

CIRCULAR DATED 22 APRIL 2009

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, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your shares in the capital of China Jishan Holdings Limited, you should 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.

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 Singapore on 21 October 2003)
(Company Registration No. 200310591E)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED ACQUISITION OF ASSETS AND RELATED BANK LOANS OF ZHEJIANG NAN FANG TECHNOLOGY LTD FOR A CASH CONSIDERATION OF RMB88.8 MILLION (THE “PROPOSED ACQUISITION”)

Financial Adviser to China Jishan Holdings Limited



STIRLING COLEMAN
施霖高诚

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200105040N)
www.stirlingcoleman.com

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	9 May 2009 at 10 a.m.
Date and time of Extraordinary General Meeting	:	11 May 2009 at 10 a.m.
Place of Extraordinary General Meeting	:	Copthorne King's Hotel, Duke Room, Level 2, 403 Havelock Road, Singapore 169632

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION	3
DEFINITIONS	4
CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS	7
LETTERS TO SHAREHOLDERS	8
1. INTRODUCTION	8
2. THE PROPOSED ACQUISITION	9
3. FINANCIALS	18
4. RISK FACTORS	19
5. BUSINESS OVERVIEW	24
6. COMPETITIVE STRENGTHS	24
7. GOVERNMENT REGULATIONS	26
8. INDUSTRY OVERVIEW, PROSPECT AND FUTURE PLANS	27
9. OTHER BUSINESS INFORMATION	32
10. GROUP STRUCTURE	42
11. DISCLOSURE OF DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	43
12. IRREVOCABLE UNDERTAKING BY THE CONTROLLING SHAREHOLDERS TO VOTE IN FAVOUR OF THE PROPOSED ACQUISITION	43
13. DIRECTORS' RECOMMENDATIONS	43
14. EXTRAORDINARY GENERAL MEETING	43
15. ACTION TO BE TAKEN BY SHAREHOLDERS	44
16. DIRECTORS' RESPONSIBILITY STATEMENT	44
17. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT	44
18. GENERAL AND STATUTORY INFORMATION	44
19. MISCELLANEOUS	45
NOTICE TO EXTRAORDINARY GENERAL MEETING	47
PROXY FORM	

CORPORATE INFORMATION

Board of Directors	:	Jin Guan Liang (Executive Chairman) Jin Rong Hai (Chief Executive Officer) Yu Ming Hai (Executive Director) Lien Kait Long (Lead Independent Director) Yip Wei-Jen (Independent Director) Xu Ping Wen (Independent Director)
Joint Company Secretaries	:	Tan Cheng Siew @ Nur Farah Tan Chan Wai Teng Priscilla
Registered Office	:	3 Anson Road, #27-01 Springleaf Tower Singapore 079909
Principal Place of Business of the Company	:	No. 276 Zhongxing Middle Road 2 nd Floor, Block A Xiandai Building Shaoxing City, Zhejiang Province, PRC
Financial Adviser to the Company	:	Stirling Coleman Capital Limited 4 Shenton Way #07-03 SGX Centre 2 Singapore 068807
Legal Adviser to the Company on Singapore Law	:	Shook Lin & Bok LLP 1 Robinson Road #18-00, AIA Tower Singapore 048542
Legal Adviser to the Company on PRC Law	:	Tian Yuan Law Firm 11 th Floor Tower C, Corporate Square, 35 Financial Street, Xicheng District Beijing 100140, PRC
Independent Valuer	:	Robert Khan & Co Pte Ltd 261 Waterloo Street #04-24 Waterloo Centre Singapore 180261

DEFINITIONS

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

<i>“Act”</i>	:	The Companies Act (Chapter 50) of Singapore as amended from time to time
<i>“Assets”</i>	:	The assets including industrial lands, buildings, plant and equipment and inventory, particulars of which are set out in Paragraph 2.3 of this Circular
<i>“Audit Committee”</i>	:	The audit committee of the Company for the time being
<i>“Banks”</i>	:	The banks being Shaoxing Branch of Industrial and Commercial Bank of China, Shaoxing Branch of Construction Bank of China, Shaoxing Branch of Citic Bank of China and China Light Textile City Branch of Communication Bank of China, which provide Jishan Print & Dye with the Related Bank Loans
<i>“Board” or “Board of Directors”</i>	:	The board of directors of the Company
<i>“Business Days”</i>	:	Mondays to Fridays excluding any Singapore public holidays
<i>“CAGR”</i>	:	Cumulative annual growth rate
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Company”</i>	:	China Jishan Holdings Limited
<i>“Cost Approach”</i>	:	The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transport, installation, commissioning and consultants’ fees. Adjustment is then made for accrued depreciation, which encompasses condition, utility, age, wear and tear, functional and economic obsolescence
<i>“Depositors”</i>	:	The term “Depositors” shall have the meaning ascribed to it by Section 130A of the Act
<i>“Depreciated replacement cost”</i>	:	The Independent Valuer’s opinion of the land value in its continued use and an estimate of the new replacement costs of the buildings and structures, including fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. The depreciated replacement cost approach generally provides the most reliable indication of value of property in the absence of a known market based on comparable sales
<i>“Director”</i>	:	A director for the time being of the Company
<i>“EGM”</i>	:	The extraordinary general meeting of the Shareholders, notice of which is set out on page 47 of this Circular
<i>“Enlarged Group”</i>	:	The group of companies following the completion of the Proposed Acquisition
<i>“EPS”</i>	:	Earnings per Share

<i>“EU”</i>	:	European Union
<i>“Financial Adviser” or “Stirling Coleman”</i>	:	Stirling Coleman Capital Limited
<i>“FY” or “Financial Year”</i>	:	Financial year ending or ended 31 December
<i>“Group”</i>	:	The Company and its subsidiaries before the completion of the Proposed Acquisition
<i>“Hong Kong”</i>	:	The Hong Kong Special Administrative Region in the PRC
<i>“Independent Valuer”</i>	:	Robert Khan & Co Pte Ltd
<i>“Jishan Jia Fang”</i>	:	Zhejiang Jishan Jia Fang Co., Ltd (浙江稽山家纺有限公司), being the wholly owned subsidiary of the Company in the PRC to operate the Assets after the completion of the Proposed Acquisition
<i>“Jishan Print & Dye”</i>	:	Zhejiang Jishan Printing and Dyeing Co., Ltd (浙江稽山印染有限公司), being the wholly owned subsidiary of the Company in the PRC
<i>“Keqiao Committee”</i>	:	Keqiao Economic Zone Committee of Shaoxing, Zhejiang Province (浙江省绍兴县柯桥经济开发区管理委员会)
<i>“Latest Practicable Date”</i>	:	8 April 2009, being the latest practicable date prior to the printing of this Circular
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended, supplemented or modified, from time to time
<i>“Listing Rules”</i>	:	Rules of the Listing Manual, as amended or modified from time to time
<i>“Market Approach”</i>	:	The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative
<i>“NTA”</i>	:	Net tangible assets
<i>“PRC”</i>	:	The People’s Republic of China
<i>“Related Bank Loans”</i>	:	Bank loans of approximately RMB268.0 million which are used to finance the industrial lands, buildings, plant and equipment and inventory
<i>“R&D”</i>	:	Research and development
<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>“Shaoxing Auction Centre”</i>	:	Shaoxing City Auction Centre Co., Ltd (绍兴市拍卖中心有限责任公司)
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company

<i>“Shareholders”</i>	:	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” 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>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<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>“US”</i>	:	The United States of America
<i>“WIT Assessment”</i>	:	WIT Assessment is a technically authoritative certification body accredited by China National Accreditation Service for Conformity Assessment (CNAS) and ANSI-ASQ National Accreditation Board (ANAB), authorised by Green Global 21, upon approval of Certification and accreditation Administration of the People’s Republic of China, devoted to Management System Certification (MSC), Product Certification and Management Training
<i>“Zhejiang Nan Fang”</i>	:	Zhejiang Nan Fang Technology Ltd. (浙江南方科技有限公司)
<i>“Zhejiang Zhong Bo”</i>	:	Zhejiang Zhong Bo Industry Joint-Stock Co., Ltd. (浙江中波实业股份有限公司)
<i>“m”</i>	:	Metres
<i>“RMB” or “RMB cents”</i>	:	Renminbi and Renminbi cents, respectively
<i>“sq m”</i>	:	Square metres
<i>“S\$”, “SGD” or “\$” and “cents”</i>	:	Singapore dollars and cents respectively
<i>“%”</i>	:	Percentage and per centum

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 or any statutory modification thereof and used in this Circular shall have the meaning assigned to it under the said Act.

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.

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 our or their respective directors, key executives or employees acting, 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 strategy, plans and prospects are forward-looking statements.

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

- expected growth in the textile industry including the print and dye industry, and other expected industry trends;
- our revenue and profitability; and
- other matters discussed in this Circular regarding matters that are not historical fact,

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 Financial Adviser, or any other person represents or warrants to you that the Company’s and 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, the Group, and the Financial Adviser 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 Singapore on 21 October 2003)
(Company Registration No. 200310591E)

Directors :

Jin Guan Liang (Executive Chairman)
Jin Rong Hai (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 :

3 Anson Road, #27-01
Springleaf Tower
Singapore 079909

22 April 2009

To the Shareholders of
China Jishan Holdings Limited

Dear Sir / Madam,

THE PROPOSED ACQUISITION OF ASSETS AND RELATED BANK LOANS OF ZHEJIANG NAN FANG TECHNOLOGY LTD FOR A CASH CONSIDERATION OF RMB88.8 MILLION

1. INTRODUCTION

The Board of Directors of the Company had on 30 December 2008 announced the Company's public auction bid to acquire the Assets and Related Bank Loans for a cash consideration of RMB100.0 million. Subsequently, the valuation of the Assets was re-adjusted and the parties agreed to reduce the cash consideration to RMB88.8 million.⁽¹⁾ The public auction was conducted by the Shaoxing Auction Centre at the instructions of the Shaoxing Intermediate People's Court (浙江绍兴市中级人民法院) (the "Shaoxing Court").

On 26 December 2008, an initial amount of RMB50.0 million has been paid by the Company to the Shaoxing Auction Centre, which collected such initial amount on behalf of the Shaoxing Court as a condition for participation in the auction (the "Deposit"). The Deposit is refundable to the Company in the event that the necessary approvals from the Shareholders for the Proposed Acquisition are not obtained.

The purpose of this Circular is to provide the Shareholders with information relating to the Proposed Acquisition, *inter alia*, information on the Assets and Related Bank Loans, the rationale for the Acquisition, and the financial effects on the Group.

Note:

- (1) When the public auction bid was made on 28 December 2008 by the Company, there were some computation errors made by the PRC valuers appointed by the Shaoxing Court handling the public auction. As such, the consideration was fixed at RMB100 million. Subsequently, the PRC valuers clarified the computation errors and amended their valuation reports. Accordingly, the consideration was re-adjusted from RMB100 million to RMB88.8 million.

2. THE PROPOSED ACQUISITION

2.1 Overview of the Proposed Acquisition

The Assets to be acquired comprise (i) industrial lands, at a transacted price of approximately RMB59.2 million (the “Industrial Lands”); (ii) buildings, at a transacted price of approximately RMB101.5 million (the “Buildings”); (iii) plant and equipment, at a transacted price of approximately RMB183.6 million (the “Plant and Equipment”); and (iv) inventory, at a transacted price of approximately RMB12.5 million. Particulars of the Assets are set out in Paragraph 2.3 below. The total transacted price of the Assets, being approximately RMB356.8 million, is set out in the confirmation letter issued by the liquidator handling the assets of Zhejiang Nan Fang on 23 March 2009 and were arrived at based on valuation reports and their supplemental notes issued by the PRC valuers appointed at the instructions of the Shaoxing Court.

Further, in view that the Related Bank Loans are used to finance the Assets and will thus reduce the net amount of the final consideration to be paid by the Company for the Assets, the Company will also take over the Related Bank Loans of approximately RMB268.0 million as part of the Proposed Acquisition.

Accordingly, the total consideration payable by the Company for the Proposed Acquisition is approximately RMB88.8 million, including the refundable Deposit paid by the Company to participate in the public auction.

Save for a piece of industrial land which is owned by Zhejiang Zhong Bo, all of the Assets and the Related Bank Loans are currently owned by Zhejiang Nan Fang, a company based in Zhejiang Province, which was previously engaged in the provision of print and dye processing services for garments, textiles and home furnishing products. Zhejiang Nan Fang is wholly owned by Shi Shang Jia Fang Investment Company (时尚家纺控股有限公司), an investment holding company incorporated in Hong Kong.⁽¹⁾

Note:

- (1) Zhejiang Nan Fang had purchased from Zhejiang Zhong Bo the land use right of the said piece of land but has not carried out the necessary procedures with the relevant authority to transfer the land use right certificate to itself. Therefore, Zhejiang Zhong Bo is still the legal owner of such piece of land. However, the buildings and structures on this piece of land were constructed by Zhejiang Nan Fang and the registration procedures with regard to such buildings and structures have been completed. The land use right and building ownership certificates are currently owned by Zhejiang Zhong Bo and Zhejiang Nan Fang respectively. As they form part of the Assets to be acquired, they will be transferred to the Company upon completion of the Proposed Acquisition.

