

**DRAFT LETTER OF OFFER ("DLO")**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

This Letter of Offer ("LO") is sent to you as a shareholder(s) of **Hydro S & S Industries Limited**. If you require any clarifications about the action to be taken, you may consult your stockbroker or investment consultant or Manager to the Offer or Registrar to the Offer. In case you have recently sold your shares in the Target Company, please hand over this LO and the accompanying Form of Acceptance cum Acknowledgement and Transfer Deed(s) to the Members of Stock Exchange through whom the said sale was effected.

**KINGFA SCI. & TECH. CO., LIMITED ("Acquirer")**

**A company incorporated under the Laws of China**

Office at 33 Kefeng Road, Science Town, Guangzhou Hi-Tech Industrial Development Zone,  
Guangzhou, China - 510663

Tel.: (86)-020-66221361, Fax: (86)-020-66221341, E-Mail id: xdm2012@kingfa.com.cn

Makes a cash offer ("Offer") to acquire 16,65,874 fully paid equity shares ("Offer Shares") at a price of INR 42.70 (Rupees forty two and paise seventy only) ("Offer Price") per share representing 26% of the Voting Capital of

**Hydro S & S Industries Limited ("Target Company")**

**A public limited company incorporated under the Companies Act, 1956**

Registered Office at Dhun Building, 3<sup>rd</sup> Floor, 827 Anna Salai, Chennai-600 002,

Tel.: 044-28521736, Fax : 044-28520420 E-mail: [info@hssil.com](mailto:info@hssil.com)

**Notes:**

1. This Offer is being made by the Acquirer in accordance with Regulations 3(1) and 4 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and subsequent amendments thereto ("**SEBI (SAST) Regulations**"), pursuant to a Share Purchase Agreement ("**SPA**") dated 20.05.2013 entered into with the Sellers for purchase of 42,60,700 shares (i.e. 66.50% of voting capital) ("**Sale Shares**").
2. This Offer is **not** conditional upon any minimum level of acceptance.
3. This is **not** a competing offer in terms of Regulation 20 of the SEBI (SAST) Regulations.
4. This Offer is **subject** to the following statutory approvals (as mentioned in para 7.4 of this DLO):
  - i. Valid approvals from Chinese Government/Authorities, for investment in India, for amounts required for acquisition of Sale Shares and consideration to be paid under this mandatory Open Offer under SEBI(SAST) Regulations and miscellaneous expenses.
  - ii. As on the date of this DLO, no other statutory approvals are required by the Acquirer to acquire the Equity Shares that are tendered pursuant to the Offer other than those indicated above.
  - iii. However, the Offer would be subject to all other statutory approvals that may become applicable at a later date before the completion of the Offer.
5. Where statutory approval extends to some but not all of the Public Shareholders, the Acquirer shall have the option to make payment to such Public shareholders in respect of whom no statutory approvals are required in order to complete this offer.
6. Non – resident Indian ("**NRI**") and overseas corporate body ("**OCB**") holders of the Equity shares, must obtain all approval required to tender the Equity Shares held by them in this offer (including without limitation the approval from the Reserve Bank of India ("**RBI**"), since the Equity Shares validly accepted in this offer will be acquired by a non resident entity) and submit such approvals also with the Form of Acceptance-cum -Acknowledgement (as defined below) and other documents required to accept this offer.
7. The Acquirer may revise the Offer Price and the Offer Size up to three Working Days before the commencement of the Tendering Period in accordance with Regulation 18(4) of the SEBI (SAST) Regulations. In the event of such revision, the Acquirer shall, (a) make corresponding increase to the Escrow Amount, (b) make a public announcement in the same newspapers in which the DPS was published, and (c) simultaneously with the announcement, inform SEBI, the Stock Exchanges and the Target Company at its registered office of such a revision. The same price would be payable by the Acquirer for all the Offer Shares tendered anytime during the Tendering Period.
8. In the event that the number of Equity Shares validly tendered by the Public Shareholders under this Offer is more than the Offer Size, the Acquirer shall accept the Equity Shares received from the Public Shareholders on a proportionate basis in consultation with the Manager to the offer.

9. In terms of Regulation 23(1) of the SEBI (SAST) Regulations, in the event that the approvals as at 4(i) above or those which become applicable after the date of DLO, are refused, the Acquirer shall have the right to withdraw the Offer. In the event of such a withdrawal of the Offer, the Acquirer (through the Manager to the Offer) within 2 Working Days of a such withdrawal make a Public Announcement of such withdrawal stating the grounds for the withdrawal in accordance with Regulation 23(2) of the SEBI (SAST) Regulations, in the same newspaper in which DPS was published. In such an event, the Acquirer shall not acquire the Sale Shares under the SPA.

**10. There has been no Competing Offer as on the date of this DLO;**

11. If there is a competing offer, the open offers under all subsisting bids will open and close on the same date.

A copy of the Public Announcement ("PA"), Detailed Public Statement ("DPS") and this Draft Letter of Offer are also available on Securities and Exchange Board of India ("SEBI") web-site: [www.sebi.gov.in](http://www.sebi.gov.in).

MANAGER TO THE OFFER	BOOKER TO THE OFFER
 <p><b>MASTER CAPITAL SERVICES LTD</b>            SCO 22-23, Sector 9-D,            Chandigarh - 160009            Tel. : 91-172-4848000            Fax : 91-172 - 2745865  <a href="http://www.mastertrust.co.in">www.mastertrust.co.in</a>  <b>Contact Person: Mr. Jagmohan Singh</b>            Email: <a href="mailto:jagmohan.singh@mastertrust.co.in">jagmohan.singh@mastertrust.co.in</a>  <b>SEBI Regn. No. INM000000107</b></p>	 <p><b>Skyline Financial Services Private Limited</b>            D-153 A, 1st Floor,            Okhla Industrial Area, Phase – I,            New Delhi-110 020            Tel.: +91 11 30857575 (10 Lines)            Fax: +91 11 30857562  <a href="http://www.skylinerta.com">www.skylinerta.com</a>  <b>Contact Person: Mr. Virender Rana</b>            Email : <a href="mailto:viren@skylinerta.com">viren@skylinerta.com</a>  <b>SEBI Regn. No. INR000003241</b></p>
OPEN OFFER OPENS ON: 10 <sup>TH</sup> JULY, 2013	OPEN OFFER CLOSES ON: 23 <sup>RD</sup> JULY, 2013

**THE TENTATIVE SCHEDULE OF ACTIVITIES UNDER THIS OFFER IS AS FOLLOWS:**

Activity		
Public Announcement (PA)	Monday	May 20, 2013
Detailed Public Statement (DPS)	Monday	May 27, 2013
Filing of the Draft Letter of Offer ("DLO") with SEBI	Monday	June 03, 2013
Last date for a Competitive Offer	Monday	June 17, 2013
Last date for SEBI observation on Draft Letter of Offer ("DLO") (in the event SEBI does not seek clarifications or additional information from the Manager to the Offer). <sup>#</sup>	Monday	June 24, 2013
Identified Date	Wednesday	June 26, 2013
Last date by which the Letter of Offer (LO) will be dispatched to the public shareholders	Wednesday	July 03, 2013
Last date for revising the Offer Price / Offer Size.	Friday	July 05, 2013
Last date by which the committee of Independent Directors of the Target Company shall give its recommendations.	Monday	July 08, 2013
Last date of Publication of the Offer opening Public Announcement.	Tuesday	July 09, 2013
Date of commencement of Tendering Period (Offer Opening Date)	Wednesday	July 10, 2013
Date of expiry of Tendering Period (Offer closing Date)	Tuesday	July 23, 2013
Last date of communicating rejection / acceptance and payment of consideration for applications accepted / return of unaccepted shares certificates / credit of unaccepted equity shares to demat account.	Tuesday	August 06, 2013
Last Date of publication of the Offer closing public announcement	Tuesday	August 13, 2013

<sup>#</sup>Date of receipt of final comments from SEBI on DLO

\*The Identified Date is only for the purposes of determining the Public Shareholders as on such date to whom the Letter of Offer would be mailed to. It is clarified that all the Public Shareholders (registered or unregistered) of the Target Company shall be eligible to participate in this Offer at any time prior to the closure of this Offer

## **RISK FACTORS**

### **Risk factors relating to the Transaction under this SPA**

1. The acquisition of the Sale Shares by the Acquirer is subject Valid approvals from Chinese Government/Authorities, for investment in India, for amounts required for acquisition of Sale Shares and consideration to be paid under this mandatory Open Offer under SEBI(SAST) Regulations and miscellaneous expenses.
2. The acquisition of the Sale Shares by the Acquirer is also subject to the satisfaction or waiver (to the extent permissible under the SPA and any applicable law) of certain conditions of the SPA (which are set out in greater detail in paragraph 3.1.5 of this DLO).

### **Risk Factors relating to the Proposed Offer**

1. The acquisition of shares under the proposed Offer by the Acquirer is subject to the following statutory / regulatory approvals (as set out in para 7.4 of this DLO):
  - i. Valid approvals from Chinese Government/Authorities, for investment in India, for amounts required for acquisition of Sale Shares and consideration to be paid under this mandatory Open Offer under SEBI(SAST) Regulations and miscellaneous expenses.
  - ii. As on the date of this DLO, no other statutory approvals are required by the Acquirer to acquire the equity shares that are tendered pursuant to the Offer other than those indicated above.
  - iii. However, the Offer would be subject to all other statutory approvals that may become applicable at a later date before the completion of the Offer.
2. In terms of Regulation 23(1) of the SEBI (SAST) Regulations, in the event that the approvals as at 1(i) above or those which become applicable after the date of DLO, are refused, the Acquirer shall have the right to withdraw the Offer. In the event of such a withdrawal of the Offer, the Acquirer (through the Manager to the Offer) within 2 Working Days of a such withdrawal make a Public Announcement of such withdrawal stating the grounds for the withdrawal in accordance with Regulation 23(2) of the SEBI (SAST) Regulations, in the same newspaper in which DPS is published.
3. Non – resident Indian (“NRI”) and overseas corporate body (“OCB”) holders of the Equity shares, must obtain all approval required to tender the Equity Shares held by them in this offer (including without limitation the approval from the Reserve Bank of India (“RBI”), since the Equity Shares validly accepted in this offer will be acquired by a non resident entity) and submit such approvals also with the Form of Acceptance-cum -Acknowledgement (as defined below) and other documents required to accept this offer.
4. The Offer process may be delayed beyond the Schedule of the Major Activities as indicated in this Draft Letter of Offer in the event of any stay on the Offer.
5. If the Acquirer is unable to make the payment to the shareholders who have accepted the Offer within 10 working days from the date of closure of the tendering period, then SEBI may, if satisfied that the non-receipt of requisite statutory approvals, that may become applicable prior to completion of the Offer, was not due to any willful default or neglect of the Acquirer or the failure of the Acquirer to diligently pursue the applications for such approvals, grant extension of time for the purpose, subject to the Acquirer agreeing to pay interest to the shareholders for delay beyond 10 working days, as may be specified by SEBI from time to time. The tendered shares and documents would be held by the Registrar to the Offer, till such time as the process of acceptance of tendered shares and payment of consideration is completed.
6. The Shares tendered in the Offer will be held in trust by the Registrar to the Offer till the completion of the Offer formalities and the Shareholders will not be able to trade such Shares. During such period there may be fluctuations in the market price of the Shares that may adversely impact the Public Shareholders who have tendered their Offer Shares in this Offer. It is understood that the Public Shareholders will be solely responsible for their decisions regarding their participation in this Offer.
7. In the event of oversubscription to the Offer as per the SEBI (SAST) Regulations the acceptance of the Shares tendered will be determined on a proportionate basis and will be contingent upon the level of oversubscription. Hence, there is no certainty that all the shares tendered by the shareholders in the Offer will be accepted.

