products will not be imposed by the authorities in the EU, the US or other countries where the textile products are exported to. If such import quotas or restrictions are imposed on the PRC textile industry, the Group's business and profitability may be adversely affected.

**5. THE PROPOSED APPOINTMENT OF AUDITORS**

Deloitte has been the Company's auditors since the date of incorporation of the Company. For the Company's annual general meeting held on 11 April 2011 ("**AGM**"), the AGM agenda items did not include the re-appointment of Deloitte because the Board did not manage to complete its appraisal on Deloitte's performance and negotiations with Deloitte on the key terms of its appointment for FY2011 at the time when the AGM notice needs to be finalised. Accordingly, Deloitte would technically cease to be the Company's auditors upon the conclusion of the AGM on 11 April 2011.

Subsequent to the release of the AGM notice, the Board's discussions and negotiations with Deloitte, as well as its appraisal on Deloitte's performance had been completed and the Board had reached an agreement with Deloitte on the re-appointment of Deloitte as auditors of the Company for FY2011. As such, the Company would like to seek the Shareholders' approval for appointing Deloitte as auditors of the Company for the financial year ending 31 December 2011 and are to hold office until the conclusion of the next annual general meeting of the Company, and to authorise the Directors of the Company to fix their remuneration.

Having considered several factors including, *inter alia*, the adequacy of resources, experience and audit engagements of Deloitte, the size and complexity of the Group and Deloitte's familiarisation of the Group's business, as well as the number of supervisory and professional staff who has been or will be assigned to the audit of the Group and their audit arrangements for the Group, the Directors (in consultation with the Audit Committee) are of the opinion that Deloitte will be able to meet the audit requirements of the Group. The Audit Committee confirmed that the Company has complied with Rule 712 (1) of the Listing Manual.

The Proposed Appointment will be effective upon the Shareholders' approval at the EGM.

## 6. SHAREHOLDING INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and the Substantial Shareholders of the Company in the Shares as at the Latest Practicable Date are as set out below:

Name of Shareholders	Direct interest		Deemed interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
<b>Directors</b>				
Jin Guan Liang <sup>(1)</sup>	16,649,500	5.52	205,443,500	68.14
Jin Rong Hai	–	–	–	–
Yu Ming Hai	–	–	–	–
Lien Kait Long	–	–	–	–
Yip Wei-Jen	–	–	–	–
Xu Ping Wen	–	–	–	–
<b>Substantial Shareholders (other than Directors)</b>				
Jin Cheng International Holdings Limited <sup>(2)</sup> (“Jin Cheng”)	205,443,500	68.14	–	–

### Notes:

- (1) The Executive Chairman and Substantial Shareholder, Mr. Jin Guan Liang holds 16,649,500 Shares directly and has an indirect interest in 205,443,500 Shares, by virtue of his 100% direct and indirect interest in Jin Cheng.
- (2) Jin Cheng is an investment holding company incorporated in the British Virgin Islands. It directly holds shares in the Company. It is 100% owned by Mr. Jin Guan Liang.

None of the Directors, Substantial Shareholder and their associates has any interests in the Proposed Acquisition.

## 7. IRREVOCABLE UNDERTAKING BY THE CONTROLLING SHAREHOLDER TO VOTE IN FAVOUR OF THE PROPOSED ACQUISITION

Our controlling shareholder, Mr. Jin Guan Liang, has in aggregate 73.66% of the direct and deemed interests in the Company, through Jin Cheng (68.14%) and Shares in which he holds directly (5.52%). Having considered the commercial viability and risks of the Proposed Acquisition, Mr. Jin Guan Liang has given an irrevocable undertaking to the Company that he will vote in favour of the Proposed Acquisition at the EGM.

Mr. Jin Guang Liang has further undertaken to the Company that in the event that the Proposed Acquisition is not approved by the Shareholders, he will immediately compensate the Company for the full amount of the Construction Deposit.

Mr. Jin Guan Liang is deemed to be interested in the shares held by Jin Cheng by the virtue of the fact that he has direct control of 100% of the equity of Jin Cheng.

## 8. DIRECTORS' RECOMMENDATIONS

### 8.1 The Proposed Acquisition

The Directors, having carefully considered the terms and rationale of the Proposed Acquisition, are of the view that the Proposed Acquisition is in the best interests of the Group and is not prejudicial to Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the Proposed Acquisition to be proposed at the EGM.

### 8.2 The Proposed Appointment

The Directors, having fully considered the rationale set out in paragraph 5 of this Circular and the recommendation of the Audit Committee, are of the opinion that the Proposed Appointment is in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour of the Proposed Appointment to be proposed at the EGM.

## **9. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on page 25 of this Circular, is being convened at Copthorne King's Hotel, Prince II Room, Level 13, 403 Havelock Road, Singapore 169632 on 24 June 2011 at 10.30 a.m. for the purpose of considering and, if thought fit, passing, with or without any modifications, the resolution(s) set out therein.