2.2 Application of Rule 1006 of the Listing Rule

The relative figures for the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual are set out as below:

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. This is an acquisition of assets with no past profits contribution.
(c)	Total cash consideration of RMB88.8 million compared to the Company's market capitalisation of RMB122.9 million as at 20 March 2009 ⁽¹⁾	72.3
(d)	Number of equity securities issued as consideration for the acquisition, compared with the number of equity securities previously issued	Not applicable. This is a cash purchase.

Note:

- (1) Based on the market capitalisation of S\$27,135,000 as at 20 March 2009, the market day preceding the date of the confirmation letter from the liquidator handling the assets of Zhejiang Nan Fang on 23 March 2009. The market capitalisation is based on the last transacted share price of S\$0.09 on 16 February 2009, 301,500,000 issued shares and exchange rate of S\$1: RMB4.528 on the close of 20 March 2009 published in the Business Times. There was no transaction for the Shares between 17 February 2009 and 20 March 2009.

As the sale of the Assets is managed by the liquidators of Zhejiang Nan Fang pursuant to the liquidation proceedings of Zhejiang Nan Fang, there is no sale and purchase agreement between the parties. Accordingly, the legal documents that effect the completion of the acquisition of the Assets are the confirmation letters (拍卖成交确认书) signed by the Company and Shaoxing Auction Centre on 28 December 2008. Tian Yuan Law Firm, the Company's PRC counsel has confirmed that the said confirmation letters (拍卖成交确认书), which contain essentially the following: (i) items auctioned; (ii) transaction price (成交价); and (iii) commission to be paid to the Shaoxing Auction Centre, have the same legal effect as a sale and purchase agreement under PRC laws.

The Company had on 30 December 2008 made an announcement in relation to the Proposed Acquisition. Based on the previous cash consideration of RMB100.0 million, the Proposed Acquisition constituted a very substantial acquisition under Listing Rule 1015 of the Listing Manual as the relative figure computed on the base set out in Rule 1006(c) exceeded 100%. As such, the Company sought for SGX-ST waiver of Rule 1015 in relation to the Proposed Acquisition and had on 19 February 2009 obtained such waiver.

However, in view that the Proposed Acquisition would no longer constitute a very substantial acquisition based on the reduced cash consideration of RMB88.8 million and market capitalisation of S\$27,135,000 as at 20 March 2009, it would have constituted a major transaction under Listing Rule 1013 of the Listing Manual, and is thus conditional on the approval of Shareholders as a major transaction under Listing Rule 1014 of the Listing Manual.

2.3 Information on the Assets and Related Bank Loans

2.3.1 Information on the Assets

The factory buildings, office buildings and plant and equipment located at Dongchang Village, Anchang Town, Shaoxing County, Zhejiang Province, PRC are illustrated in the pictures below:

Factory buildings



Office buildings



Broad width printing equipment (for printing of textiles for home furnishing products)



Narrow width printing equipment (for printing of textiles for garments)



The particulars of the Assets are set out in the tables below: -

Industrial Lands:

No.	Description and Location	Approximate Land Area (sq. m.)	Date of Expiration of Land Use Right	Land Use Right Certificate	Collaterals ⁽¹⁾	Use/ Activities
1	Dongchang Village, Anchang Town, Shaoxing County	13,638.5	30 December 2052	Certificate of Land Use Right (Shao Xing Town Guo Yong (2008) No. 14-233) (绍兴县国用(2008)第14-233号)	Mortgaged to the Banks ⁽¹⁾	Industrial land
2	Dongchang Village, Anchang Town, Shaoxing County	127,011.5	30 December 2052	Certificate of Land Use Right (Shao Xing Town Guo Yong (2005) No. 14-67) (绍兴县国用(2005)第14-67号)	Mortgaged to the Banks ⁽¹⁾	Industrial land
3	Guoji Village, Anchang Town, Shaoxing City, Zhejiang PRC (located in Keqiao Economic Development Zone) ⁽²⁾	7,423.4	16 February 2053	Certificate of Land Use Right (Shao Xing Town Guo Yong (2007) No. 14-50) (绍兴县国用(2007)第14-50号)	Mortgaged to the Banks ⁽¹⁾	Industrial land

Notes:

- (1) These collaterals are provided in relation to the Related Bank Loans. Pursuant to the undertaking dated 23 March 2009 issued by Keqiao Committee, Keqiao Committee will provide a guarantee in favor of Jishan Print & Dye for the Related Bank Loans in the interim period till Jishan Print & Dye completes all the procedures and formalities relating to the transfer of titles of the Industrial Lands.
- (2) Zhejiang Nan Fang had purchased from Zhejiang Zhong Bo the land use right of the said piece of land but has not carried out the necessary procedures with the relevant authority to transfer the land use right certificate to itself. Therefore, Zhejiang Zhong Bo is still the legal owner of such piece of land. However, the buildings and structures on this piece of land were constructed by Zhejiang Nan Fang and the registration procedures with regard to such buildings and structures have been completed. The land use right and building ownership certificates are currently owned by Zhejiang Zhong Bo and Zhejiang Nan Fang respectively. Zhejiang Zhong Bo and Zhejiang Nan Fang are unrelated companies and are also unrelated to the Company. The aforementioned land use right and buildings form part of the Assets. Accordingly, after the Proposed Acquisition, both the land use right and buildings will be transferred to the Company. The Company's PRC counsel, Tian Yuan Law Firm, is of the opinion that there are no material legal obstacles for the Company to complete the transfers of the relevant land use right and buildings. Please refer to the following section on "Buildings" for more details.

Buildings

Description and Location	Approximate Built-in Area (sq. m.)	Building Certificate Number	Collaterals ⁽¹⁾	Use/Activities
Dongchang Village, Anchang Town, Shaoxing County	10,763.11	Shao Fang Quan Zheng An Chang Zi No.01296 (绍房权证安昌字第01296号)	Mortgaged to the Banks	Industrial
Dongchang Village, Anchang Town, Shaoxing County	18,263.55	Shao Fang Quan Zheng An Chang Zi No.00715 (绍房权证安昌字第00715号)	Mortgaged to the Banks	Industrial
Dongchang Village, Anchang Town, Shaoxing County	80,763.41	Shao Fang Quan Zheng An Chang Zi No.00716 (绍房权证安昌字第00716号)	Mortgaged to the Banks	Industrial
Dongchang Village, Anchang Town, Shaoxing County ⁽¹⁾	8898.9	Nil ⁽²⁾	Nil ⁽²⁾	Industrial

Notes:

- (1) These collaterals are provided in relation to the Related Bank Loans. Pursuant to the undertaking dated 23 March 2009 issued by Keqiao Committee, Keqiao Committee will provide guarantee in favor of Jishan Print & Dye for the Related Bank Loans in the interim period till Jishan Print & Dye completes all the procedures and formalities relating to the transfer of titles of the Buildings.
- (2) These buildings and structures, located on the industrial land owned by Zhejiang Nan Fang, are mainly used for logistical support of Zhejiang Nan Fang's operation and do not have building certificates. As such, they are not subject to any mortgages. Jishan Print & Dye intends to apply to the Real Estate Administrative Bureau of Shaoxing County (绍兴县房地产管理局) for building certificates for these buildings and structures upon completion of the Proposed Acquisition. The said buildings and structures have been duly and legally auctioned via the public auction pursuant to applicable PRC laws and confirmation letters confirming the legal effect of such auction have been issued to Jishan Print & Dye. Jishan Print & Dye is therefore entitled to obtain the ownership of the Assets pursuant to the confirmation letters and the relevant PRC laws, which will be evidenced by building certificates issued by competent authorities. Moreover, the Real Estate Administrative Bureau of Shaoxing County (绍兴县房地产管理局) has verbally confirmed to the Company that they will grant to the Company the building certificates for these buildings and structures once the Company submits the application for such certificates after the Proposed Acquisition is approved by its Shareholders. Accordingly, the Company's PRC counsel, Tian Yuan Law Firm, is of the opinion that there are no material legal obstacles for the Company to obtain such building certificates.

Plant and Equipment

The plant and equipment, currently located at the factory sites of Zhejiang Nan Fang, comprise the following:

- (i) 10 production lines of mainly Japanese, Korean and Austrian broad width printing equipment used for printing of textiles for home furnishing products, such as curtains, beddings and sofa upholstery, with an aggregate annual processing capacity of approximately 133.2 million metres;
- (ii) 9 production lines of mainly Japanese, Korean and Austrian narrow width printing equipment used for printing of textiles for garments, with an aggregate annual processing capacity of approximately 74.3 million metres;
- (iii) 49 sets of overflow dye equipment, used for the dyeing of textiles for home furnishing products and garments, with an aggregate annual processing capacity of approximately 27.0 million metres; and
- (iv) office furniture and equipment.

Inventory

The inventory includes dyeing materials (comprising dye used for dyeing materials), finished products (comprising printed and dyed materials) and auxiliary materials for print and dye processing (for example, softening agent, carbamide and silicone oil).

2.3.2 Related Bank Loans

The Company's subsidiary, Jishan Print & Dye has entered into term sheets with the following banks to novate the Related Bank Loans on 23 March 2009. Jishan Print & Dye will enter into formal loan agreements after the Company obtains the approvals of the Shareholders as required under Chapter 10 of the Listing Manual. Details of the Related Bank Loans in the term sheets are as follows:

Bank	Loan Amount (RMB)	Interest⁽¹⁾	Tenure/If Revolving	Collaterals⁽²⁾
Shaoxing Branch of Industrial and Commercial Bank of China	161.1 million	90% of the base interest rate for the first year and base interest rate for the remaining two years	The tenure is for a period of one year and the loan may be revolved based on the same terms and conditions ⁽³⁾ within three years from the date of novation.	Mortgage over the Industrial Lands and Buildings
Shaoxing Branch of Construction Bank of China	78.4 million	90% of the base interest rate for the first year and base interest rate for the remaining two years	The tenure is for a period of one year and the loan may be revolved based on the same terms and conditions ⁽³⁾ within three years from the date of novation.	Mortgage over the Industrial Lands and Buildings

Bank	Loan Amount (RMB)	Interest ⁽¹⁾	Tenure/If Revolving	Collaterals ⁽²⁾
Shaoxing Branch of Citic Bank of China	13.5 million	90% of the base interest rate for the first year and base interest rate for the remaining two years	The tenure is for a period of one year and the loan may be revolved based on the same terms and conditions ⁽³⁾ within three years from the date of novation.	Mortgage over the Industrial Lands and Buildings
Light Textile City Branch of Communication Bank of China	15.0 million	90% of the base interest rate for the first year and base interest rate for the remaining two years	The tenure is for a period of one year and the loan may be revolved based on the same terms and conditions ⁽³⁾ within three years from the date of novation.	Mortgage over the Industrial Lands and Buildings
Total	268.0 million			

Notes:

- (1) “base interest rate” means base interest rate published by the People’s Bank of China from time to time. As at the Latest Practicable Date, the current base interest rate published by the People’s Bank of China is 5.31% per annum.
- (2) Pursuant to the undertaking dated 23 March 2009 issued by Keqiao Committee, it will provide guarantee in favor of Jishan Print & Dye for the Related Bank Loans in the interim period till Jishan Print & Dye completes all the procedures and formalities relating to the transfer of titles of the Industrial Lands and Buildings.
- (3) “same terms and conditions” means the same loan amount, interest rate and collaterals as described in the above table.

2.4 Salient Details of the Proposed Acquisition

The salient terms relating to the Proposed Acquisition are as follows:

- (a) Acquisition of the Assets comprising (i) the Industrial Lands, at a transacted price of approximately RMB59.2 million; (ii) the Buildings, at a transacted price of approximately RMB101.5 million; (iii) the Plant and Equipment, at a transacted price of approximately RMB183.6 million; and (iv) inventory, at a transacted price of approximately RMB12.5 million; and
- (b) Taking over of the Related Bank Loans of approximately RMB268.0 million, which will be used to reduce the net amount of the final consideration to be paid by the Company for the Assets to approximately RMB88.8 million (after taking into account the refundable Deposit paid by the Company to participate in the public auction).

2.5 Condition Precedents for the Proposed Acquisition

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

2.6 Guarantee provided by Keqiao Committee

The Keqiao Committee is an agency of the Shaoxing People's Government (绍兴市人民政府) responsible for the development and management of companies within the Keqiao Economic Development Zone (柯桥经济开发区). Pursuant to a letter of guarantee dated 24 December 2008 provided by the Keqiao Committee, in the event that the Proposed Acquisition is not approved by either SGX-ST (if required) or the Shareholders at the general meeting, the Deposit will be refunded by the Keqiao Committee within 7 days from the notification of the Company, and the Keqiao Committee will also indemnify the Company for all costs and expenses incurred in relation to the auction bid.

2.7 Funding for the Proposed Acquisition

The Proposed Acquisition will be financed by the Company's internal funds and external bank borrowings. 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.

2.8 Rationale for the Proposed Acquisition

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

(i) The Enlarged Group will become the top 5 textile print and dye player in the PRC and benefit from increase in production scale and range of services

In view of the current economic slowdown and financial turmoil, as well as slow or even negative growth of the PRC textile industry in the recent period, the Directors expect a period of consolidation where weaker players are weeded out through mergers & acquisitions or even bankruptcy. Amidst this fast changing and challenging landscape, the Group needs to reinvent itself urgently to increase its competitiveness.

