(I) PROPOSED CAPITAL REDUCTION EXERCISE TO REDUCE THE ISSUED AND FULLY PAID-UP SHARE CAPITAL OF ASIA SILK HOLDINGS LIMITED (THE “COMPANY”)

(II) PROPOSED DISPOSAL OF THE COMPANY’S ENTIRE LEGAL AND BENEFICIAL INTERESTS IN WUXI DINGQIU SILK CO. LTD.

1. INTRODUCTION

The Board of Directors (the “Board”) of the Company wishes to announce that the Company is proposing to undertake the following:-

1.1 a capital reduction exercise (the “Proposed Capital Reduction”) pursuant to Section 78A read together with Section 78C of the Companies Act (Cap. 50), to reduce and cancel the share capital of the Company, which has been lost or is unrepresented by available assets to the extent of S$14,262,135 (approximately RMB70,691,144) (“Accumulated Losses”) as at 31 December 2010; and

1.2 the disposal of the Company’s entire legal and beneficial interests in Wuxi Dingqiu Silk Co., Ltd. (“Wuxi Dingqiu”).

2. THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction exercise is a legal and accounting process and will entail a cancellation of the Company’s issued and paid-up share capital as at the date of this announcement from the existing issued and paid-up share capital of S$14,659,017 to S$396,882. In connection with the Proposed Capital Reduction, it is proposed that the amount of S$14,262,135 arising therefrom shall be applied to cancel in their entirety the Accumulated Losses as at 31 December 2010 sitting in the books of the Company.

As at the date of this announcement, the Company has an issued and paid-up share capital of S$14,659,017 divided into 137,000,000 ordinary shares. Following the Proposed Capital Reduction, the total number of issued and paid-up ordinary shares in the Company will remain unchanged at 137,000,000.

The Accumulated Losses of the Company arose mainly due to the impairment of the cost of investment in Wuxi Dingqiu and its subsidiaries, Guizhou Zhenxing Cocoon & Silk Co., Ltd. (“Guizhou Zhenxing”), Suqian Xindingqiu Silk Co., Ltd. (“Suqian Xindingqiu”) and Yixing Dingjia Textile & Garment Co., Ltd. (“Yixing Dingjia”) made in the financial year ended 31 December 2008 (“FY2008”) after assessments of their recoverable amounts were made. Lower profit expectations were envisaged as Wuxi Dingqiu and its subsidiaries faced intense competition in the silk industry in FY2008 and it went through a transitional phase of management changes and restructuring during the same financial year. The global economic crisis also adversely affected the sales and profit margins of Wuxi Dingqiu and its subsidiaries. Guizhou Zhenxing and Suqian Xindingqiu, in particular, suffered from weak demand for their products and the consequent pressure on
their prices, and these resulted in the Company’s decision to halt their operations in FY2008.

The purpose of the Proposed Capital Reduction is to cancel the Accumulated Losses with a view to restructuring the finances of the Company. This serves to rationalise the balance sheet of the Company to better reflect the value of its underlying assets, and thus strengthen the financial position of the Company.

2.1 Financial Effects of the Proposed Capital Reduction

The effect of the Proposed Capital Reduction on the issued and paid-up share capital of the Company as at the date of this announcement is set out below:

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>No. of Shares</th>
<th>S$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before the Proposed Capital Reduction</td>
<td>137,000,000</td>
<td>14,659,017</td>
</tr>
<tr>
<td>Amount of share capital to be cancelled</td>
<td>-</td>
<td>(14,262,135)</td>
</tr>
<tr>
<td>After the Proposed Capital Reduction</td>
<td>137,000,000</td>
<td>396,882</td>
</tr>
</tbody>
</table>

A summary of the proforma financial effects of the Proposed Capital Reduction on the issued and paid-up share capital and the shareholders’ funds of the Company are set out below as follows. The proforma financial effects of the Proposed Capital Reduction are for illustrative purposes only and have been prepared based on (i) the audited consolidated financial statements of the Company for the financial year ended 31 December 2010 (“FY2010”) and (ii) the assumption that the placement shares of the Company had been issued on 1 January 2010. Please refer to the Company’s announcement dated 9 March 2011 for the information on the private placement undertaken by the Company in April 2011.