Your attention is drawn to the notice of EGM, which is set out on page 25 of this Circular.

## **10. 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.

## **11. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been reviewed and approved by the Directors who collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair, accurate and complete in all material respects and are not misleading or deceptive as at the Latest Practicable Date, and that there are no material facts the omission of which would make any statement in this Circular misleading in any material respects as at the Latest Practicable Date.

## **12. GENERAL AND STATUTORY INFORMATION**

### **12.1 Material Contracts**

Save as disclosed on SGXNET and contracts in relation to the Proposed Acquisition, there are no material contracts, which are not entered into in the ordinary course of business by the Company or any subsidiary of the Group, for the period of two years before the date of this Circular.

### **12.2 Litigation**

Save as disclosed on SGXNET, 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.

### **12.3 Material Adverse Change**

Save as disclosed in this Circular, the Directors are not aware of any event which has occurred since 31 December 2010 (being the end of the period covered by the most recent financial statements of the Group) to the Latest Practicable Date which may have a material effect on the financial or trading position and results of the Group.

### **12.4 Share Capital**

As at the Latest Practicable Date, there is only one class of Shares in the capital of the Company, being the Shares which are in registered form. The rights and privileges attached to the Shares are stated in the Articles. There is no founder, management or deferred shares and the Shares owned by the Directors and Controlling Shareholders do not carry any different voting rights.

There has not been any public take-over offer, by a third party, in respect of the Shares or by the Company in respect of the shares of another corporation, which has occurred during the last and current financial year.



There were no changes in the issued and paid-up ordinary share capital of the Company and its subsidiaries for cash or for a consideration other than cash during the last two years preceding the date of this Circular.

There are no Shares in the Company that are held by or on behalf of the Company or by its subsidiaries.

Save as disclosed in the section entitled "Shareholding Interests of Directors and Substantial Shareholders" of this Circular, the Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly.

There is no known arrangement the operation of which may, at a subsequent date, result in a change of control of the Company.

### **13. MISCELLANEOUS**

#### **13.1 Experts and Consents**

Shaoxing Zhongxing Asset Evaluation Co., Ltd (绍兴中兴资产评估有限公司), in respect of the Proposed Acquisition has given and has not withdrawn its written consents to issue this Circular with the inclusion of its name and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

#### **13.2 Documents Available for Inspection**

Copies of the following documents may be inspected at the registered office of the Company at 1 Sophia Road, # 05-03 Peace Centre Singapore 228149, during normal business hours for three (3) months from the date hereof:

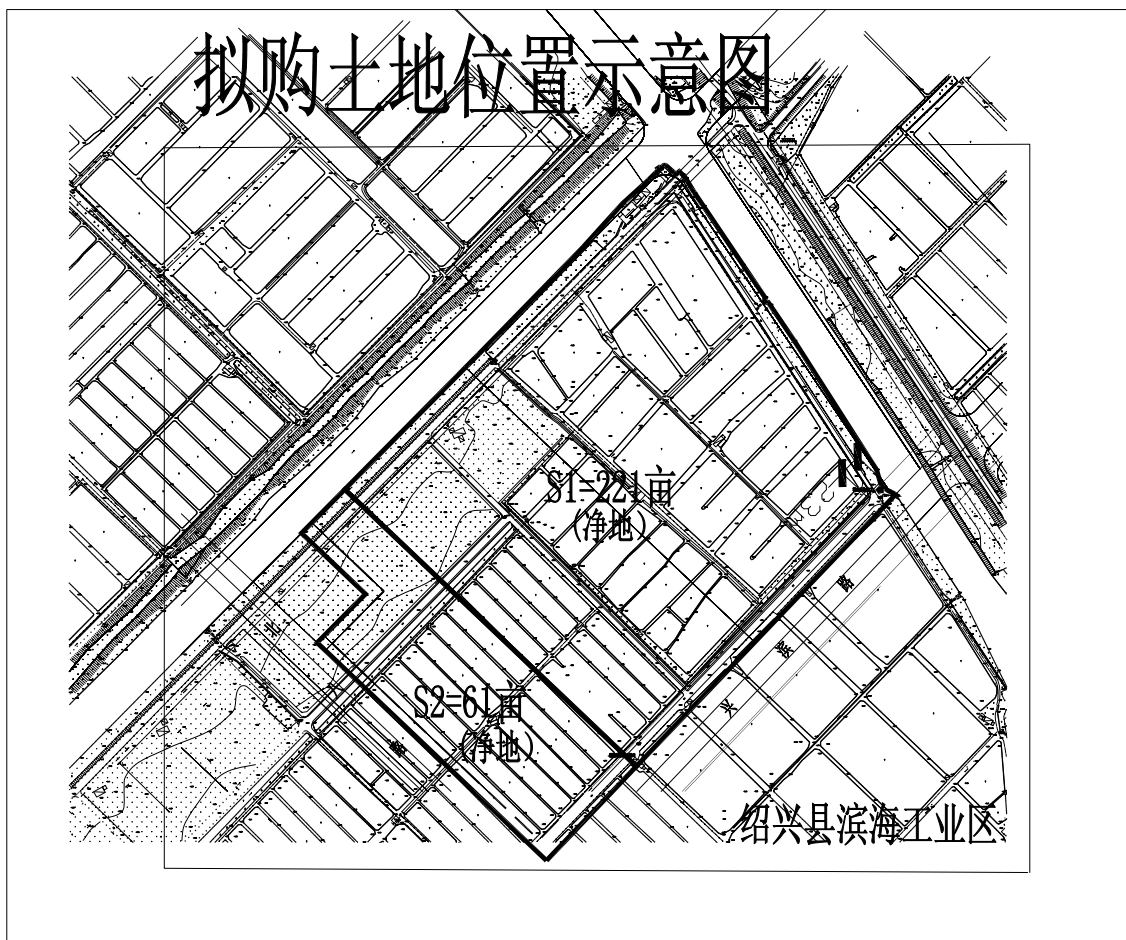
- (a) The M&A;
- (b) The annual report of the Company for FY2010;
- (c) The valuation reports prepared by Shaoxing Zhongxing Asset Evaluation Co., Ltd Ltd (绍兴中兴资产评估有限公司) dated 19 November 2010.