Pursuant to the Proposed Acquisition, the Enlarged Group will be the top 5⁽¹⁾ textile print and dye player in the PRC in terms of processing capacity. This leading position with an annual processing capacity of approximately 320.0 million metres will give the Enlarged Group a significant competitive edge in the industry. The Directors believe that, with the significant increase in scale and range of services, the Enlarged Group will be able to attract larger customers, maintain customer confidence, increase its customer base, and enjoy cost savings through economies of scale.

Note:

(1) Source: Confirmation letter dated 9 March 2009 from China Printing and Dyeing Industry Association (中国印染协会).

(ii) Enable the Enlarged Group to jumpstart into the print and dye of home furnishing products

Today, the Group is primarily focused on the print and dye of textiles for garments. After the Proposed Acquisition, the Enlarged Group will be able to provide print and dye services for home furnishing products, with an annual processing capacity of approximately 133.2 million metres.

According to the National Bureau of Statistics of China, the market value of PRC home furnishing industry amounted to approximately RMB790.0 billion in 2007. Between 2005 and 2007, the said industry has been growing rapidly at CAGR of approximately 20.0%. With the relatively lower annual per capita expenditure on home furnishing products in the PRC relative to developing nations, rising standards of living and urbanisation trends in the PRC, the Directors see potential for further growth in this industry.

The Enlarged Group has identified three main target markets, comprising Keqiao wholesale market in Zhejiang Province, Nantong wholesale market in Jiangsu Province and the export markets. The Enlarged Group's processing facilities are strategically located in close proximity to the Keqiao wholesale market and approximately three hours away from the Nantong wholesale market. With the Group's expertise in print and dye of textiles for garments, the Directors are of the view that this will enable the Enlarged Group to successfully jumpstart into the print and dye of textiles for home furnishing products.

(iii) Favourable regulatory environment in the PRC expected to stimulate domestic consumption power

The year 2008 was an adverse year for the print and dye industry which was affected by a decline in export tax rebate, rising raw materials and production costs and continual appreciation of RMB. However, the regulatory environment for light textile industries, which is the main income stream for the Enlarged Group's print and dye services, in the PRC from 2009 onwards is different and more favourable in view of strong support from the PRC government.

In end 2008, the PRC State Council has announced a RMB4 trillion stimulus package with the aim to create jobs and increase disposable income as well as consumption power. If successful in increasing disposable income and stimulating domestic consumption, this would boost the PRC economy in the medium to long term and benefit the Enlarged Group's business.

On 19 November 2008, the PRC government has also expressed that the PRC textile industry is important to the PRC economy and will introduce measures to promote the healthy development of light textile industry. The series of measures announced by the PRC government with the aim to support the PRC light textile industry include an increase in export tax rebates to 15% from 1 February 2009, reduction in taxes, provision of financial support and encouragement of business expansion, technological innovation and transformation. For details of measure, please refer to Paragraph 8. If the measures are successful, this will in turn benefit the Enlarged Group's business operations and sales revenue in the medium to long term.

(iv) Excellent opportunity to expand at steep discount to market price

The Group has been actively looking for new business opportunities to improve Group's profitabilities. Due to the current financial turmoil, the Proposed Acquisition presents an excellent opportunity for the Group to expand its business efficiently and acquire assets at a lower price than what would have been in a thriving market. The Directors are of the view that this is an excellent opportunity for the Group to expand its business at a steep discount to market price.

Based on the valuation report dated 23 February 2009, using the "depreciated replacement cost" valuation method, issued by the Independent Valuer commissioned by the Company, the Industrial Lands and the Buildings are valued at RMB72.3 million and RMB139.4 million, respectively.⁽¹⁾ Accordingly, the RMB59.2 million to be paid by the Company for the Industrial Lands works out to be at a discount of approximately 18% to its valued price of RMB72.3 million whilst the RMB101.5 million to be paid by the Company for the Buildings works out to be at a discount of approximately 27% to the valued price of RMB139.4 million.

Note:

- (1) The Plant and Equipment were valued at RMB193.6 million using the Cost Approach and Market Approach valuation methods. The Independent Valuer did not carry out valuation of the Inventory because the Company had ascertained the reasonableness of transacted price of the Inventory through a stock-take carried out by the Company and comparison against market price.

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 Proposed Acquisition.

3. FINANCIALS

3.1. Proforma balance sheet

The following table shows the proforma balance sheet of the Group, assuming the Proposed Acquisition had been effected as at 31 December 2008:

RMB'000	Actual as at 31 December 2008	Had the Proposed Acquisition been effected as at 31 December 2008
ASSETS		
Current assets:		
Cash and bank balances	36,467	36,467
Trade receivables	33,898	33,898
Other receivables	55,331	5,331 ⁽¹⁾
Held for trading investments	2,349	2,349
Inventories	26,277	38,818
Total current assets	154,322	116,863⁽³⁾
Non-current assets:		
Fixed assets	60,970	405,299
Deferred tax assets	982	982
Total non-current assets	61,952	406,281
Total assets	216,274	523,144
LIABILITIES AND EQUITY		
Current liabilities:		
Bank loans due within 1 year	—	306,870 ⁽³⁾
Trade payables	51,038	51,038
Other payables ⁽²⁾	28,144	28,144
Total current liabilities	79,182	386,052⁽³⁾
Capital and reserve:		
Share capital	125,808	125,808
Accumulated profits (losses)	1,136	1,136
Reserves	10,148	10,148
Total equity	137,092	137,092
Total liabilities and equity	216,274	523,144

Notes:

- (1) The reduction in other receivables by RMB50.0 million was due to the Deposit paid by the Company to participate in the public auction as referred to under Paragraph 1. Such amount will be refunded to the Company if Shareholders' approval is not obtained. Hence, it is classified as other receivables.
- (2) This amount includes an amount owing to related parties, namely Zhejiang Jishan Industry Co., Ltd (浙江稽山实业有限公司) (in which Jin Guan Liang owns a 90% equity interest) and our Executive Chairman Jin Guan Liang, of RMB20.4 million which were due and fully repaid in January 2009.
- (3) Had the Proposed Acquisition been effected as at 31 December 2008, the proforma working capital calculated based on current assets less current liabilities worked out to be negative RMB269.2 million. The Related Bank Loans of RMB268.0 million will have a tenure of one year but the loan may be revolved based on the same terms and conditions within 3 years from the date of novation. If the Group does not include the Related Bank Loans which may be revolved based on the same terms and conditions within 3 years from the date of novation as current liabilities, the proforma working capital calculated based on current assets less current liabilities would have reduced to negative RMB1.2 million. The balance RMB38.8 million of the cash consideration for the Proposed Acquisition will be financed entirely by bank loans.

3.2 Gearing

The following table shows the gearing of the Group, assuming the Proposed Acquisition had been effected as at 31 December 2008:

	Actual as at 31 December 2008	Had the Proposed Acquisition been effected as at 31 December 2008
Gearing ratio (times)	–	2.24

Note: Gearing ratio is calculated based on bank debts divided by total equity.

3.3 Financial Effects on NTA and EPS

Assuming the Proposed Acquisition had been effected as at 31 December 2008, there is no effect on the net tangible assets per share since there is no change in proforma net tangible assets as presented under Paragraph 3.1 above.

Assuming the Proposed Acquisition had been effected as at 31 December 2008, there is no effect on the net earnings per share since there is no profit and loss contribution from the Assets and Related Bank Loans.

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

4. RISK FACTORS

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

(i) The Enlarged Group may fail to successfully implement its expansion strategy in particular for the printing and dyeing of home furnishing products

The Enlarged Group's processing capacity will be increased by 279%, to approximately 320.0 million metres pursuant to the Proposed Acquisition. In particular, pursuant to the Proposed Acquisition, the Enlarged Group will commence the provision of printing and dyeing services of home furnishing products. This is an expansion of a business which the Group was not involved previously. When providing the new services of printing and dyeing for home furnishing products, it may face challenges in terms of the sales, production and procurement, personnel and research. For instance, the Enlarged Group may face challenges in its ability to generate sales from new customers for the printing and dyeing of home furnishing products, the operation of new machinery and equipment and provision of consistent product quality, the effective management of significant increase in the number of new personnel and its ability to research products which meet customers' requirements.

For the increase in production capacity of printing and dyeing of garments, the Group may face challenges in terms of sales, production and procurement, personnel and research. For instance, the Enlarged Group may face challenges in its ability to generate sales from existing and new customers sufficient to ensure its increased production capacity is appropriately utilised, the usage of new machinery and equipment and provision of consistent product quality and effective management of significant increase in the number of new personnel. It may also face challenges in its ability to enhance its research to meet new customers' requirement.

In the event that its expansion is not commercially viable or successful, or the demand for its products diminishes, its business operation and financial results may be adversely affected.

(ii) The Enlarged Group will be operating under a significantly different capital structure

Pursuant to the Proposed Acquisition, the Group's debt level will increase significantly to RMB306.9 million immediately after the Proposed Acquisition. As presented under the proforma balance sheet, had the Proposed Acquisition been effected as at 31 December 2008, the proforma working capital calculated based on current assets less current liabilities worked out to be negative RMB269.2 million. The Related Bank Loans are for a period of one year from the date of novation and classified as current liabilities but may be revolved based on the same terms and conditions within three years from the date of novation. The Enlarged Group may not be able to fulfil all its financial obligations to the banks due to its business operations, or changes in credit lending policies such as increase in bank interest rates or change in tenure and repayment terms of bank loans. In such event, if the Enlarged Group is not able to obtain other sources of funding or support its business operation with its internal cashflow, its business and financial performance will be adversely affected and its business continuity may be threatened.

(iii) The Enlarged Group may require additional funding for its business operations

In view of the significantly increased business scale as well as the Related Bank Loans taken over after the Proposed Acquisition, the Enlarged Group may need to raise additional funds as its working capital and to service its increased debts. If the Enlarged Group requires additional funding, it may have to raise capital by issuing equity or debt securities or by borrowing funds from banks or other sources. However, it cannot assure that any additional financing it may need will be available on terms favourable to the Enlarged Group. In addition, any additional capital raised through the sale of equity may dilute your equity interest in the Enlarged Group, while an issue of shares or other securities in the case of a rights issue requires additional investment by shareholders. In the event that the Enlarged Group cannot secure additional funds when required to meet its business requirement, its business and financial performance may be adversely affected.

(iv) The Enlarged Group is exposed to credit risks of its customers

Pursuant to the Proposed Acquisition, the Enlarged Group anticipates that it will have more new customers for both the printing and dyeing of garments and home furnishing products. Although the Enlarged Group will assess the credit worthiness of its new customers and regularly review its credit exposure to all customers, credit risk may still arise from situations beyond its control or anticipation, such as an economic downturn or a significant deterioration in the financial performance and position of its customers which impacts on their ability to make timely payment. In the event that the customers delay payment to the Enlarged Group, this may adversely affect the operating cashflow and working capital of the Enlarged Group. In the event that the customers default on payments, the Enlarged Group would have to make provisions for doubtful debts, or to incur debt write offs, which may have an adverse impact on its profitability.

(v) The business and financial performance of the Enlarged Group will be affected by global economic conditions and financial turmoil

The Enlarged Group will derive its revenue from the print and dye of textiles for garments and home furnishing products. In the midst of this current global financial turmoil, consumer spending on garments and home furnishing products has been affected both overseas and in the PRC. Its customers' business may also have been adversely affected in such environment, which may in turn lead to reduced orders, pressure on selling prices and longer trade receivables days. Therefore, the global economic slowdown and any further deterioration will affect the demand for print and dye services, and the Enlarged Group's business, selling prices, financial performance and future growth may be adversely affected.

(vi) The Enlarged Group faces intense competition in the print and dye industry

The Enlarged 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 it. 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 our existing and potential customers. In addition, the Enlarged 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 it will be able to compete successfully in the print and dye industry. Failure to compete successfully in its markets will materially affect its business and results of operations.

In particular, in the event that the Enlarged 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 its customers commence their own print and dye operations to process their own products, its sales may be adversely affected. This will have a material adverse effect on the Enlarged Group's business and results of operations.

(vii) The Enlarged Group is dependent on the political, economic, regulatory and social environment in the PRC

The manufacturing operations and the principal places of business of the Enlarged Group are located in the PRC. Accordingly, its business and future growth are dependent on the political, economic, regulatory and social environment of the PRC. Any changes in the policies implemented by the government of the PRC which result in currency and interest rate fluctuations, capital restrictions, and changes in duties and taxes detrimental to its business may materially affect our operations, financial performance and future growth. Unfavourable changes in the social, economic and political conditions of the PRC or in the PRC government policies in the future may have a negative impact on the operations and business in the PRC which will in turn adversely affect its overall financial performance.

(viii) The business and operation of the Enlarged Group is subject to the PRC's environmental laws and regulations

The Enlarged 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 air and water pollution by the PRC authorities which result in higher production cost in order to comply with such stricter rules, the Enlarged Group's business and financial performance will be adversely affected.