8. Further Public Shareholders should note that, under the SEBI (SAST) Regulations, once Public Shareholders have tendered their Offer Shares, they will not be able to withdraw their Offer Shares from the Offer even in the event of a delay in the acceptance of Offer Shares under the Offer and / or the dispatch of consideration.
9. The Acquirer and the Manager to the Offer accept no responsibility for the statements made otherwise than the Public Announcement, Detailed Public Statement or this Draft Letter of Offer or in the advertisement or any materials issued by or at the instance of the Acquirer and the Manager to the Offer, and any person placing reliance on any other source of information would be doing so at its own risk.
10. The information and other data including financial data relating to the Target Company used in this DLO, has been obtained from publicly available documents, Stock Exchanges, Target Company and other government sources. Although, we believe that information/data used in this Letter of Offer is reliable, it has not been independently verified.

**Probable risks involved in associating with the Acquirer**

1. There is no assurance with respect to the continuation of the past trend in the financial performance of the Target Company.
2. The Acquirer makes no assurance with respect to its investment/divestment decisions relating to its proposed shareholding in the Company.
3. The Acquirer makes no assurance with respect to the market price of the Equity Shares, both during the Offer period and upon the completion of the Offer, and disclaims any responsibility with respect to any decision by the Public Shareholders on whether or not to participate in this Offer.

The risk factors set forth above are limited to the Offer and not intended to cover a complete analysis of all risks as perceived in relation to the Offer or in association with the Acquirer, but are only indicative. The risk factors do not relate to the present or future business or operations of the Target Company or any other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in the participation by a Shareholder in the Offer. The Shareholders are advised to consult their stockbroker, or tax advisor or investment consultant, if any, for further risks with respect to their participation in the Offer.

**CURRENCY OF PRESENTATION**

In this Letter of Offer, all references to "INR" or "₹" are to the reference of Indian National Currency ("INR"). All references "to CNY" are to the national currency of People's Republic of China.

In this Letter of Offer, all figures have been expressed in "Lakhs" unless otherwise specifically stated. In this Letter of Offer, any discrepancy in any table between the total and sums of the amount listed are due to rounding off / and or regrouping.

All data presented in CNY in this DLO have been converted into INR for the purpose of convenience translation only. The conversions have been made at the following rates as on 21.05.2013 (unless otherwise stated in this DLO):

CNY 1 : INR 8.76

(Source : Reserve Bank of India [www.rbi.org.in](http://www.rbi.org.in))

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## 1. DEFINITIONS / ABBREVIATIONS

The following definitions apply through this document, unless the context requires otherwise:

1	Acquirer	Kingfa Sci. & Tech Co., Limited
2	BSE	BSE Limited, Mumbai
3	CDSL	Central Depository Services (India) Limited
4	Closing	Acquisition of the Sale Shares by the Acquirer from the Sellers under the SPA and change of management control of the Target Company.
5	Closing Date	Closing shall take place at Chennai, India on the expiry of 21 (Twenty One) Working Days from the date of Detailed Public Statement ("Closing Date"). The Principal Seller and the Purchaser may by mutual consent in writing change the Closing Date and place for Closing.
6	Companies Act	Companies Act, 1956, as amended
7	Consultancy Agreement	Shall have the meaning as ascribed in Article 2A of SPA
8	Depositories	CDSL and NSDL
9	Depository Participant	Master Capital Services Limited with whom the Registrar to the Offer has opened the Open Offer Escrow Demat Account for receiving Equity Shares tendered during the offer.
10	Detailed Public Statement or DPS	Public Statement of the Open Offer made by The Acquirer, which appeared in the newspapers on 27.05.2013 in all editions of Business Standard (English & Hindi), Makkal Kural, Chennai (Tamil, Regional language) and Navashakti, Mumbai (Marathi)
11	DP	Depository Participant
12	Draft Letter of Offer / DLO	The draft letter of offer filed with SEBI pursuant to Regulation 16(1) of the SEBI(SAST) Regulations.
13	Effective Date of SPA	Shall be the date on which Acquirer has provided true copy to the Principal Seller of valid approvals under all laws, including from Chinese Government/Authorities, for investment in India, for amounts required for acquisition of sale Shares under the SPA and consideration to be paid under mandatory Open Offer to be made under Takeover Code and miscellaneous expenses.
14	Eligible Person(s) for the Offer	All owners (registered or unregistered) of shares of Target Company (other than Acquirer and the Sellers) under the SPA anytime before closure of the Offer
15	Emerging Voting Capital	64,07,204 Equity Shares, being the Equity Shares as of the 10 <sup>th</sup> Working Day following completion of the offer.
16	EPS	Earnings Per Equity Share
17	Equity Shares	Fully paid up equity shares of Hydro S & S Industries Limited with face value of INR 10/- each
18	Escrow Account	Escrow account opened with the Escrow Bank
19	Escrow Amount	Cash deposit of Rs. 7,11,32,820.00 (Rupees Seven Crores Eleven Lakhs Thirty Two Thousands Eight Hundred Twenty only) made by the Acquirer in the Escrow Account.
20	Escrow Bank	Industrial and Commercial Bank of China, Mumbai Branch, India
21	Escrow Demat Account	The special depository account opened by the Registrar to the Offer with the Depository Participant for receiving Equity Shares tendered during the Offer.
22	FEMA	Foreign Exchange Management Act, 1999 including related rules, amendments and regulations
23	FIIs	Foreign Institutional Investors
24	FIs	Financial Institutions
25	FOA/ Form of Acceptance	Form of Acceptance cum Acknowledgement accompanying this Letter of Offer

26	FY	Financial Year
27	ICBC	Industrial and Commercial Bank of China
28	Identified Date	26.06.2013, being the date for the purpose of identifying public shareholders of the Target Company to whom the Letter of Offer shall be sent
29	IFSC	Indian Financial System Code
30	Income Tax Act	The Income Tax Act, 1961, as amended.
31	Listing Agreement	Listing Agreement as entered by the Target Company with the Stock Exchanges
32	LO / LOF / Letter of Offer	This Letter of Offer dated [ ]
33	Merchant Banker / Manager to the Offer	Master Capital Services Limited, S.C.O. 22-23, Sector- 9D, Chandigarh - 160009
34	MICR	Magnetic Ink Character Recognition Code
35	MoU	Memorandum of Understanding
36	MSE	Madras Stock Exchange Limited, Chennai
37	NAV	Net Asset Value/ Book Value per share
38	Negotiated Price Rs. 25/-	(Rupees Twenty Five Only) per total Equity Shares of face value of INR 10 each.
39	NECS	National Electronic Clearing Services
40	NEFT	National Electronic Fund Transfer
41	NRIs	Non-Resident Indians
42	NSDL	National Securities Depository Limited
43	NSE	National Stock Exchange of India Limited
44	OCB	Overseas Corporate Bodies.
45	Offer/Open Offer/ The Offer	Open Offer being made by the Acquirer, for acquisition of 16,65,874 Equity Shares to the public shareholders representing 26% of the voting capital of the Target Company at a Offer Price payable in cash.
46	Offer Opening Public Announcement	The announcement of the commencement of the Tendering Period to be made on behalf of the Acquirer on 9 <sup>th</sup> July, 2013
47	Offer Period	Period between the date of signing of the SPA and the date on which the payment of consideration has been made to equity shareholders who have tendered Equity Shares in the Open Offer.
48	Offer Price	Price of INR 42.70 (Rupees Forty Two and Paise Seventy Only) per fully paid Equity Share of face value of INR 10/- each.
49	Offer Shares	Up to 16,65,874 Equity Shares representing 26% Of the Emerging Voting Capital of the Target Company
50	Offer Size	INR 7,11,32,820.00 (Rupees Seven Crores Eleven Lakhs Thirty Two Thousand Eight Hundred twenty only) being the maximum consideration payable under this Offer assuming full acceptance.
51	PA / Public Announcement	Announcement of this Offer made by the Acquirer to the Stock Exchanges , SEBI & the Target Company on 20.05.2013.
52	Paid up Capital	The paid up share capital of the Target Company of INR 6,40,72,040/- (Rupees Six Crores Forty Lacs Seventy Two Thousand and Forty Only) comprising of 64,07,204 fully paid-up Equity Shares of face value of INR10/- each.
53	PAN	Permanent Account Number
54	PAT	Profit After Taxes
55	Principal Seller	Shall mean Mr. Murali Venkatraman S/o Mr. V. Srinivasan residing at 126 (old no.80), Dr. Radhakrishnan Salai, Mylapore, Chennai-600004, Tamil Nadu, India, as in SPA;
56	Principal Warrantor	Shall means Mr. Murali Venkatraman s/o Mr. V. Srinivasan residing at 126 (old no.80), Dr. Radhakrishnan Salai, Mylapore, Chennai-600004, Tamil Nadu, India, as in SPA;
57	Public Shareholders	The Shareholders and beneficial owners(registered or otherwise) of Equity Shares, other than the parties to the SPA and person acting in



		concert with or deemed to be acting in concert with such parties.
58	Purchase Price	Shall have the meaning ascribed thereto in Article 2
59	RBI	Reserve Bank of India
60	Registrar to the Offer	Skyline Financial Services Private Limited, D-153 A, 1st Floor, Okhla Industrial Area, Phase – I, New Delhi-110 020
61	Regulations/Takeover Code/SEBI(SAST) Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as amended till date
62	RNW	Return on Net Worth
63	RoC	Registrar of Companies, 2 <sup>nd</sup> Shastri Bhawan, 26 Haddows Road, Chennai- 600006, Phone: 044-28277182, Fax: 044-28234298, E- Mail:
64	SCRA	The Securities Contracts (Regulations) Act 1956
65	SCRR	The Securities Contracts (Regulations) Rules, 1957, as amended.
66	Sale Shares	Equity Shares proposed to be acquired by the Acquirer from the Sellers under the Share Purchase Agreement are collectively referred to as Sale Shares
67	SEBI Act	Securities and Exchange Board of India, 1992
68	SEBI & Board	Shall mean the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992;
69	Sellers	All the promoter group shareholders of the Target Company selling Equity Shares under the SPA as mentioned in Para 3.1.4 of this DLO.
70	SPA/ Share Purchase Agreement	The Share Purchase Agreement dated 20.05.2013 entered into by the Acquirer with the Sellers, for purchase of 42,60,700 Equity Shares of the Target Company from the Sellers.
71	Stock Exchanges / SE's	Together the BSE, MSE and NSE (shares are traded at NSE under arrangement with MSE)
72	Target Company/Hydro / TC	Hydro S & S Industries Limited
73	Tendering Period	10 <sup>th</sup> July, 2013 to 23 <sup>rd</sup> July, 2013, both days inclusive
74	Transaction	The acquisition of the Sale Shares by the Acquirer from the Sellers pursuant to the SPA
75	Working Days(s)	Working days of SEBI as defined in SEBI (SAST ) Regulations

## 2. DISCLAIMER CLAUSE

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF LO WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE LO HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE PUBLIC SHAREHOLDERS OF HYDRO S & S INDUSTRIES LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRER, OR THE COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LO. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LO, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER DULY DISCHARGES ITS RESPONSIBILITIES ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, MASTER CAPITAL SERVICES LIMITED, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED 31.05.2013 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011 AND SUBSEQUENT AMENDMENTS THEREOF. THE FILING OF THE LO DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER."