<table>
<thead>
<tr>
<th>As at 31 December 2010</th>
<th>Company</th>
<th>_BEFORE THE PROPOSED CAPITAL REDUCTION</th>
<th>AFTER THE PROPOSED CAPITAL REDUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>RMB’000</td>
<td>S$’000</td>
<td>RMB’000</td>
</tr>
<tr>
<td>Share Capital</td>
<td>71,121</td>
<td>14,659</td>
<td>430</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>1,637</td>
<td>-</td>
<td>1,637</td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(70,691)</td>
<td>(14,262)</td>
<td>-</td>
</tr>
<tr>
<td>Shareholders’ fund</td>
<td>2,067</td>
<td>397</td>
<td>2,067</td>
</tr>
</tbody>
</table>

The Proposed Capital Reduction will not have any effect on the earnings, net tangible assets and gearing of the Company or the Group.
2.2 Conditions of the Proposed Capital Reduction

The Proposed Capital Reduction is subject to, *inter alia*, the following:-

(i) the approval of a resolution in relation to the Proposed Capital Reduction (the "Capital Reduction Resolution") by a majority of not less than three-fourths (3/4) of the Shareholders present and voting at an extraordinary general meeting ("EGM") of the Company, to be convened, of which not less than twenty-one (21) days' notice of the EGM shall have been given;

(ii) the notification to the Comptroller of Income Tax that the Capital Reduction Resolution was passed, within eight (8) days beginning with the date of the Capital Reduction Resolution;

(iii) the Company meeting the applicable publicity requirements as prescribed in the Companies Act;

(iv) no application having been made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the timeframe prescribed in the Companies Act, or if such application was made, the dismissal thereof by the judicial authorities;

(v) lodgment of the relevant documents with the Accounting and Corporate Regulatory Authority of Singapore after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction Resolution; and

(vi) the approval of all other relevant regulatory authorities (if any and if necessary).

3. THE PROPOSED DISPOSAL

The Company has on 25 May 2011 entered into a conditional sale and purchase agreement (the "Agreement") with Hunting (Hong Kong) Company Limited (the "Purchaser"), a company incorporated in the Hong Kong SAR (CR No. 0691417), having its registered office at Room 309, 3/F, Heng Ngai Jewelry Centre, 4 Hok Yuen Street East, Hong Hum, Hong Kong SAR, to dispose of the Company’s entire legal and beneficial interests of Wuxi Dingqiu (which includes the subsidiaries of Wuxi Dingqiu) for an aggregate cash consideration of S$2,000,000 (the "Proposed Disposal"). Wuxi Dingqiu is principally engaged in the business of manufacture and sales of spun silk yarns, spun silk fabrics and garments and is the holding company of the following subsidiaries:-

a) Guizhou Zhenxing, which has ceased operations but prior thereto is engaged in the business of cultivation of mulberry plants and cocoon silkworm and the trading of silkworm cocoons;

b) Suqian Xindingqiu, which has ceased operations but prior thereto is engaged in the business of manufacture and sales of spun silk yarns and spun silk fabrics; and

c) Yixing Dingjia, which is engaged in the business of manufacture and sales of textile and garments,

collectively, the "Subsidiaries" and each a "Subsidiary".
3.1 Relative Figures

Unless otherwise stated, the exchange rate of S$1 to RMB5.21 has been used in the calculation of the figures from S$ to RMB.