(ix) The Enlarged Group may be subject to foreign exchange risk

In FY2008, approximately 40% 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 its revenue, purchases and operating costs are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection or payment, any appreciation of the RMB will translate into lower revenue and profitability of the Group. Accordingly, the continuing appreciation of the RMB currency will adversely affect its business and financial performance.

(x) The Enlarged Group may not be able to respond promptly to fashion and market trends and produce commercially viable products

The Enlarged Group will be mainly engaged in the business of print and dye of textiles for garments and home furnishing products. The success of the Enlarged Group depends largely on its ability to keep abreast of fashion and market trends as well as its ability to anticipate and react to the fast changing trends in a timely manner. Hence, it is important that the Enlarged Group continues to react promptly to changing fashion and market trends that would appeal to its customers' target markets.

The Enlarged Group commits time, effort and other resources to the research and development of processing new products to meet the changing fashion and market demands. It will consider various factors such as market analysis, research fees, estimated time required for carrying out the research and development, and the probability of success before it commences any research and development project. However, rapid changes in market demand may render its research and development efforts obsolete. Accordingly, the Enlarged Group cannot assure that the results of its research and development efforts will attain market acceptance or that such efforts will be commercially successful. If the Enlarged Group is unable to consistently produce commercially viable products for its customers, its business operations and financial results may be adversely affected.

(xi) The Enlarged Group may be affected by raw material availability and increases in pricing

Prices of certain of the Enlarged 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 Enlarged 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.

(xii) The Enlarged Group may be affected by fire and other calamities at its production facilities and its insurance coverage may not be adequate

The Enlarged Group deals with and store inflammable raw materials and inventory in its warehouses. As such, it is susceptible to an increased risk of fires, or other natural calamities such as flood, earthquake, snow storms, etc. or other industrial accidents, although it has not experienced any such incidents to date. Should a fire or other industrial accident occur, its inventories and operating premises could be damaged and it may suffer a disruption to its business. While it maintains insurance policies covering losses, including losses due to fire, which the Directors consider to be adequate, the Enlarged Group cannot assure that it will be sufficient to cover all of its potential losses. In such event, its financial results will be adversely affected. In addition, as the Enlarged Group is not insured against losses due to business interruption, its profitability and financial condition could be adversely affected as a result of any such incidents that disrupt its operations.

(xiii) The Enlarged Group may be exposed to third party liability

Most of the Enlarged Group's customers inspect the print and dye finished products before accepting delivery. However, the Enlarged 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 Enlarged Group does not maintain insurance for product liability. 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.

(xiv) The Enlarged Group may infringe third party intellectual property rights

The Enlarged 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 Enlarged 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 Enlarged Group against any claims for infringement. However, it may not be possible for the Enlarged Group to be aware of the intellectual property rights of others or be familiar with the laws governing those rights in other countries/territories in which its products are or may be sold.

Although the Enlarged 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 Enlarged Group for alleged infringement of their intellectual property rights. Such claims, with or without merit could:

- result in substantial costs and diversion of the Enlarged Group's resources;
- cause delays in meeting the Enlarged Group's customers' orders; or
- require the Enlarged 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 Enlarged 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 Enlarged 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.

(xv) The Enlarged Group does not enter into long term contracts with its customers

The Enlarged Group's revenue and profitability could be adversely affected by any decision of its customers to reduce their orders or to divert their orders to the Enlarged Group's competitors. The Enlarged Group's processing capacity has significantly increased and it generally enters into short-term contracts with terms not exceeding three months with its customers under the current market environment. Although it has long-standing relationships with most of its customers, the Enlarged Group cannot assure to secure new contracts in the future which are of similar or greater value than its previous contracts. In the event that the Enlarged Group cannot secure its orders, its business and financial performance will be adversely affected.

(xvi) Failure to retain the services of its key management staff will adversely affect the Enlarged Group's business

The success of the Enlarged Group's business depends to a significant extent on the continued services of its Executive Chairman, Mr Jin Guan Liang, who is responsible for formulating and implementing growth, corporate development and overall business strategies. Its business is also dependent on its qualified personnel who have the relevant experience and expertise in the Enlarged Group's business as well as established relationships with its customers and suppliers. There is no assurance that the Enlarged Group will be successful in retaining them or hiring qualified management personnel to replace them should such a need arise. The demand for such experienced personnel is intense and the search for personnel with the relevant skills set can be time consuming. As such, any loss of the services of its key management staff and its inability to hire or retain qualified personnel would have an adverse impact on the Enlarged Group's business operations.

(xvii) The Enlarged Group may be affected by trade conflicts between the PRC and other countries

The Enlarged 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 are exported to countries in EU and the 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 which the textile products are exported to. If such import quotas or restrictions are imposed on the PRC textile industry, the Enlarged Group's business and profitability may be adversely affected.

(xviii) The Enlarged Group may be affected by occasional power shortage in the PRC

The Enlarged Group's operations in the PRC may be affected by power shortage in the PRC from time to time. The shortage or interruption of the supply of power to its operations could result in a disruption of its operation and a consequential delay or failure to fulfil or meet its customers' orders. Such failure to meet its customers' specifications could damage its reputation and may lead to claims from its customers, loss of business and affect its ability to attract new business. Accordingly, the Enlarged Group's business and financial performance could be adversely affected.

5. BUSINESS OVERVIEW

The Group is currently engaged in the following business: (a) printing and dyeing of textile used in garments where loom-state textile will be self-procured by the Group; and (b) textile processing where the Group will charge a processing fee for printing and dyeing of textile where loom-state textile is provided by its customers. After the Proposed Acquisition, the Enlarged Group will be able to provide print and dye services for textile used in home furnishing products such as beddings, curtain and sofa upholstery. The process of printing and dyeing textile used for home furnishing products are the same as printing and dyeing textile used for garments.

The Enlarged Group will have capabilities to provide dyeing services for T/R (blend of polyester and synthetic-cotton) textiles, polyester synthetic wool textiles, cotton textiles, bast textiles, spandex-stretch textiles and other textiles. It also has the capabilities to provide printing services on mainly T/C (blend of polyester and cotton) textiles, cotton textiles, polyester textiles and various other textiles.

At present, the Group has an annual processing capacity of approximately 86.0 million metres for print and dye of textiles for garments. In 2008, approximately 60.0% of revenue was derived from PRC and the remaining was derived from overseas. After the Proposed Acquisition, the Enlarged Group will have an annual processing capacity of approximately 320.0 million metres for print and dye of textiles for garments and home furnishing products. The Enlarged Group will increase its focus on sales to the PRC market. All the textiles for garments have been sold under the Group's trademark "Yue Sheng (越胜)", while the textiles for home furnishing products will be under the same trademark "Yue Sheng (越胜)", or a new trademark.

The print and dye business for garments does not face seasonality. There is seasonality for the print and dye services for home furnishing products. In general, the peak season for this segment is between August and April. This is the Chinese New Year period in the PRC where sales for home furnishing products are typically higher. The higher sales during this period may also be attributable to the end consumers' tendency to increase purchase of bedding products for the preparation for the colder period in the PRC.

6. COMPETITIVE STRENGTHS

6.1 Competitive Strength

(i) Top 5 textile print and dye player in the PRC

Pursuant to the Proposed Acquisition, the Enlarged Group will be the top 5⁽¹⁾ textile print and dye player in the PRC in terms of processing capacity. This leading position with an annual processing capacity of approximately 320.0 million metres will give the Enlarged Group a significant competitive edge in the industry. The Directors believe that, with the significant increase in scale and range of services, the Enlarged Group will be able to attract larger customers, maintain customer confidence, increase its customer base, and enjoy cost savings through economies of scale.

The existing experience in the print and dye business will enable the Enlarged Group to manage its expansion into the printing and dyeing of home furnishing product at lower cost and within a shorter transition period.

Note:

- (1) Source: Confirmation letter dated 9 March 2009 from China Printing and Dyeing Industry Association (中国印染协会).

(ii) Leading print and dye player in textiles for home furnishing products in the PRC

To the best of the Directors' knowledge, the Enlarged Group will be one of the leading print and dye players for home furnishing products in the PRC, with an annual processing capacity of approximately 133.2 million metres. Based on discussion with potential customers in Keqiao wholesale market in Zhejiang Province and Nantong wholesale market in Jiangsu Province, the potential customers are in favour of using services to be provided by the Enlarged Group, having considered its scale in terms of processing capacity, experience in the print and dye services and proximity between the wholesale centre and the Enlarged Group's manufacturing plant. These factors give the Enlarged Group a competitive edge over competitors in the home furnishing segment.

(iii) Capability to produce high quality products which meet EU and US quality and ecological standards

The Group has obtained the ecologically friendly certificates from WIT Assessment for most of its products which are exported to EU and the US. In order to achieve this, the Group has in place stringent quality control procedures in which all products are subject to tests to ensure they meet the quality and ecological standards of the EU and the US. The Group also requires its suppliers to provide testing reports by independent authorities to ensure the raw materials provided are also ecologically friendly. This enables the Group to rectify any defects at an early stage of its print and dye services and reduce the risks of rejection of any of its products exported to EU and the US. With its established procedures and expertise in ensuring high quality products which meets ecological standards, the Group is confident that this high level of standard can be replicated for the Enlarged Group.

(iv) Strategic location with proximity to customers

The production facilities of the Enlarged Group are strategically located in the "PRC Light Textile City" of Shaoxing, Zhejiang Province, PRC. Zhejiang Province is the leading province in terms of textile output production. In particular, the "PRC Light Textile City" of Shaoxing is renowned as one of the largest textile centres in Asia, and there is an abundance of suppliers for the key raw materials required for the production of the Enlarged Group. This enables the Enlarged Group to establish good contacts with and have access to a large pool of raw materials suppliers which will allow for better coordination and more direct control in respect of delivery, placing orders, quality control and materials sourcing. The proximity to its suppliers also helps the Enlarged Group achieve cost of sales lower than its competitors elsewhere in the PRC, and enables the Enlarged Group to get timely deliveries of raw materials required for its production processes.

Further, the Enlarged Group's processing facilities are strategically located in close proximity to the Keqiao wholesale market in Zhejiang Province, Shaoxing and approximately three hours away from the Nantong wholesale market, Jiangsu Province, where many of potential customers for print and dye of textiles for garments and home furnishing products are located. This is one of the key considerations of customers when they engage the Enlarged Group's services as it will help the customers reduce logistical costs.

7. GOVERNMENT REGULATIONS

The regulatory environment for the PRC textile industry towards the end of 2008 and 2009 was visibly different and more favourable as compared to first 10 months of 2008. For instance, export tax rebates on textiles, clothing and light industrial products was 5.0% in the first 10 months of 2008, and was increased significantly to 14.0% on 1 November 2008 and further revised upwards to 15.0% on 1 February 2009. Arising from the global financial turmoil, the PRC government expressly recognised the importance of textile industries to the PRC economy and its labour market.

On 19 November 2008, the PRC government expressed strong support for the textile industry and declared six measures below to promote the healthy development of light textile industry:

(a) *Increase export tax rebate and reduce tax burden*

The PRC government expressed plans to continue to increase export tax rebate on textiles, clothing and light industrial products. As at the Latest Practicable Date, the export tax rebate for textiles, clothing and light industrial products was 15.0%, a significant increase from export tax rebate 5.0% in the first 10 months of 2008. The PRC government also expressed that it plans to reduce the tax burden on small and medium textile enterprises so as to ease cost pressure.

(b) *Encourage and guide financial institutions to increase financial support to textile enterprises*

The PRC government expressed that it will encourage and guide financial institutions to increase financial support for small and medium textile enterprises in the PRC. This will include measures such as advocating financial institutions to provide more lending, simplifying approval process, and developing the export credit insurance business to small and medium textile enterprises.

(c) *PRC government to set aside special funds to support small and medium textile enterprises*

The PRC government will set aside special funds to support small and medium textile enterprises with the key objective of creating job opportunities, economic and social efficiency and also attracting more investment in the light textile industry.

(d) *Strong support for enterprises to develop international markets and trade development fund to support mergers and acquisitions, research and development and marketing activities*

To strengthen the light textile industry, the PRC government has expressed strong support for small and medium enterprises in the light textile industry to develop international markets. Further, a trade development fund will be set up to support mergers and acquisitions, research and development and marketing activities in the industry.

(e) *PRC government to set aside funds to promote technological transformation*

The PRC government will emphasise on the technological transformation of light textile industry and promote industrial upgrading. Small and medium textile enterprises are encouraged to strengthen their research and development capability and improve market competitiveness. A central budget funds will be set aside for this purpose.

(f) *Fiscal subsidies to stimulate domestic consumption*

The PRC government will introduce fiscal subsidies with the key objective to stimulate domestic consumption and promote production in the PRC for domestic consumption. These include offering fiscal subsidies to peasants and increasing financial support to the quake-stricken areas and frontier ethnic minority regions.