### 3. DETAILS OF THE OFFER

#### 3.1 Background of the Offer

- 3.1.1 This Offer is being made by the Acquirer in accordance with the Regulations 3(1) & 4 of the SEBI (SAST) Regulations pursuant to entering into the SPA.
- 3.1.2 The Acquirer has entered into a SPA on 20.05.2013, to acquire 42,60,700 (forty two lakhs sixty thousand seven hundred Only) fully paid equity shares of face value INR10/- each, representing 66.50% of the issued and subscribed equity share capital of the Target Company @ INR 25.00 per fully paid share, from Sellers, representing promoters of the Target Company, as per the terms agreed upon and contained in the SPA.
- 3.1.3 The details of Sellers are as under:

Sr. No.	Name of Seller	Address of Seller	No. of Shares	% of Emerging voting capital of the Target Company
1	Mrs. Vidya Srinivasan & Mr. v. Srinivasan	3 (old no.2), Satyanarayana Avenus, Chennai 600 028	14,64,390	22.85
2	Mrs. Vidya Srinivasan & Mr. Murali Venkatraman	3 (old no.2), Satyanarayana Avenus, Chennai 600 028	9,32,000	14.55
3	Mrs. Vidya Srinivasan & Mr. Narayan Sethuraman	3 (old no.2), Satyanarayana Avenus, Chennai 600 028	7,99,700	12.48
4	Mr. Murali Srinivasan Venkatraman (HUF)	126(old no.80), Dr. Radhakrishnan Salai, Mylapore, Chennai-600004	82,300	1.29
5	Mr. Narayan Sethuramon (HUF)	3(old no.2), Satyanarayana Avenus, Chennai 600 028	82,300	1.29
6	Mr. V. Srinivasan	3(old no.2), Satyanarayana Avenus, Chennai 600 028	82,500	1.29
7	Mr. Shriram Murali	126(old no.80), Dr. Radhakrishnan Salai, Mylapore, Chennai-600004	1,477	0.02
8	M/s Vensunar Holdings Pvt Ltd	4, Venkatesa Agraharam Road, Mylapore, Chennai	2,49,370	3.89
9	M/s Galaxy Investments Pvt Ltd	4, Venkatesa Agraharam Road, Mylapore, Chennai	78,913	1.23
10	M/s Narbod Constructions Pvt Ltd.	9 Tarapore Avenue, Harrington Road, Chetpet, Chennai 600 034	4,00,000	6.24
11	Mr. Dinshaw K. Parakh	9 Tarapore Avenue, Harrington Road, Chetpet, Chennai 600 034	56,250	0.88
12	Mr. N K Parakh	6, Tarapore Avenue, Harrington Road, Chetpet, Chennai 600 034	27,000	0.42
13	Mr. Dinaz Bhabha	6, Tarapore Avenue, Harrington Road, Chetpet, Chennai 600 034	4,500	0.07
<b>Total</b>			<b>42,60,700</b>	<b>66.50</b>

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- 3.1.4 Brief of important terms and conditions of the SPA
- a. Under the SPA, the sale & purchase of the Sale Shares by the Sellers & Acquirer are subject to the satisfaction or waiver (to the extent permissible under the SPA and any applicable law) of certain conditions, including but not limited to:
    - i. SPA shall come into effect on the Effective Date. Till the Effective Date, neither Party shall act for acquisition of Sale Shares. In no case shall the Effective Date be beyond 15 (fifteen) Working Days of the SPA Date. This SPA shall stand terminated and deemed void ab initio, without any obligation of each Party, if approval by Chinese Government/Authorities is not granted within 15 (fifteen) Working Days of the Agreement Date (or any further period as may be mutually agreed between the Principal Seller and the Purchaser in writing) or refused by Chinese Government/Authorities, whichever is earlier.
    - ii. Escrow Agents are appointed as defined in SPA & Escrow accounts for Purchase Price & Sale Shares and related documents have been set up as per procedure defined in Article 5 of the SPA
    - iii. Acquirer not being in breach of the agreements, covenants, obligations, and conditions required by the SPA to be so performed or complied with by it at or before the Closing Date of SPA ("Closing Date") (to the extent that they have not been waived in accordance with the SPA).
    - iv. The Principal Seller ensuring that during the period from Agreement Date and till Closing Date the Company's Business was conducted as per the Ordinary Course of Business.
    - v. The Sellers having marketable title to and unfettered right to transfer the Sale Shares on the Closing Date of SPA to the Purchaser, free and clear of all Encumbrances, in accordance with the terms of the SPA.
    - vi. No Material Adverse Effect having occurred in the period between the SPA Date and the Closing Date of the SPA;
    - vii. The representations and warranties contained at Article 10 of SPA not having been breached in any material respect;
  - b. The obligations of the Parties to proceed with (Closing in terms of Article 8 of the SPA) shall be conditional on the following conditions having been fulfilled (to the extent that they have not been waived in accordance with the SPA):
    - i. the Acquirer having duly completed the period of 21 (twenty one) Working Days from the date of Detailed Public Statement under Takeover Code and has deposited 100% (one hundred percent) of the consideration to be paid in the escrow account opened under the Open Offer in accordance with the provisions of the Takeover Code and having delivered to the Principal Seller a copy of the certificate obtained from its Merchant Banker/Manager under the Takeover Code confirming that the Acquirer has complied with its obligations under the Takeover Code to that extent.
    - ii. there not being in effect any writ, judgment, injunction, decree, or similar order of any court or other authority or Law restraining or otherwise preventing consummation of any of the transactions contemplated by the SPA including the actions to be taken at Closing.
    - iii. to the extent required for Closing, all approvals, consents, orders and authorizations (or registrations, declarations, filings or recordings with any such authorities) required in connection with the completion of any of the transactions contemplated by the SPA, the execution of the SPA, Closing or the performance of any of the terms and conditions of the SPA which are required to be in place by the Closing Date of SPA, shall have been obtained at or before the Closing Date of SPA;
    - iv. without prejudice to the generality of para 3.1.5(a) above, receipt of approval from any Authority, if any, for the purchase of the Sale Shares.

- c. Upon satisfaction of all the conditions precedent set out above, the Acquirer and the Principal Seller shall on or prior to the Closing Date ( as defined in the SPA) execute a notice stating that all the conditions precedent have been met along with the supporting documents, to the extent applicable, evidencing such satisfaction ("CP Satisfaction Notice") (as defined in the SPA) being provided to Acquirer and the Principal Seller and the Parties to SPA shall mutually agree on a Closing Date of SPA.
- d. Subject to right of the respective party to waive any Condition Precedent, this Agreement shall terminate if any condition precedent set out in Article 7 of the SPA has not been satisfied nor has been waived by the Closing Date and the Parties have not extended the Closing Date. The Closing Date may be extended by way of a mutual consent in writing by the Purchaser and the Principal Seller.
- e. Other main clauses / salient features besides clauses like Representations, Warranties, Confidentiality, Indemnity, Termination etc. of the SPA are as under :
- i. In terms of regulation 22(2) of the of the SEBI (SAST) Regulations, the Acquirer has on 21<sup>st</sup> May, 2013 deposited 100% of the consideration payable under the Open Offer in the Escrow Account maintained with ICBC. Accordingly, the Acquirer may, on expiry of 21 Working Days from the date of the DPS, assume control of the Target Company in accordance with the SPA.
  - ii. As per Regulation 24(1), of the SEBI(SAST) Regulations the Acquirer shall have option to nominate Mr. Bo Jingen, a Chinese national bearing passport no. G34924041, as its nominee director on the Board of Directors of the Target Company, after 15 days of the publishing the DPS in accordance with and in compliance of SEBI(SAST) Regulations. But in case of the termination of the SPA, for whatever reason, he shall resign or shall be removed by the Target Company.
  - iii. That the Acquirer and Sellers shall comply with all the provisions of SEBI (SAST) Regulations.
  - iv. That in case of non-compliance of any provisions of the SEBI (SAST) Regulations by the Acquirer before the Closing Date, the SPA shall not be acted upon by the Acquirer or the Sellers and may be terminated as per provisions in the SPA.
  - v. That between the date of signing of the SPA (i.e. 20.05.2013) and the date on which the Acquirer assumes management control of the Target Company, the Sellers & Acquirer have agreed to certain covenants as per SPA.
  - vi. **Protective Covenant:**  
The Principal Seller covenant with the Acquirer that for as long as it owns Equity Shares in the Target Company and for a period of five years after ceasing to own Equity Shares in the Company it shall not, directly or indirectly:
    - engage in any business in India which is competitive with the Target Company's business for which the Target Company is licensed or is engaged in on the SPA date.
    - canvass or solicit orders in India for services similar to those being provided by the Target Company from any person who is a customer of the Target Company at any time.
    - make use of or (except as required by law or any competent regulatory body) disclose or divulge to any Third Party, except under the Consultancy Agreement, any information of a secret or confidential nature relating to the Target Company's business or their respective customers.
    - induce, or attempt to induce, any Key Employee (as defined in the SPA) of the Target Company to leave the employment of the Company, except under the Consultancy Agreement.

## vii. Consultancy Agreement

The Acquirer being a new entrant in the Indian market has requested the Sellers to provide certain consultancy services of an advisory nature to assist the new management of the Company for a period of 12 (twelve) months on and from the Closing Date. Accordingly, the Acquirer agrees that a company owned and controlled by the Sellers in which the Sellers have shareholding which is inter-se the Sellers in the same proportion as in the Company ("Consultant Company") shall, prior to the Closing Date, execute a consultancy agreement ("Consultancy Agreement") a final form draft of which was agreed to by the Parties as annexed as Schedule 6 to the SPA) with the Company for a period of 12 (twelve) months from the Closing Date subject to applicable provisions under the Takeover Code.

The Sellers in the capacity of the shareholders of the Target Company shall be entitled to cast their vote for shareholder's approval for the purpose of this Article 2A of the SPA after the Agreement Date and such vote, if and when casted shall be valid until such time as permitted under Applicable Law.

The main clauses/provisions of the draft Consultancy Agreement are as under:

- a. Services offered would include only
    - General corporate advisory;
    - Advising on the company-customer and company-vendor relationship;
    - Advising on the potential market/ sales scope of the products of the Company; and
    - General advice on the branding/ promotion of the products of the Company.
  - b. The Consultant Company shall provide its advice for a smooth transition of the business from the hands of the present members of Board to the hands of the to-be appointed new members of Board. The Services shall solely be of an advisory nature and may be through oral communication or meetings and none of the Services shall bind the Consultant Company or any of its advisor(s) towards the Company for any reason whatsoever.
  - c. Further, the Target Company shall be under no obligation to consider or implement the advices rendered by the Consultant.
  - d. The Consultant Company shall not be responsible nor shall it have any role or rights in the affairs of the Company.
  - e. The Services under this Agreement shall be rendered and provided exclusively to the Board by the Consultant Company.
  - f. Consultancy Fee and Reimbursement:
    - i. The Consultant Company is entitled to a fee of INR 7,50,00,000 (Indian Rupees Seven Crore Fifty Lakh only) along with reimbursement of applicable Service Tax.
    - ii. The Target Company agrees that in the event there is any further change in the controlling stake in the Target Company during the Term of this Agreement, other than as contemplated in this Agreement or the New Promoters (Acquirer) sell majority of their shares in the Target Company (after having acquired from the Current Promoters under the Share Purchase Agreement), during the term of this Agreement, the Consultancy Fees shall be due and payable immediately upon occurrence of such event.
- 3.1.5 The Offer is not as a result of global acquisition resulting in indirect acquisition of the Target Company.
- 3.1.6 The Acquirer have not been prohibited by SEBI from dealing in securities, in terms of direction issued U/s 11B of SEBI Act, 1992 or under any other Regulation under the SEBI Act, 1992.
- 3.1.7 In terms of regulation 22(2) of the of the SEBI (SAST) Regulations, the Acquirer has deposited 100% of the consideration payable under the Open Offer in the Escrow Account maintained with ICBC, Mumbai. Accordingly, the Acquirer has option, on expiry of 21 Working Days from the date of the DPS, to completed the acquisition of shares from the existing promoters, reconstitute the board of directors and take control over the Target Company in accordance with the SPA. The Acquirer has proposed to appoint Mr. Bo Jingen, a Chinese national bearing passport no. G34924041, as Directors of the Target Company.