Based on the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for FY2010, the relative figures of the Proposed Disposal computed on the bases set out in Rule 1006 of the Section B: Catalist Rules of the Listing Manual (“Catalist Rules”) of the Singapore Exchange Securities Trading Limited are as follows:

| Rule 1006(a) | The net asset value of the assets to be disposed of compared with the group’s net asset value | 86.3%<sup>(1)</sup> |
| Rule 1006(b) | The net loss attributable to the assets acquired or disposed of, compared with the group’s net loss | 74.3%<sup>(2)</sup> |
| Rule 1006(c) | The aggregate value of the consideration given or received, compared with the issuer’s market capitalization | 48.7%<sup>(3)</sup> |
| Rule 1006(d) | The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue | Not Applicable |

Notes:--

(1) This is computed based on the audited net asset value of the assets to be disposed of as at 31 December 2010 amounting to approximately S$2,502,000 (approximately RMB13,036,000) divided by the Group’s audited net asset value as at 31 December 2010 and assuming placement shares had been issued as at 1 January 2010 amounting to approximately S$2,899,000 (approximately RMB15,103,000).

(2) This is computed based on the audited net loss of the assets to be disposed of for the financial year ended 31 December 2010 amounting to approximately S$862,000 (approximately RMB4,492,000) divided by the Group’s audited net loss for the financial year ended 31 December 2010 amounting to approximately S$1,160,000 (approximately RMB6,043,000).

(3) This is computed based on the aggregate value of the consideration amounting to S$2,000,000 divided by the Company’s market capitalisation as at 25 May 2011 amounting to S$4,110,000.

As the relative figures computed on the bases set out in Rules 1006(a) and 1006(b) of the Catalist Rules exceed 50%, the Proposed Disposal is considered a “major transaction” under Rule 1013 of the Catalist Rules and pursuant to Rule 1014 of the Catalist Rules, the Proposed Disposal shall be conditional upon approval by shareholders of the Company at the EGM. In addition, Section 160 of the Companies Act provides that the directors shall not carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property unless those proposals have been approved by the company in general meeting. The Proposed Disposal represents the whole or substantially the whole of the undertaking of the Company and as such, the Proposed Disposal shall require approval by the Company in a general meeting. A circular containing the information in Rule 1010 of the Catalist Rules will be sent to all shareholders of the Company in due course.
Pursuant to Rule 1013 of the Catalist Rules, the information to be provided in Rule 1010 of the Catalist Rules is set out below:-

**Rule 1010(1)**

**Particulars of the assets acquired or disposed of, including the name of any company or business, where applicable**

The Proposed Disposal involves the disposal of the Company's entire legal and beneficial interests in its wholly-owned subsidiary, Wuxi Dingqiu and Subsidiaries. Wuxi Dingqiu was established in the People’s Republic of China on 10 March 2004 by the Company. It has a registered and paid-up capital of US$7.88 million (approximately S$9.69 million based on an exchange rate of US$1 to S$1.23). The particulars of the Subsidiaries are as follows:-

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of Incorporation</th>
<th>Registered and paid-up capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guizhou Zhenxing</td>
<td>20 October 2004</td>
<td>RMB10,000,000</td>
</tr>
<tr>
<td>Suqian Xindingqiu</td>
<td>19 October 2005</td>
<td>RMB3,000,000</td>
</tr>
<tr>
<td>Yixing Dingjia</td>
<td>24 March 2008</td>
<td>RMB3,000,000</td>
</tr>
</tbody>
</table>

Please refer to paragraph 3 on page 3 for the information relating to the businesses of the Subsidiaries.

**Rule 1010(2)**

**A description of the trade carried on, if any**

As stated in paragraph 3 of this announcement, Wuxi Dingqiu is principally engaged in the manufacture and sales of spun silk yarns, spun silk fabrics and garments. Wuxi Dingqiu also acts as a holding company of Guizhou Zhenxing, Suqian Xindingqiu and Yixing Dingjia, whose business activities are also described in paragraph 3 of this announcement.