Further on 4 February 2009, the PRC government passed readjustment and revitalization plans for the textile and equipment manufacturing industries. The plans include the following five measures to boost the textile industry:

- (i) Raise the export tax rebate for textiles, clothing and light industrial products to 15.0% with effect from 1 February 2009 and offer credit support to enterprises with relatively sound business structures that have been troubled by the financial crisis. The central and local governments will buy more cotton and silk.
- (ii) Improve the technology and build-up of independent brands, and set up a special fund in the central investment package to upgrade technological advancements in the spinning, dyeing, and production of chemical fibers.
- (iii) Eliminate outdated production technology and high energy-consuming and polluting production facilities, and offer favorable policies to backbone enterprises to acquire enterprises with outdated production facilities.
- (iv) Optimise the regional industry layout by encouraging textile manufacturers to move to the central and western parts of the country.
- (v) Actively expand domestic consumption, innovate new products and explore the vast rural market.

8. INDUSTRY OVERVIEW, PROSPECT AND FUTURE PLANS

8.1 Industry overview and prospects

Overview

The global economy is undergoing economic slowdown and financial turmoil. This has caused EU and US-based importers, including chain stores, to either slash imports of textiles, garments and home furnishing products from PRC or exert pressure to reduce selling prices, thereby adversely affecting export-oriented enterprises.

The PRC textile industry has also experienced a period of slow or even negative growth in the last few years, which has served to intensify competition within the industry and cost weaker and smaller players to be weeded out due to reduction of export tax rebate rate, increasing production cost, production inefficiencies and inadequate sales network. Further, PRC print and dye players also face 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 their existing and potential customers.

As such, the Directors expect the print and dye industry will go through a period of consolidation where weaker players are weeded out through mergers & acquisitions or even bankruptcy, and the Enlarged Group sees urgent need to reinvent itself and to focus more domestically and reduce its export sales.

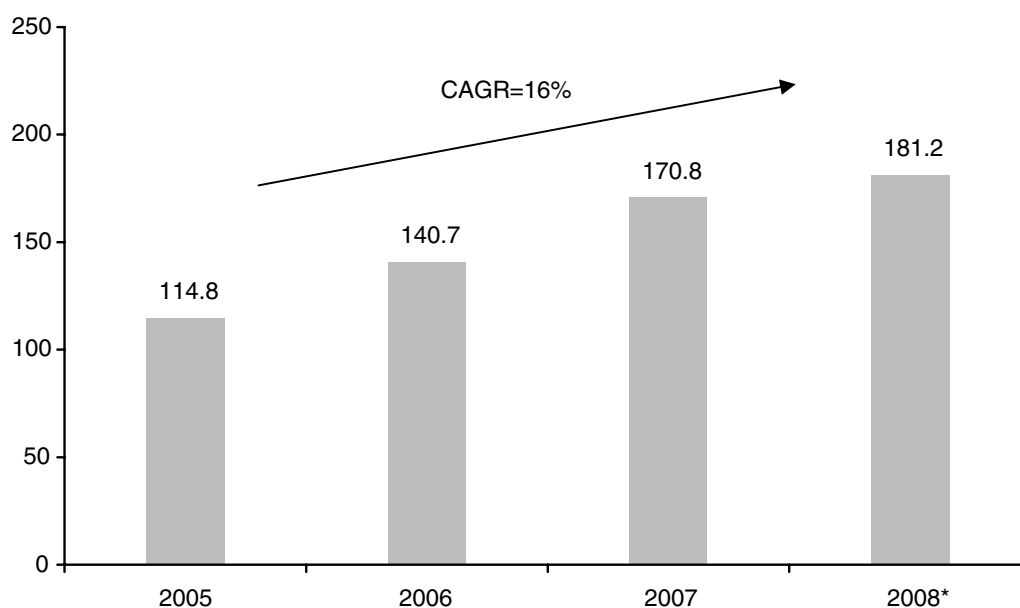
Print and dye industry market size (for both garments and home furnishing products)

According to the National Bureau of Statistics of China, the market value of print and dye textile industry amounted to approximately RMB238.7 billion from January to November 2008 and processing capacity of 49.4 billion metres in 2008. Of the said market value, export and domestic sales accounted for RMB57.5 billion and RMB181.2 billion respectively from January to November 2008.

Notably, the market value for domestic print and dye textile industry has been rising at CAGR of 16% between 2005 and 2008.

Market Value of Domestic Print and Dye Industry 2005 to 2007

Market Value (RMB Billion)



**The Data for 2008 is collected from Jan to Nov; Growth rate for 2008 is compared to Jan to Nov, 2007*

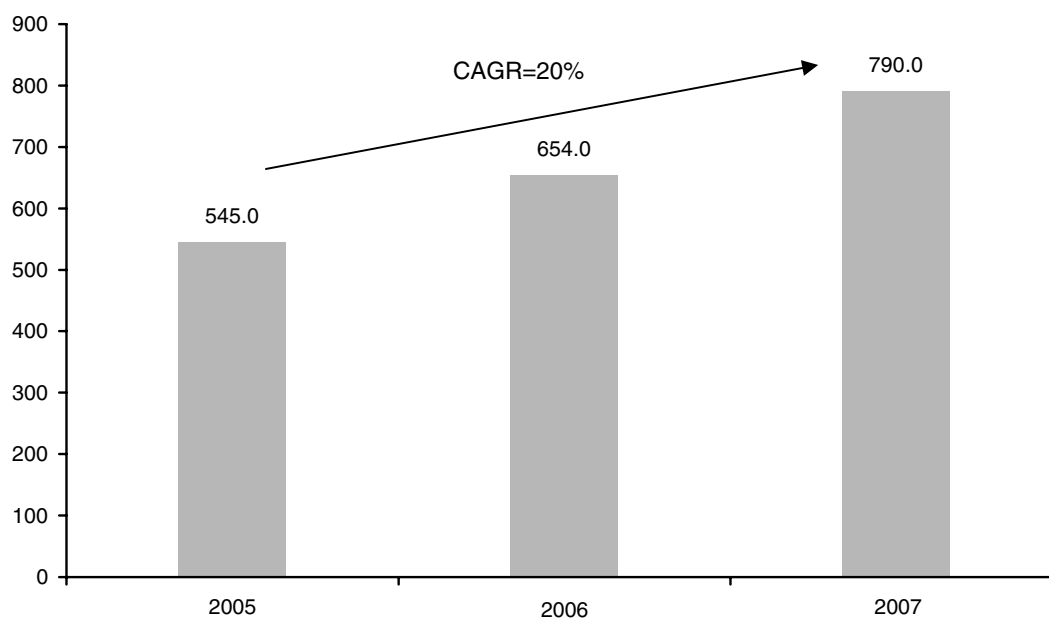
Source: National Bureau of Statistics of China

Home furnishing industry market size

According to the National Bureau of Statistics of China, the market value of domestic home furnishing industry amounted to approximately RMB790 billion in 2007. Between 2005 and 2007, the said industry has been growing rapidly at CAGR of approximately 20%.

Market Value of Domestic Home Furnishing Industry 2005 to 2007

Market Value (RMB Billion)



Source: National Bureau of Statistics of China

Prospects

Despite the challenging conditions brought about by the global economic crisis, the Directors are optimistic of the Enlarged Group's growth potential and are of the view that the Enlarged Group will be able to take advantage of the following developments and trends:

RMB4 trillion economic stimulus package by the PRC government

The PRC State Council has announced a RMB4 trillion stimulus package which involves investment in a number of large scale projects, including reconstruction of Sichuan Province after earthquake in May 2008, investment in a wide array of building and infrastructure projects such as railways, highways, airports, gas pipelines, water works. Such stimulus package aims to create jobs and increase disposable income as well as consumption power. If successful in increasing disposable income and stimulating domestic consumption, this would boost the PRC economy in the medium to long term. As the Enlarged Group's offer services relating to textiles, garments and home furnishing products, sales of which are dependent on consumer spending, such increase in disposable income and domestic consumption will benefit the Enlarged Group's business operations and sales revenue.

Favourable print and dye industry policy

The PRC government released a serial readjustment and revitalization plans to encourage industry structure reforms and boost the development of the PRC textile industry and its related sectors including the print and dye industry. Such plans include provision of financial support, increase of export tax rebates from 14% to 15%, encouragement of business expansion as well as technological innovation and transformation.

Rising disposable income and spending in the PRC lead to changing consumer habits and shorter product shelf life

The rapid urbanisation and improvement in the standards of living within the PRC have led to changing consumer patterns and rapid fashion trends. Rising affluence and consumption power of consumers have also brought about an increase in the demand for textile products which in turn spurs demand for printing and dyeing services of textile products. These trends have led to an increase in the domestic demand in textile products, both in terms of quantity and variety.

The Directors have also observed that the higher standards of living, consumption power of the consumers and faster changing trends have resulted in the textile products having shorter shelf life. This trend benefits the Enlarged Group as it increases the demand for different types of textile products, resulting in a higher demand for print and dye finished products.

8.2 Competition

The Enlarged Group operates in the PRC textile print and dye industry. The industry is highly fragmented, with more than two thousand players. Although there are many players in the print and dye industry, the Directors believe that the major competitors⁽¹⁾ of the Enlarged Group in the PRC which have similar processing capacity and capabilities as the Enlarged Group are as follows:

- Shenghong Group (盛虹集团有限公司)
Based in Suzhou, Jiangsu, Shenghong Group is a large group with multiple businesses covering, amongst others, textile print & dye, real estate, hotel, thermal power and international trade.
- Zhejiang Tianma Industrial Co., Ltd (浙江天马实业股份有限公司)
Based in Shaoxing, Zhejiang Tianma Industrial Co., Ltd was established in 1983. Zhejiang Tianma Industrial Co., Ltd runs businesses in industries including textile print & dye, thermal power, international trade and real estate.

- Shandong Huafang Co., Ltd (山东华纺股份有限公司)
Based in Binzhou, Shandong, Shandong Huafang Co., Ltd focuses its business in apparels, home furnishing and textile print & dye. It is listed on the Shanghai Stock Exchange.
- Zhejiang Yinan Co., Ltd (浙江屹男印染有限公司)
Based in Shaoxing, Zhejiang, Zhejiang Yinan Co., Ltd runs businesses covering, amongst others, print & dye, home furnishing, international trade and real estate.
- Liaoning Huafu Printing & Dyeing Co., Ltd. (辽宁华福印染股份有限公司)
Based in Yingkou, Liaoning, Liaoning Huafu Printing & Dyeing Co., Ltd. is a sino-foreign joint venture. Its businesses include textile print & dye and home furnishing.
- Shandong Wonder Group Co., Ltd (山东万得集团)
Based in Weihai, Shandong, Shandong Wonder Group Co., Ltd focuses its businesses in the home furnishing industry. Its product portfolio includes print and dye of textiles, craft home textiles, beddings, window-use textiles, table-use textiles and upholstery textiles.
- Shanghai Homes Bedding & Clothing Co., Ltd (上海红富士家纺有限公司)
Established in 1993, Shanghai Homes Bedding & Clothing Co., Ltd focuses its business on the print & dye and home furnishing industry. It exports products to over 20 countries and regions.

Note:

(1) Source: Information under this section is extracted from the respective companies' websites or annual reports.

The Directors believe that process providers in developing countries such as India, Vietnam and Pakistan are also the Enlarged Group's competitors as they are able to provide viable alternatives to the Group's existing and potential customers.

The Directors believe that factors which affect competitiveness in the industry include customer base, range and quality of products and services, pricing and good track record.

8.3 Trend information

The trends observed by the Directors for the business of the Enlarged Group in FY2009 are as follows:

- The PRC print and dye industry will undergo a period of consolidation where ailing and weaker players are weeded out through mergers & acquisitions or even bankruptcy.
- In view of the global economic slow down and financial turmoil, the Enlarged Group will reduce its export sales and focus its sales in the PRC domestic markets.
- Selling prices have been fairly stable in the first 3 months of 2009. The rest of the year depends largely on the macroeconomic environment. If the economic environment continues to deteriorate, there would be a downward pressure on selling prices.
- Provision of print and dye services for home furnishing products is expected to commence in the second quarter of 2009. Accordingly, the processing capacity of the Enlarged Group will increase significantly from approximately 86.0 million metres to approximately 232.3⁽¹⁾ million metres in 2009 pursuant to the Proposed Acquisition.
- In view of its significantly increased processing capacity, the Enlarged Group can enjoy bulk order discounts in its procurement of raw materials which allows the Enlarged Group to reduce its production costs.

Note:

- (1) This is calculated on a pro rata basis, assuming the Assets are in operation from 15 May 2009. It was arrived at based on the annual processing capacity of the Assets of 234.0 million metres x 7.5/12 + existing processing capacity of 86.0 million metres.

In the medium and long term, if the PRC's RMB4 trillion stimulus package and significant favourable regulatory policies are successful in increasing disposable income and stimulating domestic consumption, this would boost the PRC economy in the medium to long term and benefit the Enlarged Group's business.

The Directors believe that there are no other significant known recent trends in production, sales, inventory, in the costs and selling prices of the Enlarged Group's products and services or other known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on its net sales or revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Circular to be not necessarily indicative of its future operating results or financial condition.