- 3.1.8 As per Regulations 26(6) and 26(7) of SEBI (SAST) Regulations, the Board of the Target Company is required to constitute a committee of Independent Directors to provide their reasoned recommendation on the Offer. The reasoned recommendations are required to be published in the same newspaper in which the DPS was published no later than two working days prior to the commencement of the Tendering Period.
- 3.1.9 Non – resident Indian (“NRI”) and overseas corporate body (“OCB”) holders of the Equity shares, must obtain all approval required to tender the Equity Shares held by them in this offer (including without limitation the approval from the Reserve Bank of India (“RBI”), since the Equity Shares validly accepted in this offer will be acquired by a non resident entity) and submit such approvals also with the Form of Acceptance-cum -Acknowledgement (as defined below) and other documents required to accept this offer.
- 3.1.10 The Acquirer may revise the Offer Price and the Offer Size at their discretion. The Offer Price may also be revised pursuant to any acquisition by the Acquirer at a price which is higher than the Offer Price. In the event of such revisions at any time prior to three Working Days prior to the commencement of the Tendering Period in the Offer, the Acquirer shall (i) make corresponding increase to the Escrow Amount (ii) make a public announcement in the same newspapers in which the DPS was published; and (iii) simultaneously with the announcement, inform SEBI, the Stock Exchanges and the Target Company at its registered office of such a revision.
- 3.1.11 Pursuant to the Offer (assuming full acceptance) and the completion of the acquisition of Sale Shares as envisaged under the SPA, the Acquirer shall be identified as part of the promoter & promoter group of the Target Company and shall control 92.50 % of the Emerging Voting Capital of the Target Company. In the event the shareholding of the Acquirer increases beyond the maximum permissible non-public shareholding limit of 75 % as provided under the SCRR, the Acquirer shall increase the level of public shareholding in the Target Company to the minimum level required under clause 40A of the Listing Agreement and Rule 19A of the SCRR within the time limits specified therein and through the permitted routes available under the Listing Agreement including any other such route as may be approved by SEBI from time to time.

### 3.2 Details of the Proposed Offer:

- 3.2.1 The DPS in respect of the Open Offer was published on 27.05.2013 in the following newspapers:

Business Standard	English	All Editions	Monday	27.05.2013
Business Standard	Hindi	All Editions	Monday	27.05.2013
Navashakti	Marathi	Mumbai	Monday	27.05.2013
Makkal Kural	Tamil	Chennai	Monday	27.05.2013

A copy of the DPS was sent to the BSE, MSE, NSE, SEBI and the Target Company at its registered office. The PA & DPS are also available on SEBI's Website at [www.sebi.org.in](http://www.sebi.org.in)

- 3.2.2 The Acquirer is making an Offer to the Public Shareholders of the Target Company (i.e. other than the parties to the SPA) to acquire up to 16,65,874 Equity Shares of INR10.00 each of the Target Company representing 26% of the Emerging voting Capital of the Target Company, at a price of INR 42.70 per equity share, payable in cash in terms of Regulations 8 of the SEBI (SAST) Regulations.
- 3.2.3 There are no partly paid-up Shares in the Target Company.
- 3.2.4 There is no differential price being offered for the Shares tendered in the Open Offer.
- 3.2.5 This is not a competitive bid.
- 3.2.6 The Offer is not conditional offer on any minimum level of acceptances. The Equity Shares acquired by the Acquirer, pursuant to the Offer, will be free from all liens, charges and encumbrances and together with all rights attached thereto, including the rights to all dividend, bonus and rights declared after all the formalities relating to this Offer are completed.
- 3.2.7 The Acquirer has not acquired any Equity Share of the Target Company during preceding twelve months from the date of PA, directly or indirectly. However, the Acquirer has not acquired any share between the date of PA (i.e.20.05.2013) and the date of this DLO.
- 3.2.8 Presently the Acquirer, its promoters and its directors have no relationship with the Target Company except that the Acquirer has entered into SPA dated 20.05.2013 with all the Sellers for acquiring Sale Shares and assume management control of the Target Company.
- 3.2.9 The Manager to the Offer, does not hold any shares of the Target Company as on the date of this Letter of Offer. They declare and undertake that they shall not deal in the Equity Shares of the Target Company during the period commencing from the date of appointment as Manager to the offer till the expiry of fifteen days from the date of closure of the Offer.

3.2.10 There were/are no competitive bids to this offer.

**3.3 Object of the Acquisition/offer**

- 3.3.1 The prime objective of the Acquirer is to acquire substantial acquisition of shares/voting rights and assume management control of the Target Company.
- 3.3.2 Acquirer's business is in line with the Target Company's business. Acquisition of substantial stake in the Target Company will strengthen the global market position of Acquirer. Acquirer proposes to continue with the existing business of the Target Company and may restructure the existing line of business in line with overall group objective and explore various opportunities to maximize the business synergies of the Target Company.
- 3.3.3 The Acquirer currently does not have any plans to dispose of or otherwise encumber any assets of the Target Company in the next two years except in the ordinary course of business of the Target Company and except to the extent required for the purpose of restructuring and/or rationalization of operations, assets, investments, liabilities or otherwise of the Target Company, after requisite approval of the shareholders, if required.

**4. BACKGROUND OF THE ACQUIRER**

- 4.1 The Acquirer, a limited company was incorporated in May, 1993 under the name Guangzhou Tianhne Hi-tech Industrial Development Zone Kingfa Sci. and Tech. Development Co., Ltd. under Chinese Law. The name was changed in January, 1996 to Guangzhou Kingfa Sci. and Tech. Development Co., Ltd., further in December, 2002 changed to Guangzhou Kingfa Sci. and Tech. Co., Ltd. and finally to Kingfa Sci. and Tech. Co. Limited in September, 2007. The Company is registered with Guangzhou Administration for Industry and Commerce, registration no. 440101000176979. It has its registered office at 33, Kefeng Road, Scientific Centre, Guangzhou Hi-Tech Industrial Development Zone, City Guangzhou, China. Tel: Tel.: (86) -020-66221361, Fax: (86) -020-66221341, E-Mail id: xdm2012@kingfa.com.cn.
- 4.2 The Acquirer is engaged in the business of manufacturing, R&D and sale of high quality plastic products. The Acquirer primarily offers fire-retardant resin, reinforced and toughened resins, plastic alloys, wood-plastics composites and functional & biodegradable plastics. Its products are used in automobile, information technology, electronics, telecommunications, household appliances, construction, lighting and electrical tools, and other industries. The Acquirer exports its products to approximately 30 countries including the United States, Canada, Japan, Malaysia, Thailand, Mexico, India, and South Korea under the "Kingfa" trademark and provides service to more than 10000 clients globally.

**Accreditations & Achievements:**

- Kingfa is an ISO9001:2000 certified, TS 16949:2002, ISO 14001 certified and OHSAS 18001 registered enterprise.
- Chairman, Mr. Zhimin Yuan was awarded as the "Top CEO" by Guangdong Province (Mar.23,2005)
- Kingfa Shanghai was awarded as "High-Tech Enterprise" from Shanghai City (Jan. 04, 2005) and was also awarded "Excellent High-Tech Enterprise" from Guangdong Province
- Kingfa is one of Sony's Green Partner.
- The first LTTA CTDP laboratory recognized by UL in the Asian-Pacific area.

The Acquirer is currently having manufacturing facilities at five locations in China and has consistently scaled up its production capacity from 770000 mts. per year in 2008 to 1400000 mts in the year 2012 through strategic development spreading over eastern, western, southern and northern part of China.

Plant	Production Lines	Production Capacity (year 2008)	Production Capacity (year 2010)	Production Capacity (year 2012)
Guangzhou Plant 1	46	120,000,000kgs/year	-	
Guangzhou Plant 2	54	240,000,000kgs/year	240,000,000kgs/year	200,000,000kgs/year
Shanghai Plant 3	22	220,000,000kgs/year	440,000,000kgs/year	500,000,000kgs/year
Sichuan Plant 4	12	40,000,000kgs/year	80,000,000kgs/year	100,000,000kgs/year



Guangzhou Plant 5	22	150,000,000 kgs/year	600,000,000kgs/year	600,000,000kgs/year
Total		770,000,000 kgs/year	1,360,000,000 kgs/year	1,400,000,000 kgs/year

Kingfa has 14 subsidiaries with total land area of nearly 2700000 Sq meters, covering southern, eastern, northern and western part of China and the marketing network spread over all over world, as under .

Subsidiaries	Types of subsidiaries	Nature of business	Registered Capital	Proportion of Shareholdin
Tianjin Kingfa Sci. and Tech. Co., Ltd.	Subsidiaries	Plastics Industry	CNY180million	100
Shanghai Kingfa Sci. and Tech. Co., Ltd.	Subsidiaries	Plastics Industry	CNY370million	100
Mianyang Changxin New Material Development Co., Ltd.	Subsidiaries	Plastics Industry	CNY100 million	100
HK Kingfa Development Co., Ltd.	Subsidiaries	Trade	HK 3million	100
Guangzhou Kingfa Technology Venture Capital Co., Ltd.	Subsidiaries	Investment	CNY80million	100
The Mianyang Oriental Special Engineering Plastics Co., Ltd.	Subsidiaries	Plastics Industry	CNY60million	100
Mianyang Science & Technology Co., Ltd.	2 <sup>nd</sup> level subsidiary	Plastics Industry	CNY500Thousand	100
Zhuhai Wantong Chemical Co., Ltd.	2 <sup>nd</sup> level subsidiary	Plastics Industry	CNY410million	51.22
Guangzhou Kingfa traceability New Material Development Co., Ltd.	2 <sup>nd</sup> level subsidiary	New Materials Industry	CNY10million	51
Jiangsu Kingfa Technology New Materials Co., Ltd.	Subsidiary	Plastics Industry	CNY638.8million	100
Jilinthe Jingu Fine Chemical Co., Ltd.	2 <sup>nd</sup> level subsidiary	Chemical Industry	CNY100million	50
Guangzhou Kingfagreen WPC Technology Co., Ltd.	2 <sup>nd</sup> level subsidiary	New Materials Industry	CNY66million	51
Kim Chun Photoelectric New Materials Co., Ltd.	2 <sup>nd</sup> level subsidiary	New Materials Industry	CNY10million	100
Green Building Materials Co., Ltd. of Nanhai District, Foshan City	3 <sup>rd</sup> level subsidiary	Trade	CNY1million	100

(2<sup>nd</sup> level subsidiary: means Acquirer subsidiary's subsidiary and 3<sup>rd</sup> level subsidiary: means Acquirer subsidiary's subsidiary's subsidiary)

4.3 The Promoters of Acquirer are Mr. Yuan Zhimin, Mr. Song Ziming, Ms. Xiong Haitao, Mr. Xia Shiyong, Mr. Li Nanjing & Ms. Xiong Lingyao. Mr. Yuan Zhimin is the , founder.