A summary of the audited consolidated financial statements of Wuxi Dingqiu and its Subsidiaries ("Textile Group") for the financial years ended 31 December 2008, 2009 and 2010 are set out below:-

**Income Statements**

<table>
<thead>
<tr>
<th>(RMB’000)</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>79,947</td>
<td>83,334</td>
<td>86,736</td>
</tr>
<tr>
<td>Gross profit</td>
<td>686</td>
<td>7,819</td>
<td>11,411</td>
</tr>
<tr>
<td>Loss before income tax</td>
<td>(59,385)</td>
<td>(17,918)</td>
<td>(4,492)</td>
</tr>
<tr>
<td>Income tax credit</td>
<td>-</td>
<td>277</td>
<td>-</td>
</tr>
<tr>
<td>Loss after income tax</td>
<td>(59,385)</td>
<td>(17,641)</td>
<td>(4,492)</td>
</tr>
</tbody>
</table>
Balance Sheet

(RMB'000) As at 31 December 2010

Non-current assets  18,024
Current assets  60,102
Current liabilities  65,090
Net current liabilities  (4,988)
Net assets  13,036

Rule 1010(3)

The aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment.

The purchase consideration to be paid by the Purchaser for the entire legal and beneficial interests in Wuxi Dingqiu is S$2,000,000 ("Consideration"). The Agreement provides that a sum equivalent to 25% of the Consideration amounting to S$500,000 shall be payable within 10 days of the execution of the Agreement. The balance shall be payable within five (5) days from the date that the transfer of the entire legal and beneficial interests of Wuxi Dingqiu has been completed.

The Consideration was arrived at after taking into consideration a business valuation report ("Valuation Report") issued by AV Capital Pte Ltd ("Valuer") dated 18 May 2011. The Valuer was engaged by the Company to determine the “fair market value” of the businesses carried out by the Textile Group.

The valuation was conducted on the basis that the Company is an investment holding company with its business operations in China conducted through the Textile Group. The Textile Group is principally engaged in the business of the manufacture and sales of spun silk yarns, spun silk fabrics and garments (the “Textile Business”).

The following is a summary of the valuation methods used to assess and determine the fair market value of the Textile Business carried on by the Textile Group:-

(a) Cost Approach – Adjusted Book Value Method

The basic premise of this method is that the equity value is equal to its net asset value or book value. Using the Group’s financial statements, book value can be calculated by subtracting total liabilities from total assets. However, fair value adjustments must be made to specific items in question under the balance sheet and the intangibles must also be included. For this valuation, fair value adjustments to property, plant and equipment, trade receivables and intangibles of the Group were made by the Valuer. As at 31 December 2010, the net asset value or shareholder’s equity of the Group was RMB13.3 million. Taking into account the fair value adjustments made, the adjusted book value indicates fair market value ("FMV") of the Textile Business of RMB9.53 million or S$1.80 million as at 1 May 2011.

(b) Market Approach – Enterprise Value ("EV") / Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") Method

Another appropriate method would be to use market comparables such as finding suitable EBITDA multiples which is a form of the market approach. This method in essence compares the relative financial performance of the company in question against that of a comparable company in the capital markets.
The EV/EBITDA multiple was used by the Valuer as the tool of comparison as this figure is not affected by differences in accounting policies and tax regulations across different jurisdictions and therefore fosters a cross border or global comparison. The EV of a company takes into account not only a company’s market value (i.e. its market capitalization) but also its level of debt. Based on the EV/EBITDA method, the FMV of the Textile Business is RMB9.66 million or S$1.83 million.

(c) Income Approach – Discounted Cashflow Method (“DCF”)

Under the DCF method, all free cashflows related to a firm or a project would be discounted to give the net present value. Free cashflow does not take into account non-operational cashflow such as interest income and expenses. The DCF method used by the Valuer entails the following estimates and contemplation:-

1. A detailed free cash flow forecast beginning from May 2011 to December 2016 which entails a 5.7 years forecast for the entire consolidated entity instead of separate forecasts for each subsidiary;

2. The determination of the appropriate discount rate such as the weighted average cost of capital; and

3. The determination of the terminal value which is the residual value of the business after the projection years using a market based EBITDA method instead of the theoretical perpetuity method.

Based on the DCF method, the FMV of the Textile Business ranges from RMB9.61 million or S$1.82 million to RMB9.73 million or S$1.84 million.