8.4 Future plans

The Enlarged Group will endeavor to continue to develop and grow its business as follows:

(i) Focus on print and dye services for home furnishing products

After the Proposed Acquisition, the Enlarged Group will be one of the leading print and dye players for home furnishing products, with an annual processing capacity of approximately 133.2 million metres. According to the National Bureau of Statistics of China, the market value of PRC home furnishing industry amounted to approximately RMB790.0 billion in 2007. Between 2005 and 2007, the said industry has been growing rapidly at CAGR of approximately 20.0%. With the relatively lower annual per capita expenditure on home furnishing products in the PRC relative to developing nations, rising standards of living and urbanisation trends in the PRC, the Directors see potential for further growth in this industry and intend to place significant focus on development the home furnishing segment. The Enlarged Group intends to focus on sales to the Keqiao wholesale market in Zhejiang Province and Nantong wholesale market which are among the biggest home furnishing products wholesale centres in the PRC and are located in close proximity to its processing facilities.

(ii) Focus on the PRC domestic markets

Due to the global financial turmoil and appreciation of the RMB, the export sales of the PRC textile industry had experienced a significantly decline in 2008. The Directors are of the view that the PRC market will offer greater growth potential, in light of the PRC government intensifying efforts to stimulate the PRC economy and strongly promote the PRC textile industry. With the relatively lower annual per capita expenditure on garments and home furnishing products in the PRC relative to developing nations, rising standards of living and urbanisation trends in the PRC, the Directors also see greater potential in the PRC market as compared to the export market.

In 2008, approximately 60.0% of the Group's revenue was derived from PRC and the remaining was derived from overseas. After the Proposed Acquisition, the Enlarged Group will increase its focus on sales to the PRC market for both the print and dye services of textiles for garments and home furnishing products. The Enlarged Group intends to set up one sales office in each of Shanghai, Harbin, Nantong and Fujian within the next 1 to 2 years in order to further penetrate its existing markets and expand its PRC customer base.

(iii) Establish own brand and distribution network for home furnishing products in the medium to long term

In the medium to long term, the Enlarged Group plans to establish its own brand of home furnishing products such as beddings, curtain and sofa upholstery. If successful, this will increase the value added by the Enlarged Group and profitability of the Enlarged Group's home furnishing products.

The plant equipment comprising the Assets, as stated on page 14 of this Circular, are foreign engineered and are of excellent make compared to domestically manufactured equipment. This factor, coupled with the management's vast experience in the print and dye business, will enable the Enlarged Group to render high quality prints and dyes on home furnishing products. As such, the Enlarged Group intends to build on such capabilities to strengthen its core business of providing print and dye services as well as engage in design, manufacture and sales of home furnishing products. This will involve detailed planning and strategy to establish a brand, setting up a distribution network and developing core competency of designing, manufacturing and distributing of the finished products.

9. OTHER BUSINESS INFORMATION

9.1 Business Process

The business process of the Enlarged Group can be broadly classified into the following two stages:-

- Materials procurement
- Print and dye processing

Materials Procurement

The raw materials are mainly loom-state textiles and dye, and can be purchased from the open market.

The purchasing team of the Enlarged Group will source for reliable PRC suppliers that offer competitive prices to provide raw materials. The purchasing team will continuously negotiate for better pricing and quality and seek alternative sources of supplies to achieve additional cost savings. We have our purchasing office in Shaoxing to support production for the Enlarged Group and therefore can seek reliable suppliers who are able to provide quality raw materials according to specification, in a timely and cost-effective manner.

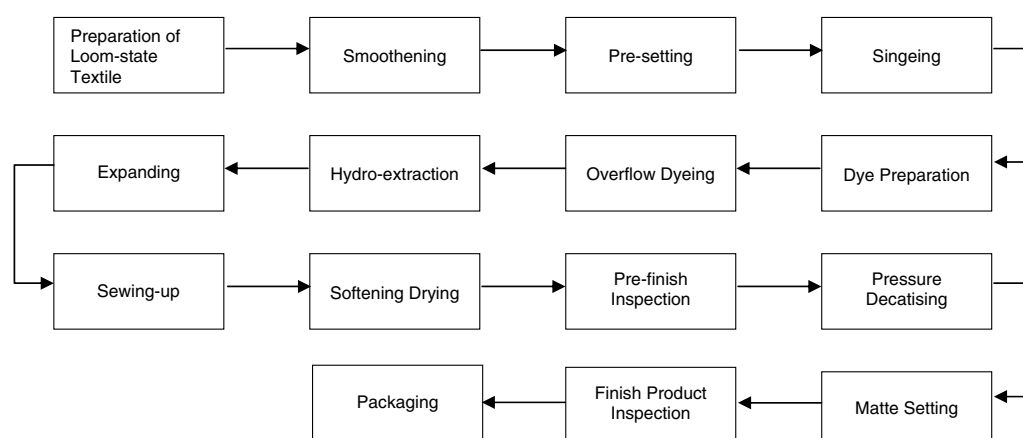
Dye and Print Processing

(I) Dyeing Process

The two main dye processes for textile are the overflow dye and the pad-dye process, and these are applicable to both the dyeing of garments as well as home furnishing products.

(A) Overflow Dye Process

A summary of the overflow dyeing process is as described below:-



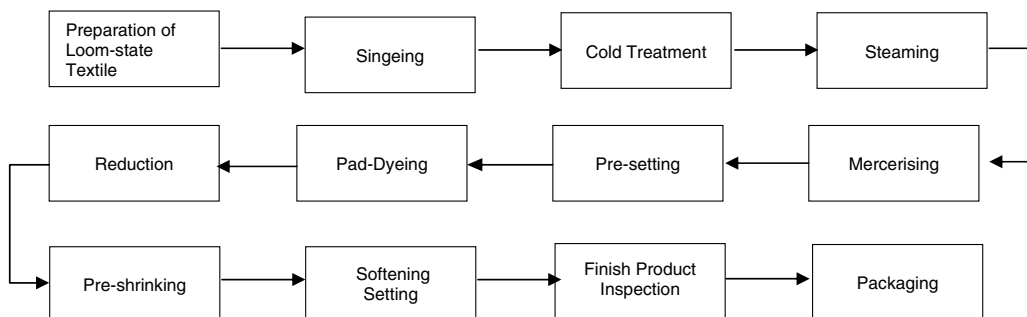
The main stages of the overflow dyeing process are described below:-

- *Preparation of Loom-state Textile*
The preparation of loom-state textile is to ensure that any defects in the loom-state textile are detected at an early stage so that they may be remedied and is an essential stage for quality assurance.
- *Smoothering*
This stage is to treat stretch textiles so as to pre-shrink it evenly before processing by submerging the textile in water of 70-80°C and then pre-heat the textile evenly.
- *Pre-setting*
Although the textile has been treated, it may still be subject to further shrinkage. To prevent further shrinkage, the textile is treated to adjust its shrinkage elasticity.
- *Singeing*
The textile is drawn rapidly through the flames of the singeing machine or through a hot metal surface, the fluff on the surface of the textile would be heated up and burned off, and the surface of the textile will be smooth and is prepared for dyeing.
- *Dye Preparation*
The dye chemical and dyeing agent to be used is prepared in accordance with the customer's specification which is verified by a supervisor when completed.
- *Overflow Dyeing*
Overflow dyeing is a method whereby the textile is dyed by being submerged in the dyeing solution. The textile is placed in overflow dye machine containing dye in coil forms and which are rotated at a constant speed at a specified required temperature and pressure.
- *Hydro-extraction*
After the dyeing stage, the next stage is to remove the high water content in the textile. In order to enhance the effects of drying and to conserve steam, a centrifugal water removing machine or a squeezing machine is used.
- *Expanding*
The coiled textile is spread out into bolts of textile.
- *Sewing-up*
The textile is joined together by sewing-up the edges from batch to batch and bolt to bolt.
- *Softening Drying*
This is to soften the textile so that it is soft and may be manufactured into garments. Softening treatment is applied to the textile by applying pressure to the textile between 2 rubber rollers and adding a softening agent to the textile. The textile is then dried with a drying machine.

- *Pre-finish Inspection*
This inspection is to check the quality of the products, ensuring that products which do not meet requirements do not proceed to the next stage, so as to prevent greater economic loss.
- *Pressure Decatising*
The textile is steamed for a specific period of time under specific stretching and pressure conditions, such that the surface of the textile is smooth, has a natural shine, is soft and elastic.
- *Matte Setting*
After pressure decatising, there is a natural shine on the textile. The shine is removed by submerging the textile in water and squeezing the water from the textile. The textile is then set by treating at high temperature.
- *Finish Product Inspection*
The length, width and appearance of the dyed textile is checked against the required quality standards by the inspection department.
- *Packaging*
The textile is packed to ensure that products are protected from damage and for ease of transportation. The specification, standard and grade of the products are labelled on the packaging for easy identification by the business department.

(B) Pad-Dye Process

A summary of the pad-dyeing process is as described below:-



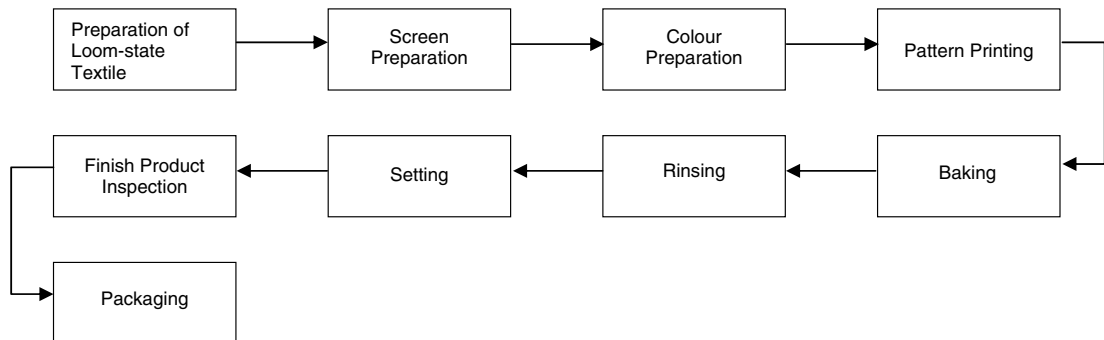
The main stages of the pad-dyeing process are described below:-

- *Preparation of Loom-state Textile*
The preparation of loom-state textile is to ensure that any defects in the loom-state textile are detected at an early stage so that they may be remedied and is an essential stage for quality assurance.
- *Singeing*
The textile is drawn rapidly through the flames of the singeing machine or through a hot metal surface, the fluff on the surface of the textile would be heated up and burned off, and the surface of the textile will be smooth and is prepared for dyeing.

- *Cold Treatment*
The textile is treated to remove any impurities to achieve a white appearance and the required absorbency. This process has the same purpose of steaming, but is carried out over a long period of time under normal temperature.
- *Steaming*
The textile undergoes a process of steaming after going through the cold treatment to further remove any impurities and to further achieve a white appearance and the required absorbency.
- *Mercerising*
This stage which applies to natural textiles such as cotton, involves the use of concentrated alkali solution under certain stretching conditions but ensuring that the textile maintains the required length, such that the textile acquire a shiny appearance and is more absorbent to dyes.
- *Pre-setting*
Although the textile now has been treated, it may still be subject to further shrinkage. To prevent further shrinkage, the textile is treated to adjust its shrinkage elasticity.
- *Pad-Dyeing*
This is the process of passing the textile flatly through rollers which contain dye. As the textile is passed through the rollers, the dye will be applied to the textile.
- *Reduction*
This stage is carried out to enhance the colour of the dyed textile. It comprises four parts, which is to check the reduction of dyes, applying the base colour for the dye, development of the colours by oxidation and lastly to cleanse the textile with soap.
- *Pre-shrinking*
The aim of this stage is to achieve the required soft texture and size of the textile. It is generally carried out using a pre-shrinking machine.
- *Softening Setting*
This process has the same purpose as the “Softening Drying” described above.
- *Finish Product Inspection*
The length, width and appearance of the dyed textile is checked against the required quality standards by the inspection department.
- *Packaging*
The textile is packed to ensure that products are protected from damage and for ease of transportation. The specification, standard and grade of the products are labelled on the packaging for easy identification by the business department.

(II) Printing Process

A summary of the printing process, which is applicable to both the printing of garments as well as home furnishing products, is as described below:-



The individual stages of the printing process are described below:-

- *Preparation of Loom-state Textile for Printing*
The preparation of loom-state textile is to ensure that any defects in the loom-state textile are detected at an early stage so that they may be remedied and is an essential stage for quality assurance.
- *Screen Preparation*
The pattern for printing is prepared by separating into different sketches of the same colour and then preparing printing screens. This is an important process in printing. The printing screens are prepared using the sketches which have been earlier prepared.
- *Colour Preparation*
The colour dye to be used consists of the original paste, dyes and dyeing agent, the dye is mixed to ensure that the colour dye is even.
- *Pattern Printing*
This process is carried out by printing patterns on the textile that has not been dyed or which has been submerged in pad-dyeing solution but which colour does not show. The pattern is printed stage by stage on the textile by covering the sections which are not be printed so that the pattern will be printed on the other sections.
- *Baking*
This process is to ensure that the print is dried under certain temperature and that the print stays on the textile.
- *Rinsing*
This process is to remove the excess dye and original paste on the textile.
- *Setting*
The textile is set to cool after being heated under certain temperature and humidity conditions, such that the textile is maintained at a required size.
- *Finish Product Inspection*
The length, width and appearance of the dyed textile is checked against the required quality standards by the inspection department.