4.4 The Shareholding pattern of the Acquirer Company as on the date of DLO is as follows:

Sr. No.	Shareholder Category	No. of Shares	% of total capital
1	Promoters		
A	Mr. Yuan Zhimin	451,323,366	17.13
B	Mr. Song Ziming	260,755,838	9.90
C	Ms. Xiong Haitao	158,855,360	6.04
D	Mr. Xia Shiyong	91,935,544	3.49
E	Mr. Li Nanjing	90,169,754	3.42
F	Ms. Xiong Lingyao	47,938,214	1.82
<b>Total</b>		<b>1,10,09,78,076</b>	<b>41.80</b>
2	FII/ Mutual-Funds/FIs/Banks	27,24,84,443	10.34
3	Public	1,26,09,37,481	47.86
	<b>Total Paid up Capital</b>	<b>2,63,44,00,000</b>	<b>100.00</b>

4.5 The details of Board of Directors of the Acquirer Company, as on the date of DLO, are as follows:

Name	Experience	Qualification	Date of Appointment*	ID No of Directors
Mr. Yuan Zhimin	20 years in the field of polymers modification and compound.	Master's Degree (Flame Retardant)	01.09.2001	440102196103254095
Mr. Li Nanjing	20 years in the field Administration	Doctorate of Management	01.09.2001	440726196204160737
Ms. Xiong Haitao	16 years in Administration	MBA	01.09.2001	510702196404170523
Mr. Liang Ronglong	16 years of in Marketing and Management field	MBA	01.09.2001	441702197101093310
Mr. Nie Delin	15 years in technical and management field	Master's in Applied Chemistry	21.03.2011	422226197308080091
Mr. Cai Tongmin	15 years in technical	Master's in polymer	21.03.2011	441202197308292512
Mr. Chen Yi	11 years in marketing and sales	Bachelor of Japanese Language	18.05.2010	440400196110174812
Mr. Kuang Jingming (Independent)	25 years in teaching in Beijing University of Technology	Doctorate in Communication	12.11.2007	110108194306145713
Mr. Lian Zhenfeng (Independent)	31 years in teaching Shanghai Jiao Tong University	Master's in Material	12.11.2007	440106194510100313
Ms. Cui Yi Independent	15 years in teaching South China University of Technology	MBA	21.03.2011	140102195110064825
Mr. Ren Jiantao (Independent)	15 years in teaching Renmin University of China	Doctorate in Management	12.11.2007	510402196208130915

\* As certified by the Acquirer.

- 4.6 The Acquirer has not directly nominate or appointed any of the members on the Board of Directors of the Target Company. None of the directors of the Acquirer are directors on the Board of Directors of the Target Company.
- 4.7 The Acquirer has never acquired equity shares in a listed Indian entity and hence the provisions of Chapter II of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and Chapter V of the SEBI (SAST) Regulations are not applicable.
- 4.8 Brief Consolidated Financials of the Acquirer are as under:

CNY/INR in Lakhs

Profit & Loss Statement	Ended 31.12.2012 (Audited)		Ended 31.12.2011 (Audited)		Ended 31.12.2010 (Audited)	
	(CNY)	(INR)	(CNY)	(INR)	(CNY)	(INR)
Income from Operations	122401.48	1072236.99	115469.69	1011514.51	102423.25	897227.69
Investment Income	98.37	861.70	2172.73	19033.08	-5.85	-51.28
Other Income	1366.19	11967.85	848.56	7433.39	1015.19	8893.03
Total Income	123866.04	1085066.55	118490.98	1037980.97	103432.58	906069.44
Total Expenditure	114695.77	1004734.98	107843.54	944709.39	97104.10	850631.93
Profit Before Depreciation Interest and Tax	9170.27	80331.57	10647.44	93271.58	6328.48	55437.51
Interest	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00	0.00
Misc Exp. W/O	0.00	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	9170.27	80331.57	10647.44	93271.58	6328.48	55437.51
Provision for Tax	1418.27	12424.07	1269.62	11121.91	628.76	5507.93
Profit After Tax	7752.00	67907.49	9377.82	82149.66	5699.72	49929.58

CNY/INR in Lakhs

Balance Sheet Statement	Ended 31.12.2012 (Audited)		Ended 31.12.2011 (Audited)		Ended 31.12.2010 (Audited)	
	(CNY)	(INR)	(CNY)	(INR)	(CNY)	(INR)
<b>Sources of Funds</b>						
Paid up Equity Share Capital	26344.00	230773.44	13965.00	122333.40	13965.00	122333.40
Reserves and Surplus (Excluding revaluation reserves)	51894.63	454596.96	31277.17	273988.00	20217.27	177103.32
Non-Controlling Interest	2368.90	20751.57	2385.31	20895.29	3426.92	30019.78
Net Worth	80608.00	706121.97	47627.00	417216.69	37609.00	329456.50
Long Term Borrowings	3872.58	33923.82	15554.07	136253.67	17698.31	155037.15
Net Deferred Tax Liability	0.00	0.00	0.00	0.00	41.29	361.70
Other Non Current Liabilities	3602.91	31561.51	3344.08	29294.11	2954.90	25884.96
<b>Total (A)</b>	<b>88083.02</b>	<b>771607.30</b>	<b>66525.62</b>	<b>582764.47</b>	<b>58303.69</b>	<b>510740.30</b>
<b>Uses of Funds</b>						
Net Fixed Assets	21820.90	191151.10	14603.11	127923.27	13157.27	115257.71
Capital Work in Progress	2320.90	20331.04	4263.28	37346.30	1419.75	12437.05
Project Materials	204.73	1793.46	142.06	1244.43	53.30	466.90
Intangible Assets	9200.03	80592.24	7952.75	69666.08	6502.94	56965.75
Long-term Deferred Expenses	41.52	363.71	35.35	309.65	40.15	351.68
Investments	452.86	3967.05	412.27	3611.44	371.30	3252.60
Deffered Tax Asset	587.55	5146.92	596.96	5229.36	500.45	4383.94
Net Current Assets	53454.54	468261.77	38519.86	337433.93	36258.52	317624.67
<b>Total (B)</b>	<b>88083.02</b>	<b>771607.30</b>	<b>66525.62</b>	<b>582764.47</b>	<b>58303.69</b>	<b>510740.30</b>

CNY/INR in Lakhs

Other Financial Data	Ended 31.12.2012 (Audited)		Ended 31.12.2011 (Audited)		Ended 31.12.2010 (Audited)	
	(CNY)	(INR)	(CNY)	(INR)	(CNY)	(INR)
Dividend(%)	-	-	-	-	-	-
Earning Per Share (in CNY/INR)	0.29	2.58	0.42	3.68	0.41	3.63
Return on Networth (%)	9.64	9.64	20.03	20.03	15.38	15.38
Book Value Per Share (in CNY/INR)	3.06	26.80	3.41	29.88	2.69	23.59

**Note:** Since the consolidated financial statements of the Acquirer are prepared in CNY, the functional currency of the Acquirer, they have been converted into INR for purpose of convenience of translation. 1 CNY=INR 8.76

**Source:** The consolidated financial information set forth above has been extracted from the audited consolidated financial statements of the Acquirer as at and for years ended 31 December 2010, 31 December 2011 and 31 December 2012.

4.9 There are no Contingent Liabilities of the Acquirer as of December 31, 2012.

4.10 Acquirer is a Listed Entity.

4.10.1 The Shares of the Acquirer are listed on the Shanghai Stock Exchange since 23<sup>rd</sup> June, 2004. Redeemable Bonds issued on 24<sup>th</sup> July, 2008 are also listed on the Shanghai Stock Exchange.

4.10.2 Marker Price of Shares

Date	Market Price Share of face value of 1 CNY (in CNY)	
	High	Low
October, 2012	5.94	5.11
November, 2012	5.32	4.35
December, 2012	5.44	4.02
January, 2013	6.43	5.02
February, 2013	6.42	5.58
March 2013	6.95	6.01
April 2013	6.94	5.43

Year	Low	High
2012	4.00	13.70
2011	11.90	19.36
2010	7.40	17.91

Source : The Shanghai Stock Exchange

Marker Price of Bonds

Date	Market Price of Bond of face value of 100 CNY (in CNY)	
	High	Low
October, 2012	103.04	102.02
November, 2012	102.60	101.30
December, 2012	102.27	101.60
January, 2013	101.99	101.71
February, 2013	102.07	101.31
March 2013	102.00	101.20
Apr-13	101.36	100.10

Year	Low Price	High Price
2012	101.25	104.25
2011	101.2	106.58
2010	103.85	109.88

Source : The Shanghai Stock Exchange

4.10.3 As per certificate dated 22.05.2013 of the Secretary of the Board of Directors, Kingfa is in compliance with corporate governance rules and the regulations to which it is subject to under applicable laws.

4.10.4 Name & Other details of the Compliance Officer is as under:

Mr. Ning Hong-tao

Secretary of the Board of Director

33, Kefeng Road, Sciencetown, Guangzhou, China

Tel No. : +862066837886, Fax : +86206684888, Mobile : +8613902216299

E-mail ID : [ninght@kingfa.com.cn](mailto:ninght@kingfa.com.cn)

#### 5. BACKGROUND OF THE TARGET COMPANY

*(The disclosure made under this section has been sourced from information published by the Target Company or publicly available sources)*

5.1 The Target Company was incorporated on November 10, 1983 as M/s S & S Filled Fibers Limited, under the Companies Act, 1956 with the Registrar of Companies, Chennai and obtained a Certificate of Incorporation bearing Number 18-10438. The name of the Company was changed to M/s Hydro S & S Industries Limited vide ROC Certificate issued on October 17, 1989. The CIN number of the Target Company is L25209TN1983PLC010438. The Registered Office of the Target Company is located at Dhun Building, III Floor, 827, Anna Salai, Chennai – 600 002, Tel: 044-28521736, Fax : 044-28520420 E-mail: [info@hssil.com](mailto:info@hssil.com).

5.2 The Target Company set up modern unit in the SIPCOT Industrial Complex at Pudukottai in Tamil Nadu for Manufacture of 2000 MT of Mineral and Moulding Compounds in technical collaboration with "M/s. Norsk Hydro Polymers Limited, United Kingdom". To part finance the project, the Target Company came out with a Public Issue of 600000 equity shares of INR10/- each for cash at par in 1986.

In order to augment a long term resources of the Target Company, consequent of the increased capacity, the Company went for a rights issue in April 1992 by issue of 402328 shares including shares to employees at INR10/- each for cash at par.

In March, 1994, the Target Company issued 1738634 shares on a rights basis at a premium of INRS/- per share aggregating to INR260.79 lakhs to set up a new manufacturing facility with a capacity of 2500 tpa in the Union Territory of Pondicherry.

In the same year Target Company entered into agreement with Advanced Elastomers Systems (subsequently merged into Exxon Mobil) for procurement of RC compounds for manufacture of Thermoplastic Elastomer Compounds.

In 2007, work commenced on setting up a greenfield facility at Jejuri, near Pune and the same became operational in the last quarter of 2008.

In the year 2012, work was initiated to realign capacity in line with geographical requirements and a new facility is getting ready at Manessar, Gurgaon with production capacity being moved from Pudukottai.

The Target Company received its ISO 9002 Certification from Det Norske Veritas for its operations at the Pudukottai Plant in 1995.