Findings of the Valuation Report

The Valuer noted that the DCF method offers a more precise form of computation of the market value as compared to the other methods. The DCF value is also not subject to the effects of market sentiments or psychology unlike the market method. As such, based on the DCF method, the Valuer recommended a FMV of the Textile Business of RMB9.73 million or $1.84 million (the “Valuation”) as at 1 May 2011.

Rule 1010(4)

Whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof.

There is no put, call or other option in the Proposed Disposal.

The Proposed Disposal is subject to the following conditions precedent:–

(a) the approval of shareholders of the Company by way of an ordinary resolution at the EGM; and

(b) all other relevant approvals and consents being obtained and statutory requirements being complied with.

In addition, the Proposed Disposal is on an “as is where is” basis and the Purchaser shall not require any representation or warranty (other than those relating to title) relating to Wuxi Dingqiu (or any Subsidiary) from the Company.
The completion of the Proposed Disposal is envisaged to take place within six (6) months from the EGM ("Completion").

**Rule 1010(5)**

The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation

Based on the audited consolidated financial statements of the Textile Group for the financial year ended 31 December 2010, the net tangible asset ("NTA") value and latest available open market value are as follows:-

<table>
<thead>
<tr>
<th>RMB’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTA value</td>
</tr>
<tr>
<td>12,283</td>
</tr>
<tr>
<td>Latest available open market value</td>
</tr>
<tr>
<td>9,727(^{(1)})</td>
</tr>
</tbody>
</table>

The book value of the Company's investments in the Textile Group of RMB67,518,000, which has been fully impaired in the Company's books since FY2008, is currently nil.

Notes:-

(1) This is based on the Valuation of approximately S$1,839,000 (approximately RMB9,727,000).

**Rule 1010(6)**

In the case of a disposal, the excess or deficit of the proceeds over the book value and the intended use of the sale proceeds. In the case of an acquisition, the source(s) of funds for the acquisition

The Consideration represents an excess of approximately S$2,000,000 over the book value of the Company's investments in the Textile Group as at 31 December 2010, which is nil.

Following the completion of the Proposed Disposal, the assets of the Company will consist wholly of cash and accordingly, the Company will be rendered as a "cash company" within the meaning of Rule 1017 of the Catalist Rules. Pursuant to Rule 1017(1) of the Catalist Rules, upon completion of the Proposed Disposal, the Company must place 90% of its cash and short-dated securities (including existing cash balance and the Consideration) in an account opened with and operated by an escrow agent which is part of any financial institution licensed and approved by the Monetary Authority of Singapore. The amount that is placed in the escrow account cannot be drawn down until the completion of the acquisition of a business which is able to satisfy the SGX-ST’s requirements for a new listing, except for payment of expenses incurred in a reverse takeover approved by shareholders and pro-rata distributions to shareholders.

Please refer to paragraph 4 of this announcement for further information on Rule 1017 of the Catalist Rules.

Accordingly, the net proceeds from the Proposed Disposal amounting to approximately S$1,800,000 (after deducting professional fees and expenses of approximately
S$200,000) will be placed in an escrow account until the completion of an acquisition of a new business which is able to satisfy the SGX-ST’s requirements for a new listing.

The Company has on 25 March 2011 entered into a non-binding memorandum of understanding ("MOU") with Posh Corridor Sdn Bhd and Andrew Roach Reddy (collectively, the "Vendors") in respect of the proposed acquisition by the Company of the entire issued and paid-up share capital (the “Sale Shares”) of Chaswood Resources Sdn Bhd (“Chaswood”) from the Vendors (the "Proposed Acquisition"). Subject to the Company’s satisfactory due diligence and finalization of the terms and conditions relating to the Sale Shares, the Company intends to proceed with the Proposed Acquisition.

Further announcements on the Proposed Acquisition and/or any updates to the status of the Company will be made by the Company in due course as and when appropriate.

**Rule 1010(7)**

The net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal.

Based on the audited consolidated financial statements of the Textile Group for FY2010, the net loss after income tax attributable to the Textile Group is approximately RMB4,492,000.

The gain arising from the Proposed Disposal is approximately S$1,800,000 (after deducting professional fees and expenses of approximately S$200,000).