- *Packaging*

The textile is packed to ensure that products are protected from damage and for ease of transportation. The specification, standard and grade of the products are labelled on the packaging for easy identification by the business department.

9.2 Sales and Distribution

The sales and marketing team of the Enlarged Group will be headed by the Group's existing Sales Manager, Xiao Zhi Liang (肖志良). The sales and marketing team is responsible for managing relationships with existing customers, generating new customers as well as collating and understanding market trends and demands.

At present, the Group has a wide network of more than 500 customers, spanning the US, Europe, Mexico, the PRC and Hong Kong. The Enlarged Group intends to leverage on the Group's existing sales and distribution network which also includes customers engaged in the sales of home furnishing products, and establish new customer base for the home furnishing products.

In the PRC, the Group sales channel includes direct PRC sales and sales to import and export companies. It also sells its products directly to garment manufacturers, retail distributors and other textile related companies in the PRC. The Group has set up representative offices within the PRC in Guangzhou and Beijing. Its marketing efforts are supported by its sales and marketing representatives. In the future, the Enlarged Group will intensify sales effort in the Keqiao and Nantong wholesale markets and may set up new offices in Shanghai, Harbin, Nantong and Fujian to further penetrate its existing market and expand the PRC customer base.

When promoting the products, the sales staffs focus on the scope of services which the Group is able to provide and emphasize the ability and the quality of services. Also, when the sales staffs visit the Group's customers, they can take the opportunity to obtain contacts of other potential customers whom they can market to. The sales staffs usually provide product samples for the customers after understanding their requirements. The customers may place an order with the Group after viewing these samples. Upon acceptance of the order, the sales staff will commence preparation for processing and delivery of the finished products to the customers.

- **Services**

The Enlarged Group aims to have a wide variety of services so as to be able to meet the ever-changing trends of the market and requirements of consumers. It provides dyeing services for T/R (blend of polyester and synthetic-cotton) textiles, polyester synthetic-wool textiles, cotton textiles, bast textiles, spandex-stretch textiles and other textiles. It also provides printing services on mainly T/C (blend of polyester and cotton) textiles, cotton textiles, polyester textiles and various other textiles.

After the Proposed Acquisition, the Enlarged Group would achieve an increase in processing capacity as well as expand its existing services to the print and dye of home furnishing products including curtains, beddings and sofa upholstery for both the PRC and overseas markets.

- **Price**

In order to keep its prices competitive, the Group places emphasis on reducing the cost of production. To achieve this, the purchase team sources for suppliers of raw materials that are able to offer competitive pricing and quality raw materials. The Group pays close attention to its overheads, and continuously looks for ways to make its production process more efficient and cost-effective. The Proposed Acquisition will largely increase the negotiation power of the Enlarged Group with its suppliers due to increasing of purchasing volume and thus reduce its material cost.

- **Trade Fairs and Exhibitions**

Participation in professional trade exhibitions has enabled the Group to establish contacts with potential customers especially for its export business. Every year the Group participates in textile fashion trade exhibitions such as the International Woven Surface Textile Exhibition of New York (IFFE) and the Texworld exhibition in France, the Exhibition Interstoff Asia in Hong Kong, and other major exhibitions in Brazil and South Africa. In addition, to capture the China domestic market, the Group also participates in various trade fairs and exhibitions within the PRC such as Guangzhou Trade Fair, East China Import and Export Trade Fair, and China Light Textile City (Keqiao) Textile Trade Fair. Through attending such trade fairs and exhibitions over the years, the Group has developed business contacts with many international customers which has helped maintain and grow its business.

After the Proposed Acquisition, the Enlarged Group will continue to participate in the above trade fairs and exhibitions to create a more prominent profile, expand its customer base, identify potential customers and understand international product trends.

- **Public Relations**

The sales team utilises Internet for the promotion of products and services. The Internet has two main advantages. The sales staffs may promote the products to customers through the Internet and strengthen the relationship with customers by keeping in constant contact. The Group also has a dedicated team to source the Internet for relevant information on the print and dye industry or its customers. Such information is then forwarded to the relevant departments. This has achieved very practical results as the relevant departments are able to keep up-to-date with market trends and to better understand the requirement of the customers.

The Group places emphasis on public relations and advertising. It maintains good relations with local governmental agencies, the media and other organisations as maintaining a good profile with the general public and being a good corporate citizen will help in the marketing efforts. In addition, the Directors believe that the capabilities and product quality assurance of the Group have endured the test of time, and have established the Group as being a key player in the industry.

9.3 Customers

The Group has built a wide network of more than 500 customers, spanning the US, Europe, Mexico, the PRC and Hong Kong. For the year 2008, 40.0% of its revenue was from its international customers. As the Group has a wide range of products and continues to generate new products annually, its customer base changes from year to year. Consequently, its revenue from each customer fluctuates from year to year.

After the Proposed Acquisition, the Enlarged Group intends to intensify its sales efforts in the PRC domestic markets for the textiles for garments and home furnishing products. In view of its capability to provide print and dye services for home furnishing products including curtains, beddings and sofa upholstery, the Enlarged Group is also targeting to the wholesale markets in Keqiao and Nantong where the customers include new customers such as manufacturers and distributors for home furnishing products as well as existing customers engaged in the sales of textiles for home furnishing products.

The table below sets out the top ten customers of the Group in terms of contribution to revenue for FY2008:

Top Ten Customers		
Name of Customer	FY2008 (RMB' million)	% of the Group Revenue
Shanghai Wanju Trade Co.,Ltd. (上海万钜贸易有限公司)	40.3	17.4%
Shaoxing Lucky Textiles Trade Co.,Ltd (绍兴县福纺外贸有限公司)	20.6	8.9%
Arena Fashion Pte. Ltd. (阿雷娜时装有限公司)	14.8	6.4%
Guangzhou Sunli Sports Designing Co.,Ltd (广州迅力体育用品设计制作有限公司)	12.4	5.4%
Shenxin Textile Industry(Shenzhen) Co.,Ltd (深新纺织实业(深圳)有限公司)	8.4	3.6%
Shaoxing New Wuhuan Textile Co.,Ltd. (绍兴新五环纺织有限公司)	5.8	2.5%
Times Yunshang Industry(Hangzhou) Co.,Ltd. (时代云裳实业(杭州)有限公司)	5.3	2.3%
Shaoxing Zhonghui Textile Co.,Ltd. (绍兴县中惠家纺有限公司)	5.2	2.2%
Daeyong Trading Limited (亨杰公司)	4.0	1.7%
Zhejiang Shaoxing Bailiheng Textiles Co.,Ltd. (绍兴百丽恒印染有限公司)	3.7	1.6%
Total revenue of top ten customers	120.5	52.2%

9.4 Suppliers

The Enlarged Group will mainly procure loom-state textiles and dye as its raw materials. The raw materials for both print and dye of textiles for garments and home furnishing products may be procured from same group of suppliers as the Group has been using. The Group has maintained good relationships with most of its major suppliers. It is not reliant on its suppliers as there are many other suppliers which the Group may choose from. In the event one of the suppliers ceases to supply, the Group will be able to fulfill its raw material needs from other suppliers. In selecting suppliers and deciding how to allocate purchases amongst suppliers, the Group takes into consideration the price offered, quality of service, quality of raw materials, reliability and delivery time provided by the suppliers.

The table below sets out the top ten suppliers of the Group in terms of contribution to purchases for FY2008:

Top Ten Suppliers		
Name of Suppliers	FY2008 (RMB' million)	% of the Group Purchases
Tianhong(China)Investment Co.,Ltd. (天虹(中国)投资有限公司)	45.1	22.9%
Shaoxing Guangshao Electric Co.,Ltd. (绍兴广绍热电有限公司)	27.3	13.9%
Shanghai Weaving Co., Ltd. (上海新申绿织造有限公司)	12.4	6.3%
Shanghai Jieyou Industry Co.,Ltd. (上海捷友实业有限公司)	11.7	5.9%
Zhejiang Runtu Co.,Ltd. (浙江闰土股份有限公司)	6.3	3.2%
Fuoshan Yuede Textile Co.,Ltd. (佛山市悦德纺织品有限公司)	5.4	2.8%
Shaoxing Xinlianxing Textile Co.,Ltd. (绍兴新联兴纺织服装有限公司)	4.1	2.1%
Wuxi Ximei Printing & Dyeing Factory Co.,Ltd. (无锡市锡梅印染厂有限公司)	3.4	1.7%
Hangzhou Jinsheng Textile Co.,Ltd. (杭州锦盛纺织有限公司)	3.3	1.7%
Zhejiang Transfer Co.,Ltd. (浙江传化股份有限公司)	3.0	1.5%
Total purchases of top ten suppliers	122.0	61.9%

9.5 Management team

The Group's current management team will be responsible for the management of the Enlarged Group as follows:

Jin Rong Hai (金荣海)

Mr Jin Rong Hai is our CEO and will be responsible for the overall business and operations of the Enlarged Group. Mr Jin has been with the Group since 1998. He has over 20 years of experience in the textile industry. Between 1987 and 1990, Mr Jin conducted his own business of sales of fabric and textiles. From 1990 to 1993, he was one of the sales staff in Shaoxing Shengli Printing and Dyeing Factory (绍兴胜利印染厂) (which is the predecessor of Jishan Print & Dye). In 1993, he started his own business of sales of fabric and textiles in Keqiao, Shaoxing City. From 1998 to 2003, he was the Factory Head of Printing Workshop in Jishan Print & Dye and responsible for the overall operations of the Printing Workshop. From 2000, in addition to the Printing Workshop, Mr Jin was also responsible for the overall operations of the Pad-Dye Workshop of Jishan Print & Dye. From 2003 to 2008, Mr Jin was the Deputy-General Manager and responsible for the overall production of Jishan Print & Dye.

Hu Chong Fa (胡重法)

Mr Hu Chong Fa is the General Manager of Jishan Print & Dye and responsible for the overall management of Jishan Print & Dye. He graduated from Zhejiang University in 1984. He is a senior engineer and has had over 20 years of experience in the equipment management, production and development of new products. From 1984 to 1995, he was responsible for the design and development of various components of motor bikes in Shaoxing Mining Machinery Factory (绍兴矿山机械厂). During 1994 and 1995, he was seconded to Japan for further technological training by the China Council for the Promotion and Exchange of Technology Application (中国对外应用技术交流促进会). Between 1995 and 1998, he worked in the Zhejiang Hai Er Man Group (浙江海尔曼斯集团) and was responsible for the technologies, design and development of motor bikes. In 1998, Mr Hu joined the Group as Deputy Manager of Plant and Equipment Department of Jishan Print & Dye, and was firstly responsible for the management and maintenance of production facilities. Since then, he had been the Manager in charge of facilities maintenance, energy supply, environmental issues, the assistant to General Manager. In 2009, he was promoted to be General Manager of Jishan Print & Dye.

Xiao Zhi Liang (肖志良)

Mr Xiao Zhi Liang is our Sales Manager and will be responsible for the sales and marketing of the Enlarged Group. He has approximately 15 years of experience in materials procurement and sales and marketing. Mr Xiao started his career in Jishan Print & Dye as an electrical technician in 1989. From 1990 to 1993, he was a technician in charge of dyeing process, during which he had studied in Suzhou Silk College for 10 months, specialising in dyeing processes. From 1994 to 2000, he was responsible for the sales and marketing of the Printing Workshop. Between 1994 and 2007, he was promoted to a Sales Manager of Jishan Print & Dye. In 2007, he became the Sales Manager of the Group.

Ru Bao Liang (茹宝良)

Mr Ru Bao Liang is our Procurement Manager and will be responsible for procurement of loom-state textile and other raw materials of the Enlarged Group. Between 1982 and 1987, Mr Ru worked in Shaoxing Lizhu Agricultural Machinery Factory (绍兴漓渚农机厂). From 1987 to 1994, he was the Factory Head of Shaoxing Jiefang Village Yuanjiang Mechanical Components Factory (绍兴县解放乡阮江机械配件厂). From 1994 to 1997, he worked in Shaoxing Wanfu Textile Co., Ltd. (绍兴万福纺织有限公司) as a sales staff. In 1998, Mr Ru joined the Group as a sales staff. After that, he had been a Sales Manager of the Printing Workshop and Dyeing Workshop of Jishan Print & Dye and responsible for the PRC domestic sales and marketing. In 2004, Mr Ru was promoted to be the Procurement Manager of the Group.

Wang Dong Sheng (王冬生)

Mr Wang Dong Sheng will be appointed as Factory Head of the Broad Width Sub-Factory of Jishan Jia Fang and responsible for the print and dye processing for home furnishing products. He joined the Group in 2008 and has approximately twenty years of experience in the print and dye industry. Mr Wang started his career as a print and dye technician in Shaoxing Silk Printing Factory (绍兴丝绸印花厂). In 1989, he obtained the professional technical certificate issued by the Labour Department of Zhejiang Province. In 2002, he joined Shaoxing Bai Li Heng Printing & Dyeing Co., Ltd. (绍兴百丽恒印染有限公司) and had been the Head of Printing Workshop and Quality Control Department, Office Manager and Manager of the Enterprise in the company. From 2005 to 2007, Mr Wang studied administrative management in East China Normal University. In 2008, he was awarded the "Outstanding Operator" by Shaoxing Binhai Management Committee (绍兴县滨海工业区管理委员会) and the People's Government of Ma'an Town in Shaoxing (绍兴县马鞍镇人民政府). He had been Deputy General Manager of Xin Fa Textile Printing & Dyeing (Shaoxing) Co., Ltd. (新发纺织印染(绍兴)有限公司) between January 2008 to November 2008.