The Target Company currently has a capacity of 6000 tpa for the manufacture of Reinforced/Filled Thermoplastic Compounds.

**The Target Company has Manufacturing facilities at the following locations:**

Pudukottai - Tamil Nadu

Puducherry - Tamil Nadu

Jejuri- Near pune- Maharashtra

Manesar- Gurgaon, Haryana (Under commissioning)

- 5.3 The issued and subscribed share capital of the Target Company is INR 6,40,72,040 (Rupees Six Crores Forty Lacs Seventy Two Thousands Forty only) consisting of 64,07,204 fully paid up Shares of face value of INR 10.00 each. Details of the subscribed and paid up share capital of the Target Company as of 31<sup>st</sup> December, 2012 are set forth below:

Paid up Equity Shares of the Target Company	Paid up Equity Shares of the Target Company	% of shares/voting rights
Fully paid up Equity Shares	6407204	100.00%
Partly paid up Equity Shares	-	-
Total paid up Equity Shares	6407204	100.00%
Total voting rights in the Target Company	6407204	100.00%

- 5.4 The shares of the Target Company have been listed on BSE and MSE (MSE is not functional and it has entered into arrangement with NSE for providing trading platform to its listed companies).

Trading of the Target Company's equity shares has never been suspended from SEs. Further, no penal / punitive actions have been taken by the Stock Exchanges.

- 5.5 As on the date of DLO there is **no partly paid** Equity Shares in the Target Company.

- 5.6 As on the date of this DLO, the Target Company does not have any outstanding convertible instrument (warrants /FCDs/PCDs) etc.

- 5.7 The Board of Directors of Target Company as on the date of DLO are as follows:

Name of Director	Designation	DIN	Qualification & Experience	Date of Appointment	Whether representing Acquirers
Mr.V.Srinivasan	Promoter Director and Non Executive	00002352	B.E.(Hons.) and leading Industrialist in South India and former President of CEI.	25/11/1983	No
Mr.Murali Venkatraman	Promoter Director and Vice Chairman and Non Executive	01176314	Electrical Engineer with a Post Graduate degree in Engineering Management having more than 25 years of experience.	25/06/1987	No
Mr.V.Thirupathi	Independent Director and	00024627	Chartered Accountant. Served as Managing Director of M/s.ICICI	24/03/2003	No

	Non Executive		Credit Corporation Limited and has over 30 years of varied experience.		
Mr.Dinshaw K.Parakh	Promoter Director and Non Executive	00238735	B.A., M B A and leading Industrialist with experience in the construction industry.	23/10/2003	No
Mr.G.Balasubramanyan	Independent Director and Non Executive	00006454	Praticing Chartered Accountant with more than 35 years of pratice behind him.	06/09/2007	No
Mr.S.K.Subramanyan	Whole Time Director and Executive	00024614	Chartered Accountant and Company Secretary having more than 25 years of experience in the corporate sector	01/10/2000	No

5.8 There has been no merger/de-merger, spin off during last 3 years involving the Target Company.

5.9 Brief audited financial data for the last three financial years ending on March 2013, March 2012 and March 2011 is given below:

INR in Lakhs

Profit & Loss Statement	As on 31.03.2013 Audited	As on 31.03.2012 Audited	As on 31.03.2011 Audited
Income from Operations	15657.95	15010.03	14011.62
Other Income	83.63	14.36	12.14
Total Income	15741.58	15024.39	14023.76
Total Expenditure	15472.93	14114.35	13158.78
Profit Before Depreciation Interest and Tax	268.65	910.04	864.98
Interest	697.12	655.61	465.09
Depreciation	281.85	267.94	269.09
Profit Before Tax	-710.32	-13.51	130.8
Current Tax	-205.50	-16.00	-26.00
Profit After Tax	-504.82	2.49	156.80

INR in Lakhs

Balance Sheet Statement	As on 31.03.2013 Audited	As on 31.03.2012 Audited	As on 31.03.2011 Audited
<b>Sources of Funds</b>			
Paid up Equity Share Capital	640.72	640.97	640.97
Reserves and Surplus (Excluding revaluation reserves)	1346.07	1850.90	1848.17
Net Worth	1986.79	2491.87	2489.14
Secured Loans	3387.54	4212.97	4248.01
Unsecured Loans	29.08	44.69	20.09
Total	5403.41	6749.53	6757.24
<b>Uses of Funds</b>			
Net Fixed Assets	2554.49	2938.16	3129.62

Capital Work in Progress	25.97	32.94	28.11
Investments	45.45	46.73	24.16
Net Current Assets	2777.50	3731.45	3575.35
Total	5403.41	6749.28	6757.24

Other Financial Data	INR in Lakhs		
	As on 31.03.2013 Audited	As on 31.03.2012 Audited	As on 31.03.2011 Audited
Dividend(%)	0	0	6
Earning Per Share (in INR)	-7.88	0.04	1.64
Return on Networth (%)	-25.41	0.10	4.21
Book Value Per Share (in INR)	31.01	38.89	38.85

The financial data above has been certified by M/s. P.Srinivasan & Co., Chartered Accountant, (Membership No.021007) having its office at No.6/24, Sambasivam Street, T. Nagar, Chennai-600017, Tel No. 044-28151105, E-Mail: [psgopalan@gmail.com](mailto:psgopalan@gmail.com), vide their certificate dated 23.05.2013.

5.10 Pre and Post-Offer Shareholding Pattern of the Target Company (Based on Paid-up Equity & Voting Capital) is as under:

Shareholding Structure Assuming Full Acceptance by Public Shareholders								
Shareholders' Category	Shareholding & voting rights prior to SPA (1)		Equity Shares agreed to be acquired / (sold) pursuant to the SPA		Offer Shares		Shareholding/ voting rights post consummation of SPA and the Open Offer	
	Number	% of Voting Capital	Number	% of Voting Capital	Number	% of Voting Capital	Number	% of Voting Capital
<b>1. Promoters Group</b>	<b>(A)</b>		<b>(B)</b>		<b>(C)</b>		<b>B) + (C) = (D)</b>	
a. Sellers as per SPA	4260700	66.50%	(4260700)	(66.50%)	Nil	Nil	Nil	Nil
b. Promoters other than (a) above	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total (1) (a + b)</b>	<b>4260700</b>	<b>66.50%</b>	<b>(4260700)</b>	<b>(66.50%)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>2. Acquirers</b>								
a. Acquirer	Nil	Nil	4260700	66.50%	1665874	26.00%	15926574	92.50%
b. PAC	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total (2) (a + b)</b>	<b>Nil</b>	<b>Nil</b>	<b>4260700</b>	<b>66.50%</b>	<b>1665874</b>	<b>26.00%</b>	<b>15926574</b>	<b>92.50%</b>
<b>3. Parties to the SPA other than (1) a and (2)</b>								
a. Public (other than parties to SPA, Acquirer and PAC)								
a. Fls/ Banks	200	0.00%	Nil	Nil	(166587)	(26.00%)	480630	7.50%



b. Others	2146104	33.50%	Nil	Nil				
Total(4) (a + b)	2146304	33.50%	Nil	Nil	(1665874)	(26.00%)	480630	7.50%
Total (1+2+3+4)	6407204	100.00%	Nil	Nil	Nil	Nil	6407204	100.00%

(1) Pre-Offer shareholding pattern of the Target Company is as of March 31, 2013 (Source: BSE)

The total number of public shareholders of the Target Company as on March 31, 2013 is 4108.

## 6. OFFER PRICE AND FINANCIAL ARRANGEMENTS

### 6.1 Justification of Offer Price

- 6.1.1 The Offer is being made pursuant to entering into a SPA by the Acquirer with the Sellers and the Target Company leading to a substantial acquisition of Equity Shares and assume control of the Target Company in accordance with Regulation 3(1) and Regulation 4 of the SEBI (SAST) Regulations.
- 6.1.2 The equity shares of the Target Company are listed on BSE, MSE and traded at NSE under arrangement with MSE ("Stock Exchanges"). The equity shares are not frequently traded on any Stock Exchange within the meaning of explanation 2(j) of SEBI (SAST) Regulations, since the trading turnover during the preceding 12 (Twelve) calendar months ended 30.04.2013 on either BSE, MSE or NSE, is less than 10% of the total number of equity shares, as under:

Name of the Exchange	Total number of shares traded during May 1, 2012 to April 30, 2013	Total Number of listed shares as on April 30, 2013	Trading Turnover (% to total listed shares)
BSE	490366	64,07,204	7.65
MSE	Not Functional	64,07,204	a.
NSE (Traded under arrangement with MSE)	249666	64,07,204 (Under permitted category)	3.90

Source: [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com)

- 6.1.3 The Offer Price of INR 42.70 (Rupees Forty Two and Paise Seventy only) per fully paid-up equity share is justified in terms of Regulation 8(2) of the SEBI (SAST) Regulations, in view of the following:

Sr. No.	Details	INR
A	The highest negotiated price per fully paid equity share of the Target Company (as per SPA) attracting the obligation to make a PA of this Offer	25.00
B	The volume weighted average price paid or payable for acquisitions, by the Acquirer or the PAC during the fifty two weeks immediately preceding the date of the PA	-
C	The highest price paid or payable for any acquisition by the Acquirer or the PAC during the twenty six weeks immediately preceding the date of the PA	-
D	The volume weighted average market price of Equity Shares of the Target Company for a period of sixty trading days immediately preceding the date of the PA as traded on the NSE, being the stock exchange where the maximum volume of trading in the shares of the Target Company are recorded during such period, the shares being frequently traded	Not Applicable

E	Fair value as per other financial parameters as per Audited Balance Sheets upto period ending 31.03.2013*	12.69
	Industry Average P/E Multiple**	17.25
	Offer Price P/E Multiple	1067.50

- The fair value has been certified by M/s. P.Srinivasan & Co., Chartered Accountant, (Membership No.021007) having its office at No.6/24, Sambasivam Street, T. Nagar, Chennai-600017, Tel No. 044-28151105, E-Mail: [psgopalan@gmail.com](mailto:psgopalan@gmail.com), vide certificate dated 23.05.2013.

\*\* (Source: Ace Equity dated 21.05.2013 in respect of Plastic Products Industry)

The Offer Price of INR 42.70 (Rupees, Forty Two and Paise Seventy Only) is higher than A, B, C, D and E above, and meets requirements under the SEBI (SAST).

**NOTE :**

- The Acquirer being a new entrant into the Indian market, has requested the Sellers to provide certain consultancy services of an advisory nature to assist the new management of the Target Company for a period of 12 (twelve) months on and from the assuming control ("Closing Date"). Accordingly, as per the SPA, the Acquirer has agreed that Consultant Company (a company owned and controlled by the Sellers in which the Sellers have shareholding which is inter-se the Sellers in the same proportion as in the Target Company) shall execute a consultancy agreement ("Consultancy Agreement") with the Target Company for a period of 12 (twelve) months from the Closing Date subject to applicable provisions under the SEBI(SAST) Regulations, for a lump sum fee of INR 750.00 lakhs payable at the end of the consultancy period.

Assuming the receipt of fee as envisaged in the proposed Consultancy Agreement, as indirect receipt in the hands of the Sellers, the total realisation per fully paid Sale Share of INR 10.00 each of the Target Company is INR 42.61 (i.e. INR 25.00 per share under the SPA from the Acquirer and INR 17.61 as indirect realization by way of consultancy fee from the Target Company). Hence, the Acquirer has offered price of INR 42.70 per fully paid share to the Public Shareholders, though, it is much higher than INR 25.00 per share under SPA.