**Rule 1010(8)**

The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year

The financial effects on the Group’s NTA and NTA per share are computed based on the audited consolidated financial statements of the Group for FY2010 and assuming that the Proposed Disposal was completed on 31 December 2010 and as if the placement shares had been issued as at 1 January 2010.

<table>
<thead>
<tr>
<th></th>
<th>Before the Proposed Disposal</th>
<th>After the Proposed Disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTA (RMB’000)</td>
<td>14,351</td>
<td>11,446</td>
</tr>
<tr>
<td>Number of Shares ('000)</td>
<td>137,000</td>
<td>137,000</td>
</tr>
<tr>
<td>NTA per share (RMB cents)</td>
<td>10.5</td>
<td>8.4</td>
</tr>
</tbody>
</table>

**Rule 1010(9)**

The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year

The financial effects on the Group’s loss and loss per share are computed based on the audited consolidated financial statements of the Group for FY2010 and assuming that the Proposed Disposal was completed on 1 January 2010.
<table>
<thead>
<tr>
<th></th>
<th>Before the Proposed Disposal</th>
<th>After the Proposed Disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss after tax (RMB'000)</td>
<td>6,043</td>
<td>9,701</td>
</tr>
<tr>
<td>Weighted average number of shares(^{(1)}) ('000)</td>
<td>137,000</td>
<td>137,000</td>
</tr>
<tr>
<td>Loss per share (RMB cents)</td>
<td>4.4</td>
<td>7.1</td>
</tr>
</tbody>
</table>

Note:-

\(^{(1)}\) The weighted average number of shares is computed on the basis of the weighted average number of shares in issue as at 31 December 2010 and as if the placement shares had been issued as at 1 January 2010.

**Rule 1010(10)**

The rationale for the transaction, including the benefits which are expected to accrue to the issuer as a result of the transaction

The Board considers the Proposed Disposal to be commercially beneficial for the Company due to the following reasons:-

1. Collectively, the business activities of the Textile Group has been loss making for the past three (3) financial years ended 31 December 2008, 2009 and 2010:-

<table>
<thead>
<tr>
<th></th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss after tax</td>
<td>RMB59,385</td>
<td>RMB17,641</td>
<td>RMB4,492</td>
</tr>
</tbody>
</table>

These losses cast doubts about the ability of the Textile Group to continue as a going concern.

2. The Textile Group is in a sunset industry that requires huge amounts of capital investment to upgrade equipment and machinery. Even then, profitability may only be achieved through huge volume and scalability of operations. In the absence of clear indications that the industry that the Textile Group is in is poised for an upturn in the short term, the Board does not consider it feasible to invest further money in the Textile Group as the returns on investment are likely to be reaped only in the long term.

3. The Consideration represents a premium of 8.7% or approximately S$161,000 over the Valuation. Having regard to the need of the Company to inject further capital into the Textile Group and the premium agreed to be paid by the Purchaser, the Board considers the Proposed Disposal to be in the interests of the Company.

4. The Proposed Disposal would effectively remove the current liabilities that the Group carries on its balance sheet such as the accrued operating and staff costs, amounts due to related parties (trade and non-trade amounts) and outstanding interest-bearing loans which as at 31st December 2010, amounts to an aggregate of RMB65,090,000. The Proposed Disposal will also lower the gearing of the Group, resulting in a healthier balance sheet.

5. The Company has on 25 March 2011 entered into a MOU with the Vendors in respect of the Proposed Acquisition. Subject to the Company’s satisfactory due diligence and finalization of the terms and conditions relating to the Sale Shares, the Company intends to proceed with the Proposed Acquisition to improve its prospects.
**Rule 1010(11)**

**Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests**

None of the Directors (other than in his capacity as a Director and/or shareholder of the Company) or controlling shareholders of the Company has any interest, directly or indirectly, in the Proposed Disposal.