Xu Yong Kang (徐永康)

Mr Xu Yong Kang is our Head of the R&D team and will be in charge of research and development of the Enlarged Group. He is responsible for the research and development of products and technology for printing and dyeing. He graduated from the Shanghai Textile Industrial Bureau Open University where he majored in dyeing and finishing. He has over 20 years of experience in the print and dye industry. Prior to joining our Group in 1992, he was the Deputy Factory Head of Technical Division and Production Head of Shanghai No. 4 Bleaching and Dyeing Factory (上海第四漂染厂) since 1986.

9.6 Employees

The estimated functional distributions (approximate) of the Group before and after the Proposed Acquisition are as follows:-

Employees of the Group as at 3 March 2009:

	Management	Sales and Marketing	Production	Engineering (including Quality Assurance)	Finance and Administration	Total
Current number of employees	48	35	650	22	25	780

The above figures are for illustrative purposes only and may not reflect the actual future situation of Jishan Jia Fang after its operations.

Target number of employees of the Enlarged Group by the end of FY2009:

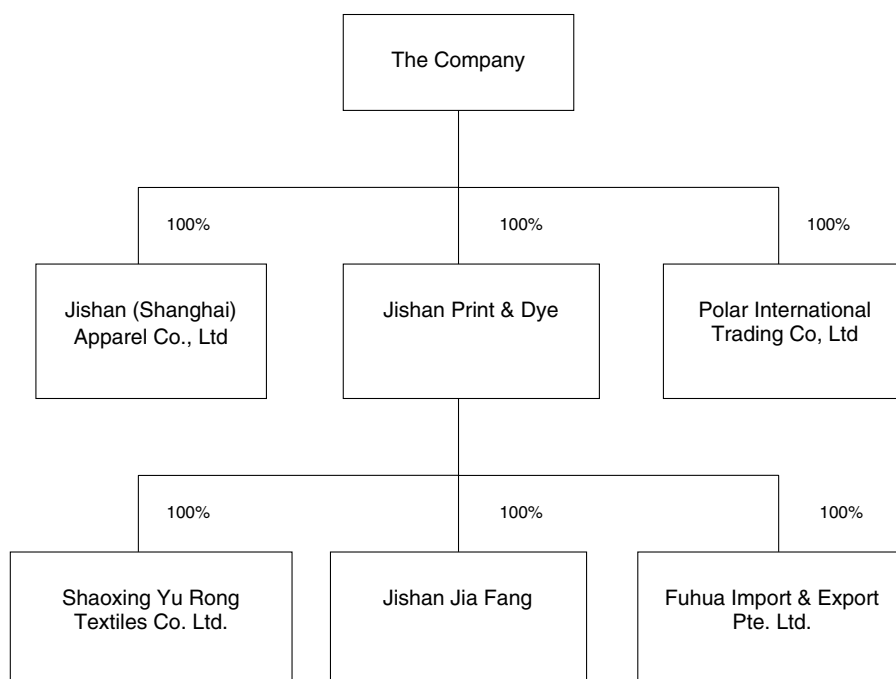
	Management	Sales and Marketing	Production	Engineering (including Quality Assurance)	Finance and Administration	Total
Target number of employees	128	95	1665	57	85	2030

The significant increase in employees of the Enlarged Group by end of FY2009 is due to the Enlarged Group employing new employees to manage the expansion of capacity and business operations after the Proposed Acquisition.

10. GROUP STRUCTURE

10.1 Group Structure

The corporate structure of the Enlarged Group following the Proposed Acquisition and as at the Latest Practicable Date is as follows:



10.2 Incorporation of Jishan Jia Fang and Shaoxing Yu Rong Textile Co. Ltd.

Incorporation of Jishan Jia Fang

The Company's wholly-owned subsidiary, Jishan Print & Dye, had on 21 January 2009 set up a new subsidiary known as Zhejiang Jishan Jia Fang Co., Ltd (浙江稽山家纺有限公司) for the operation of the Assets and to engage in the provision of print and dye processes for textiles, garments and home furnishing products. Jishan Jia Fang has a registered capital of RMB20 million.

Shaoxing Environmental Protection Bureau (绍兴县环境保护局) provided a confirmation on 20 March 2009, stating that (i) the acquisition of Zhejiang Nan Fang by Jishan Print & Dye was approved and Jishan Jia Fang shall be established to carry on the same business that was previously undertaken by Zhejiang Nan Fang; (ii) the print and dye of textile business shall be taken out from the current business scope of Zhejiang Nan Fang and Jishan Jia Fang shall change its business scope to include print and dye of textile; and (iii) the factory sites, plant and equipment, scale and address of Jishan Jia Fang shall remain the same.

Therefore, our Directors believe that Jishan Jia Fang has obtained all the necessary licenses and permits for its business and operation in the PRC and has complied with all relevant laws and regulations of the PRC that would materially affect its business operations.

The Directors expect that Jishan Jia Fang to start its operation in the second quarter of 2009.

Incorporation of Shaoxing Yu Rong Textile Co. Ltd.

Jishan Print & Dye, had also on 9 February 2009 set up another subsidiary known as Shaoxing Yu Rong Textile Co. Ltd. (绍兴县宇荣纺织品有限公司) ("Yu Rong Textile") with a registered capital of RMB500,000. Yu Rong Textile will be engaged in the business of sales of textile and garments.

11. DISCLOSURE OF DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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 No. of Shares	% of Shares	Deemed interest No. of Shares	% of Shares
Directors				
Jin Guan Liang ⁽¹⁾	16,649,500	5.52	171,762,500	56.97
Jin Rong Hai	—	—	—	—
Yu Ming Hai	—	—	—	—
Lien Kait Long	—	—	—	—
Yip Wei-Jen	—	—	—	—
Xu Ping Wen	—	—	—	—
Substantial Shareholders (other than Directors)				
Jin Cheng International Holdings Limited ⁽²⁾ ("Jin Cheng")	171,762,500	56.97	—	—
Ban Joo & Company Limited	18,285,000	6.06	—	—

Notes:

- (1) Our Executive Chairman and Substantial Shareholder, Jin Guan Liang holds 16,649,500 Shares directly and has an indirect interest in 171,762,500 Shares, by virtue of his direct shareholding of 96.83% and indirect shareholding of 3.17% through his wife, Jin Yao Yun, of the issue share capital of Jin Cheng.
- (2) Jin Cheng is an investment holding company incorporated in the British Virgin Islands. Its shareholders are Jin Guan Liang (96.83%) and Jin Yao Yun (3.17%) who is the wife of Jin Guan Liang.

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

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

Our controlling shareholder, Mr Jin Guan Liang, has in aggregate 62.49% of the direct and deemed interests in the Company, through Jin Cheng (56.97%) 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 Guan Liang is deemed to be interested in the shares held by Jin Cheng by the virtue of the fact that he has direct and indirect control of 100% of the equity of Jin Cheng through his direct shareholding of 96.83% and indirect shareholding of 3.17% through his wife, Jin Yao Yun, of the issue share capital of Jin Cheng.

13. DIRECTORS' RECOMMENDATIONS

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

14. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 47 of this Circular, is being convened at Copthorne King's Hotel, Duke Room, Level 2, 403 Havelock Road, Singapore 169632 on 11 May 2009 at 10 a.m. for the purpose of considering and, if thought fit, passing, with or without any modifications, the resolution set out therein.

15. 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.

16. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our 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 and accurate in all material respects 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 respect as at the Latest Practicable Date.

17. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

The Financial Adviser confirms that, after having made all reasonable enquiries, that to the best of its knowledge and belief, and based on information provided by or on behalf of our Company, the facts stated in this Circular are true and accurate in all material respects with regards to the Proposed Acquisition and the Group as at the Latest Practicable Date, and the Financial Adviser is not aware of any material facts the omission of which would make any statement in the Circular misleading in any material respect as at the Latest Practicable Date.

18. GENERAL AND STATUTORY INFORMATION

18.1 Material contracts

Save as the 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 Circular.

18.2 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.

18.3 Financial condition and operation of the Group

Save as disclosed in this Circular, the Directors are not aware of any event which has occurred since 31 December 2008 (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 position and results of our Group.

18.4 Share capital

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

There has not been any public take-over offer, by a third party in respect of our 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 within the three years preceding the date of the Circular.

No shares or debentures were issued or agreed to be issued by the Company or its subsidiaries for cash or for a consideration other than cash during the last two years preceding the date of the 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 "Disclosure of Directors' and Substantial Shareholders' interests" of the 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.

19. MISCELLANEOUS

19.1 Consents

The Financial Adviser, the Legal Adviser to the Company on Singapore Law, the Legal Adviser to the Company on PRC Law, the China Printing and Dyeing Industry Association and the Independent Valuer in respect of the Proposed Acquisition have each given and have not withdrawn their respective written consents to the issue of this Circular with the inclusion herein or their respective names and references to their respective names in the forms and context in which they respectively appear in this Circular and to act in such respective capacities in relation to this Circular.

While the Directors have taken reasonable action to ensure that any information extracted from the PRC National Bureau of Statistics and quoted in this Circular is extracted accurately and fairly and has been included in this Circular in its proper form and content. Further, the PRC National Bureau of Statistics has not consented to the inclusion of the relevant information for the purpose of Section 249 of the Securities and Futures Act and is therefore not liable for the relevant statements under Sections 253 and 254 of the Securities and Futures Act.

19.2 Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company at Anson Road, #27-01, Springleaf Tower, Singapore 079909, during normal business hours for three (3) months from the date hereof:

- (i) two valuation reports on the Industrial Lands dated 4 December 2008 issued by Shaoxing Land Evaluation Co., Ltd. (绍兴县土地评估有限公司);
- (ii) valuation report on the Buildings dated 4 December 2008 issued by Shaoxing Bo Da Real Estate Appraisal Co., Ltd. (绍兴市博大房地产评估有限公司);
- (iii) valuation report on the Plant and Equipment dated 4 December 2008 issued by Shaoxing Tianquan Assets Evaluation Co., Ltd. (绍兴天泉资产评估有限责任公司);
- (iv) valuation report on the inventory date 7 December 2008 issued by Shaoxing Tianquan Assets Evaluation Co., Ltd. (绍兴天泉资产评估有限责任公司);

- (v) supplemental notes dated 20 March 2009 in relation to the valuation reports issued by Shaoxing Tianquan Assets Evaluation Co., Ltd. (绍兴天泉资产评估有限责任公司);
- (vi) confirmation letter dated 23 March 2009 issued by the liquidator handling the assets of Zhejiang Nan Fang which sets out the total transacted price for the Assets;
- (vii) various confirmation letters (拍卖成交确认书) signed by the Company and Shaoxing Auction Centre in relation to the Assets to be acquired by the Company on 28 December 2008;
- (viii) valuation reports on the Assets issued by the Independent Valuer dated 23 February 2009; and
- (ix) annual report for the financial year ended 31 December 2008.

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

Jin Guan Liang
Executive Chairman

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, Duke Room, Level 2, 403 Havelock Road, Singapore 169632 on 11 May 2009 at 10 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications the following ordinary resolution:

THE PROPOSED ACQUISITION OF ASSETS AND RELATED BANK LOANS OF ZHEJIANG NANFANG TECHNOLOGY LTD FOR A CASH CONSIDERATION OF RMB88.8 MILLION

That: -

approval be and is hereby given for the Company’s wholly-owned subsidiary, Zhejiang Jishan Printing and Dyeing Co., Ltd to acquire certain assets (including two piece of industrial land, buildings and plant and equipment and inventory from Zhejiang Nan Fang Technology Ltd. and one piece of industrial land from Zhejiang Zhong Bo Industry Joint-Stock Co., Ltd.) (the “**Assets**”), and related bank loans used to finance the Assets, through a public auction at the instructions of Shaoxing Intermediate People’s Court for an aggregate purchase consideration of RMB88.8 million.

By Order of the Board

China Jishan Holdings Limited
Executive Chairman
Jin Guan Liang

Singapore
22 April 2009

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 3 Anson Road, #27-01, Springleaf Tower, Singapore 079909, not less than forty-eight (48) hours before the time appointed for the Meeting

This page has been intentionally left blank.

CHINA JISHAN HOLDINGS LIMITED

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

PROXY FORM

(Please see notes overleaf before completing this Form)

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.

I/We _____

of _____

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

Name	NRIC / Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC / Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting 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, Duke Room, Level 2, 403 Havelock Road, Singapore 169632 on 11 May 2009 at 10 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
	To approve the acquisition of industrial land, buildings and plant and equipment and inventory, as well as the related bank loans through the public auction instructed by the Shaoxing Intermediate People's Court for an aggregate purchase consideration of RMB88.8 million, and authorise any Director to do such acts and things to give effect to the proposed acquisition.		

Dated this _____ day of _____ 2009.

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 invalid 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 3 Anson Road, #27-01, Springleaf Tower, Singapore 079909, 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.

This page has been intentionally left blank.