- The Offer would be revised in the event of any corporate action like bonus, split etc. where the record date for effecting such corporate action falls within 3 Working Days prior to the commencement of the tendering period in the Offer
- The Acquirer may revise the Offer Price at its discretion or pursuant to any acquisition by the Acquirer at a price which is higher than the Offer Price at any time prior to 3 Working Days prior to the commencement of the tendering period under the Offer. In the event of such a revision, the Acquirer shall, (a) make a corresponding increase to the Escrow Amount with in 5 Working Days of such revision, as more particular set out in Para 6.2 Financial Arrangements of this DLO below, (b) make a public announcement in the same newspapers in which this DPS was published, and (c) simultaneously with such announcement, inform SEBI, the Stock Exchanges and the Target Company at its registered office of such a revision.

**6.2 Financial Arrangements**

6.2.1 The Acquirer has adequate financial resources and has made firm financial arrangements for the implementation of the Offer in full out of its own sources. M/s Shulun, certified Public Accountants LLP,, CPA registration no. 440300690907; having his office at 4F, No. 61 Nan Jing, Dong Road, Shanghai, China- 200002, Tel. No. 86-755- 8258 4728; Fax No. 86-21-63392558 vide certificate dated 20.5.2013 has certified that sufficient resources are available with the Acquirer for fulfilling the obligations under this Offer in full.

6.2.2 The Acquirer has not borrowed funds for the purpose of this Open Offer.

- 6.2.3 The total fund requirement for the Offer (assuming full acceptance i.e. 100% of funds required) is INR 7,11,32,820.00 (Rupees Seven Crores Eleven Lakhs Thirty Two Thousands Eight Hundred Twenty only) ("Escrow Amount"). In accordance with Regulation 17 of the SEBI (SAST) Regulations. The Acquirer arranged to create an "Escrow Account" bearing account no. 016600010000027871 of Manager to the Offer with the Escrow Agent, i.e., Industrial and Commercial Bank of China, Mumbai Branch (ICBC, Mumbai) on 21.05.2013. Since, remittance of funds from China requires prior approval of Chinese Government/ Authorities ICBC, Mumbai has secured CNY 89,93,820.00 (equivalent to INR 7,86,95,925.00 at a conversion rate of 1CNY= 8.75 INR and being more than the Escrow Amount) in account no. 3602028929200760973 of the Acquirer with ICBC, Third Sub Branch, Guangzhou, China and confirmed the same to the Manager to the Offer vide its letter dated 21.05.2013. Escrow Deposit will be transferred to ICBC, Mumbai Branch within one day of receipt of permissions from the Chinese Government.
- 6.2.4 Based on the above, the Manager to the Offer is satisfied about the ability of the Acquirer to implement the Offer in accordance with the SEBI (SAST) Regulations.
- 6.2.5 A Tripartite Escrow Agreement dated 21.5.2013 has been entered into between ICBC, Mumbai, the Acquirer and the Manager to the Offer governing the operation of Escrow Account, including details of acceptance of Escrow Amount and transfer to ICBC, Mumbai by ICBC, Guangzhou, China.
- 6.2.6 By this Escrow Agreement, the Acquirer has authorized Master Capital Services Limited, Manager to the Offer to realize the value of the Escrow Account, in terms of Regulation 17(5) of the SEBI (SAST) Regulations.
- 6.2.7 The Acquirer shall ensure that the Escrow Amount is maintained at all times irrespective of the conversion rate between CNY & INR.
- 6.2.8 In case of any upward revision in the Offer Price or the Offer Size, the Escrow Amount shall be increased by the Acquirer prior to effecting such revision, in terms of regulation 17(2) of the SEBI (SAST) Regulations.

## 7. TERMS AND CONDITIONS OF THE OFFER

### 7.1 Operational terms and conditions

- a. This tendering period will commence on Wednesday, 10<sup>th</sup> July, 2013 and will close on Tuesday, 23<sup>rd</sup> July, 2013.
- b. The Letter of Offer along with Form of Acceptance cum Acknowledgement and transfer deed (for shareholders holding shares in physical form) will be mailed to all those shareholders of the Target Company (except the Acquirer and the parties to the SPA) whose name appear on the Register of Members of the Target Company and to the beneficial owners of the shares of the Target Company whose names appear on the beneficial records of the Depository Participant, at the close of business hours on 20<sup>th</sup> June, 2013 (the "Identified Date").
- c. All owners of the shares, Registered or Unregistered (except the Acquirer and the parties to the SPA) who own the shares any time prior to the Closing of the Offer are eligible to participate in the Offer as per the procedure set out in Para 8 below. Eligible persons can participate in the Offer by offering their shareholding in whole or in part. **No indemnity is required from the unregistered owners.**
- d. All shares tendered under this Offer should be free from any charge, lien or encumbrances of any kind whatsoever and are to be offered together with, if any, of all rights of dividends, bonuses or rights from now on and hereafter.
- e. This is not a conditional Offer and there is no stipulation on any minimum level of acceptance.
- f. The Target Company has signed agreements with NSDL and CDSL for offering Shares in dematerialized form. The ISIN Number is **INE473D01015**.
- g. The Marketable lot for the Shares of the Target Company for the purpose of this Offer shall be 1 ( one only).
- h. Accidental omission to dispatch the Letter of Offer to any member entitled to the Open Offer or non-receipt of the LO by any member entitled to the Open Offer shall not invalidate the Open Offer in any manner whatsoever. The Offer is subject to the terms and conditions set out herein in the LO.

- i. The acceptance of the Offer must be unconditional and should be sent in the attached Form of Acceptance along with the other documents duly filled in and signed by the applicant shareholder(s) which should be received by the Registrar to the Offer at the collection centre mentioned in para 8.4 under “**Procedure for Acceptance and Settlement**” on or before 23<sup>rd</sup> July, 2013. If any change or modification is made in the Form of Acceptance, the same is liable to be rejected.
- j. The Acquirer will not be responsible in any manner for any loss of equity share certificate(s) and Offer acceptance documents during transit. The Equity Shareholders of the Target Company are advised to adequately safeguard their interest in this regard.
- k. If the aggregate of the valid responses to the Offer exceeds the number of shares for which the Open Offer is made, then the Acquirer shall accept the valid applications received on a proportionate basis in accordance with Regulation 7 of the SEBI (SAST) Regulations.

## 7.2 Locked in Shares

There are no shares, which are subject to lock-in as per SEBI guidelines / SEBI (SAST) Regulations.

## 7.3 Eligibility for accepting the Offer

- a. The Letter of Offer shall be mailed to all Equity Shareholders (except the parties to the agreement and the) whose names appear in the Register of Members of the Target Company as on 26.06.2013 the “**Identified Date**”). The Letter of offer shall be only be sent to the Indian addresses of the Public Shareholders. Public Shareholders holding shares in dematerialized form are required to update their Indian addresses with their DP and Public Shareholders holding shares in physical form with the Registrar to the Offer.
- b. This Offer is also open to persons who own Equity Shares in the Target Company but are not registered Shareholders as on the “**Identified Date**”.
- c. All Equity Shareholders (except parties to the Agreement and the Acquirer) who own Equity Shares of the Target Company anytime before the closure of the Offer are eligible to participate in the Offer.
- d. The Form of acceptance cum Acknowledgement and other documents required to be submitted, will be accepted by the Registrar to the Offer at D-153 A, 1<sup>st</sup> Floor, Okhla Industrial Area, Phase-I, New Delhi-110020, either by Registered Post / Courier or by hand delivery on Mondays to Fridays between 10.00 AM and 5.00 PM and on Saturday between 10.00 AM and 1.30 PM, on or before the date of Closure of the Offer i.e. 23<sup>rd</sup> July, 2013.
- e. The Public Announcement, Detailed Public statement, the Letter of Offer, the Form of Acceptance-cum-Acknowledgement will also be available at SEBI’s website: [www.sebi.gov.in](http://www.sebi.gov.in). In case of non-receipt of Letter of Offer, all Shareholders including unregistered Shareholders, if they so desire, may download the Letter of Offer, the Form of Acceptance cum Acknowledgement from the SEBI website for applying in the Offer.
- f. Unregistered Equity Shareholders who have sent the Share Certificates for transfer to the Target Company/ its Share Transfer Agent, and not received them back or hold Shares of the Target Company without being submitted for transfer shall also be eligible to participate in this Offer.
- g. Unregistered Equity Shareholders and those who apply in **plain paper will not be required to provide any Indemnity** and may follow the same procedure mentioned above for registered Shareholders.
- h. The acceptance of this Offer by the Equity Shareholders of the Target Company must be absolute and unqualified. Any acceptance to this Offer which is conditional or incomplete in any respect will be rejected without assigning any reason whatsoever.
- i. The acceptance of this Offer is entirely at the discretion of the Equity Shareholders of The Target Company.
- j. The Acquirer, Manager to the Offer or Registrar to the Offer accept no responsibility for any loss of Equity Share Certificates, Offer Acceptance Forms etc. during transit and the Equity Shareholders of the Target Company are advised to adequately safeguard their interest in this regard.
- k. The acceptance of Shares tendered in the Offer will be made by the Acquirer in consultation with the Manager to the Offer.
- l. The instructions, authorizations and provisions contained in the Form of Acceptance constitute part of the terms of the Offer.
- m. The Manager to the Offer shall submit a final report to SEBI within 15 working days from the expiry of the tendering period in accordance with Regulation 27(7) of the SEBI (SAST) Regulations confirming status of completion of various requirements.
- n. For any assistance please contact Master Capital Services Limited, the Manager to the Offer or Skyline Financial Services Private Limited, the Registrar to the Offer.

#### 7.4 Statutory Approvals

7.4.1 The Offer is **subject** to the following statutory approvals:

- i. Valid approvals from Chinese Government/Authorities, for investment in India, for amounts required for acquisition of Sale Shares and consideration to be paid under this mandatory Open Offer under SEBI(SAST) Regulations and miscellaneous expenses.
- ii. As on the date of this DLO, no other statutory approvals are required by the Acquirer to acquire the equity shares that are tendered pursuant to the Offer other than those indicated above.
- iii. However, the Offer would be subject to all other statutory approvals that may become applicable at a later date before the completion of the Offer.

#### 7.4.2 Other Approvals

- i. No approval is required to be obtained from the Acquirer's Banks/Financial Institutions for the Offer.
- ii. In terms of Regulation 18(11) of SEBI(SAST) Regulations, the Acquirer shall be responsible to pursue all other statutory approvals required, by the Acquirer in order to complete the Open Offer without any default, neglect or delay.
- iii. Non – resident Indian ("NRI") and overseas corporate body ("OCB") holders of the Equity shares, must obtain all approval required to tender the equity shares held by them in this offer (including without limitation the approval from the Reserve Bank of India ("RBI"), since the equity shares validly accepted in this offer will be acquired by a non resident entity) and submit such approvals also with the Form of Acceptance-cum -Acknowledgement (as defined below) and other documents required to accept this Offer.
- iv. Where statutory approval extends to some but not all of the Public Shareholders, the Acquirer shall have the option to make payment to such Public Shareholders in respect of whom no statutory approvals are required in order to complete this Offer.

Barring unforeseen circumstances, the Acquirer would endeavor to obtain all such approvals referred in para 7.4.1 above and complete all procedures relating to Offer within 10 days of the expiry of the tendering period in terms of Regulation 18(11) of SEBI(SAST) Regulations.