The Purchaser was introduced by Mdm Ding Zhiying, Chief Executive Officer of the Company. There is no agreement (written or otherwise) to remunerate (whether monetary or otherwise) Mdm Ding Zhiying for introducing the Purchaser.

**Rule 1010(12)**

**Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction**

There are no directors proposed to be appointed to the Company in connection with the Proposed Disposal. Accordingly, there is no service contract entered into.

### 3.2 Documents for Inspection

A copy of the Agreement and the Valuation Report are available for inspection during normal business hours at the registered office of the Company located at 8 Cross Street, #11-00, PWC Building, Singapore 048424 for a period of three (3) months from the date of this announcement.

### 4. APPLICATION OF RULE 1017 OF THE CATALIST RULES

The Company wishes to draw attention to the application of Rule 1017 of the Catalist Rules should the Proposed Disposal be approved by the shareholders of the Company in the EGM and completed. The Proposed Disposal, if approved by the shareholders of the Company in the EGM and completed, will render the Company as a “cash company” within the meaning of Rule 1017 of the Catalist Rules. If applied, Rule 1017 of the Catalist Rules provides, *inter alia*, as follows:-

**“1017 Cash Companies**

(1) If the assets of an issuer consist wholly or substantially of cash or short-dated securities, the issuer must consult its sponsor and notify the Exchange. The issuer’s securities will normally be suspended. The suspension will remain in force until the issuer has a business which is able to satisfy the Exchange’s requirements for a new listing, and all relevant information has been announced. Upon completion of the disposal of its operations and/or assets, the issuer must do the following:

(a) Place 90% of its cash and short-dated securities (including existing cash balance and the consideration arising from the disposal(s) undertaken by the issuer) in an account opened with and operated by an escrow agent which is part of any financial institution licensed and approved by the Authority. The amount that is placed in the escrow account cannot be drawn down until the completion of the acquisition of a business which is able to satisfy the Exchange’s requirements for a new listing, except for payment of expenses incurred in a reverse takeover approved by shareholders and pro-rata distributions to shareholders; and
(b) Provide monthly valuation of its assets and utilisation of cash, and quarterly updates of milestones in obtaining a new business, to the market via SGXNET.

Taking the above compliance into account, the Exchange may allow continued trading in a cash company's securities on a case-by-case basis, subject to:

(c) Contractual undertakings from the issuer's directors, controlling shareholders, chief executive officer and their associates, to observe a moratorium on the transfer or disposal of all their interests, direct and indirect, in the securities of the issuer; and

(d) The period of the moratorium must commence from the date the shareholders approve the disposal of business, up to and including the completion date of the acquisition of a business which is able to satisfy the Exchange's requirements for a new listing.

(2) The Exchange will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The issuer may (through its sponsor) apply to the Exchange for a maximum 6-month extension to the 12-month period subject to the issuer providing milestones in finding a new business which investors may evaluate the issuer's progress. In the event the issuer is unable to meet its milestones, or find a new business despite the extension granted, no further extension will be granted and the issuer will be required to delist and make a cash exit offer in accordance with Rule 1308 to its shareholders within 6 months."

5. CIRCULAR TO SHAREHOLDERS

A circular in relation to, *inter alia*, the Proposed Capital Reduction and the Proposed Disposal, together with a notice convening the EGM (the "Circular"), will be despatched to the Company's shareholders in due course.

6. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the completion of the Proposed Disposal is subject to, *inter alia*, the fulfillment of the conditions of the Agreement, and are therefore advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

Further announcements will be made by the Company as and when appropriate.
7. **RESPONSIBILITY STATEMENT**

The Directors of the Company, individually and collectively, accept full responsibility for the accuracy of the information given in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as at the date of this announcement, and that there are no material facts the omission of which would make any statement in this announcement misleading.

By Order of the Board
Edwin Sugarto
Non-Independent Non-Executive Chairman

26 May 2011
Singapore

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, Collins Stewart Pte. Limited, for compliance with the relevant rules of the SGX-ST. Collins Stewart Pte. Limited has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr Alex Tan, Managing Director, Corporate Finance, Collins Stewart Pte. Limited at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.*