**Completion of the Proposed Acquisition and the transactions contemplated thereunder may or may not take place. Shareholders and potential investors should exercise caution when dealing in the Shares.**

Yours faithfully  
For and on behalf of  
the Board of Directors  
**China Jishan Holdings Limited**

**Jin Guan Liang**  
**Executive Chairman**

SCHEDULE 1





# CHINA JISHAN HOLDINGS LIMITED

(Incorporated in Singapore with limited liability)  
(Company Registration No. 200310591E)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**EGM**”) of the members of China Jishan Holdings Limited (the “**Company**”) will be held at Copthorne King’s Hotel, Prince II Room, Level 13, 403 Havelock Road, Singapore 169632 on 24 June 2011 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications the following ordinary resolutions:

**1. THE PROPOSED ACQUISITION OF LAND AND FACILITIES AND CONSTRUCTION OF BUILDINGS, AND RELOCATION OF THE GROUP’S EXISTING PRODUCTION FACILITIES AND FACTORY BUILDINGS, AT AN ESTIMATED COST OF APPROXIMATELY RMB300.0 MILLION (THE “PROPOSED ACQUISITION”)**

That: -

- (a) approval be and is hereby given for the Company to carry out the Proposed Acquisition as details set out in the circular of the Company dated 8 June 2011, at an estimated cost of approximately RMB300.0 million (or such higher cost or on such other terms as the Directors may decide, provided always that the Audit Committee of the Company is of the opinion that the Proposed Acquisition is in the interests of the Group and is not prejudicial to the shareholders of the Company as a whole);
- (b) the Directors be and are hereby authorised to enter into any negotiations, agreement, contract, document or carry out all other actions in connection with or arising from the Proposed Bidding.

**2. THE PROPOSED APPOINTMENT OF DELOITTE & TOUCHE LLP AS AUDITORS OF THE COMPANY**

That Deloitte & Touche LLP be and is hereby appointed as auditors of the Company for the financial year ending 31 December 2011 and is to hold office until the conclusion of the next annual general meeting of the Company, and to authorise the Directors of the Company to fix their remuneration.

By Order of the Board

China Jishan Holdings Limited  
Executive Chairman  
**Jin Guan Liang**

Singapore  
8 June 2011

**Notes:**

- 1 A member of the Company entitled to attend and vote at the above EGM may appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member and where there is more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.
- 2 The instrument appointing a proxy shall, in the case of an individual, be signed by the appointor or his attorney, and in the case of a Corporation shall be either under the Common Seal or signed by its attorney or an officer on behalf of the Corporation.
3. The instrument appointing a proxy must be deposited at the registered office of the Company at 1 Sophia Road, # 05-03 Peace Centre Singapore 228149, not less than forty-eight (48) hours before the time appointed for the Meeting

# CHINA JISHAN HOLDINGS LIMITED

(Incorporated in Singapore with limited liability)  
(Company Registration No. 200310591E)

## IMPORTANT:

1. For investors who have used their CPF monies to buy China Jishan Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This 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.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

## PROXY FORM

(Please see notes overleaf 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 Shareholdings (%)

and/or (delete as appropriate)

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as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be held at Copthorne King's Hotel, Prince II Room, Level 13, 403 Havelock Road, Singapore 169632 on 24 June 2011 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for the Ordinary Resolution proposed at the EGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Ordinary Resolution	For	Against
1.	To approve the Proposed Acquisition and relocation of the Group's present production facilities and factory buildings		
2.	To approve the proposed appointment of Deloitte & Touche LLP as auditors of the Company		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s) or,  
Common Seal of Corporate Shareholder



**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM**

**Notes: -**

1. 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, 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, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be deemed to be alternative unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. 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 less than forty-eight (48) hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General: -**

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. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.