7.4.3 In case of a delay in receipt of any statutory approvals applicable to the Offer, SEBI may if satisfied that such delay in the receipt of the requisite statutory approval was not attributable to any willful default, failure or neglect on the part of the Acquirer to diligently pursue such approval, and subject to such terms and conditions as may be specified by SEBI, including payment of interest in accordance with Regulation 18(11) of the SEBI (SAST) Regulations, permit the Acquirer to delay commencement of the tendering period for the Offer pending receipt of such statutory approvals or grant extension of the time to the Acquirer to make payment of the consideration to the public shareholders whose shares have been accepted in this offer. However, if the Acquirer fails to fulfill its obligations under the SEBI(SAST) Regulations of the Offer, Regulation 17(9) of the SEBI (SAST) will become applicable and the amount lying in the Escrow Account or the Special Escrow Account shall become liable to forfeiture.

7.4.4 In terms of Regulation 23(1) of the SEBI (SAST) Regulations, in the event that the approvals as at 7.4.1(i) above or those which become applicable after the date of DLO, are refused, the Acquirer shall have the right to withdraw the Offer. In the event of such a withdrawal of the Offer, the Acquirer (through the Manager to the Offer) within 2 Working Days of a such withdrawal make a Public Announcement of such withdrawal stating the grounds for the withdrawal in accordance with Regulation 23(2) of the SEBI (SAST) Regulations, in the same newspaper in which DPS was published.

## 8. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

- 8.1 This Letter of Offer with the Form of Acceptance-cum-Acknowledgement ("FOA") will be mailed to the Public Shareholders, whose names appear on the register of member of the Target Company and to the Public Shareholders of the Equity Shares whose names appear in the beneficial records of the respective depositories as of the close of business on Wednesday, 26<sup>th</sup> June, 2013 i.e. the Identified Date. The Letter of Offer shall be only sent to the Indian addresses of the Public Shareholders. Public Shareholders holding shares in dematerialized form are required to update their Indian addresses with their DP and Public Shareholders holding shares in physical form with the Registrar to the Offer.
- 8.2 Public Shareholders can also download this Letter of Offer and the Form of Acceptance-cum-Acknowledgement from SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in), or obtain it from the Registrar to the Offer and send in their acceptances to the Registrar to the Offer by filling the same.
- 8.3 The Acquirer has appointed **Skyline Financial Services Private Limited** as the Registrar to the Offer.
- 8.4 All eligible Equity Shareholders of fully paid Equity Shares of The Target Company, registered or unregistered who wish to avail and accept the Offer will be required to communicate their acceptance along with all relevant documents in the form and manner specified in the LO/FOA at below mentioned collection centre on or before Closure of the Tendering Period of the Offer i.e. 5 P.M. on 23<sup>rd</sup> July, 2013.

Registrar to the Offer	Working days and timings	Mode of Delivery
Skyline Financial Services Private Limited D-153 A, 1st Floor, Okhla Industrial Area, Phase – I, New Delhi-110 020 Tel.: +91 11 30857575 (10 Lines) Fax: +91 11 30857562 Contact Person: <b>Mr. Virender Rana</b> Email : <a href="mailto:viren@skylinerta.com">viren@skylinerta.com</a>	Monday to Friday 10.00 am to 5.00 pm  Saturday 10.00 am to 1.30 pm	By Post/Courier/ Hand, Delivery

Note: The centre will be closed on Sundays and Public holidays.

*Shareholders are advised to ensure that the Form of Acceptance cum Acknowledgement and other documents are complete in all respects; otherwise the same are liable to be rejected. In the case of demat shares, the shareholders are advised to ensure that their shares are credited in favour of the Special Depository Account before the closure of the Offer. The Form of Acceptance cum Acknowledgement of such demat shares, not credited in favor of the special depository account before the closure of the Offer, will be rejected.*

- 8.5 Public Shareholders who cannot hand deliver their documents at the collection centers referred to above, may send the same by registered post with acknowledgement due or by courier, at their own risk and cost, to the Registrar to the Offer at its address, Skyline Financial Services Private Limited, Unit: Hydro S & S Industries- Letter of Offer D-153 A, 1st Floor, Okhla Industrial Area, Phase-1; New Delhi-110020, Tel : 91 1130857575 (10 lines) Fax : + 91 11 30857562, Email : [Viren@skylinerta.com](mailto:Viren@skylinerta.com)

### 8.6 .1 In case of shares held in PHYSICAL MODE by the REGISTERED SHAREHOLDERS

Shareholders to enclose:

- Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the share certificates.
- Original equity share certificate(s); and
- Valid equity share transfer form(s) duly signed by transferor (by all the Shareholders in case the shares are in joint names in the same order) as per the specimen signatures registered with the Target Company and duly witnessed at the appropriate place(s). A blank Share Transfer form is enclosed along with this LO.
- Self attested copy of the PAN card of the transferor.

If the Registrar to the Offer does not receive all the documents listed above but receives the original share certificates and valid transfer deed from a registered Shareholder before closure of Offer, then the Offer will be deemed to have been accepted by such Shareholders.

**PLEASE DO NOT FILL IN ANY OTHER DETAILS IN THE TRANSFER DEED**

**8.6.2 In case of shares held in PHYSICAL MODE by PERSONS UNREGISTERED/NOT REGISTERED AS SHAREHOLDERS**

- Form of Acceptance cum Acknowledgement duly completed and signed in accordance with the instructions contained therein.
- Original equity share certificate(s) accompanied by valid share transfer forms as received from the market, wherein the name of the transferee has not been filled in; and
- Original broker contract note of a registered broker of a recognized stock exchange in relation to the purchase of the shares being tendered in this case.
- Self attested copy of the PAN Card of the transferor.

In case the share certificate(s) and transfer deeds are lodged with the Target Company / its share transfer agent for transfer and have not been received back, then the acceptance shall be accompanied by, (i) the copy of share transfer deed(s), and (ii) the acknowledgement of the lodgment with, or receipt issued by the Target Company / its share transfer agent, for the share certificate(s) so lodged. Where the transfer deeds are signed by a duly constituted attorney, a certified copy of the power of attorney shall also be lodged. In the case of body corporate / limited company, a certified copy of the memorandum and articles of association and a certified true copy of the resolution along with the specimen signatures of the authorized signatories duly certified, shall also be sent.

**No indemnity is required from persons not registered as Shareholders.**

**8.7 PLEASE DO NOT FILL IN ANY OTHER DETAILS IN THE TRANSFER DEED.**

**For equity shares held in dematerialized form:**

Public Shareholders who wish to tender their Equity Shares, held in dematerialized form, will be required to send their Form of Acceptance-cum-Acknowledgement along with a photocopy of the delivery instructions in "off-market" mode or counterfoil of the delivery instruction in "off-market" mode, duly acknowledged by the DP in favour of a special depository account (the "Special Depository Account") opened by the Registrar to the Offer, in accordance with the instructions specified in the Letter of Offer and in the Form of Acceptance-cum-Acknowledgement. The credit for the delivered shares should be received in the Special Depository Account on or before the close of the Offer, i.e. 23<sup>rd</sup> July, 2013. The details of the Special Depository Account are given below:

Depository Participant Name	Master Capital Services Limited.
DP ID	IN 301143
Beneficiary Account Number / Client ID	11209802
Special Depository Account Name	Skyline-Kingfa-Open Offer-Escrow Account
ISIN	INE473D01015
Depository	National Securities Depository Limited
Mode of Instruction	Off-market

- For Equity Shares held in dematerialized form by resident Shareholders, in case of non-receipt of the duly completed Form of Acceptance-cum-Acknowledgement/photocopy of the delivery instruction / other documents required, but receipt of the Equity Shares in the Special Depository Account before the close of the Offer, then the Offer will be deemed to have been accepted by such Shareholders.
- Shareholders who have their beneficiary account with National Securities Depository Limited (NSDL) have to use inter-depository delivery instruction slip for the purpose of crediting their equity shares in favor of the Special Depository Account opened with Central Depository Services (India) Limited (CDSL).
- Shareholders who have sent their physical equity shares for dematerialization need to ensure that the process of getting equity shares dematerialized is completed well in time so that the credit in the Special Depository Account is received on or before closure of offer.

- 8.8 The Form of Acceptance-cum-Acknowledgement along with Share certificates / copy of delivery instruction to DP and other relevant documents shall be sent to the Registrar to the Offer only. **The same should not be sent to the Acquirer, the Target Company or the Manager to the Offer.**
- 8.9 In case of non-receipt of the Letter of Offer, shareholders holding Equity Shares in **physical mode**, may send their consent to the Registrar to the Offer, on a plain paper stating acceptance of the Offer with Name; Address; Number of Shares held; Distinctive Number; Folio Number, Number of shares offered; along with documents as mentioned above, so as to reach the Registrar to the Offer on or before the close of the Offer, or the eligible persons can write to the Manager to the Offer requesting for the Letter of Offer and Form of Acceptance cum Acknowledgement and fill up the same in accordance with the instructions given therein, so as to reach the Registrar to the Offer, on or before the close of the Offer. Unregistered owners should not sign the transfer deed and the transfer deed should be valid for transfer.

In case of non receipt of the Letter of Offer, beneficial owners holding Equity Shares in **dematerialized form**, may send their applications in writing to The Registrar to the Offer, on a plain paper stating the name, address, number of shares held, number of shares offered, DP name, DP ID, beneficiary account number and photocopy of the delivery instruction in "Off-market", or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP, in favor of the special depository account, so as to reach the Registrar to the Offer on or before the closure of the Offer.

Alternatively, the Letter of Offer and Form of Acceptance cum Acknowledgement will be available on SEBI's website ([www.sebi.gov.in](http://www.sebi.gov.in)), from the date of Opening of the Offer. The eligible persons can download the Form of Acceptance cum Acknowledgement from the SEBI's website and apply using the same.

- 8.10 If the aggregate of the valid responses to the Offer exceeds the Offer size of 16,65,874 fully paid-up equity shares of the Target Company representing 26.00% of the Equity Voting Capital of the Target Company, then the Acquirer shall accept the valid applications received on a proportionate basis in accordance with SEBI (SAST) Regulations in such a way that the acquisition from any Shareholder shall not be less than the minimum marketable Lot, or the entire holding if it is less than the marketable lot. The minimum marketable lot for the Shares is 1 (One only).
- 8.11 In terms of Regulation 18(11) of the SEBI (SAST) Regulations in case of non receipt of statutory approvals, SEBI has the power to grant extension of time beyond 10 working days from the date of expiry of the tendering period, for the purpose of making payment, however, subject to, the Acquirer agreeing to pay interest to the Shareholders for delay beyond 15 working days from the date of expiry of the tendering period.
- 8.12 The Equity Shares Certificate(s) and the transfer form(s), or Shares transferred to the Depository Escrow Account together with the Acceptance Form submitted by the acceptors of the Offer, will be held by the Registrars in trust for the acceptors of the Offer until the Acquirer pays the Offer Price.
- 8.13 Unaccepted share certificates, transfer deeds and other documents, if any, will be returned by registered post at the shareholders' sole risk to the sole/ first shareholder. Unaccepted shares held in dematerialized form will be credited back to the beneficial owners' DP account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance. It will be the responsibility of the shareholders to ensure that the unaccepted shares are accepted by their respective depository participants when transferred by the Registrar to the Offer.
- 8.14 Shareholders who are holding fully paid equity shares who wish to tender their equity shares will be required to send their FOA and other relevant documents to the Registrar to the Offer at the applicants sole risk so that the same are received on or before the Offer closing date, in accordance with the procedures as specified in this Letter of Offer and the Form of Acceptance cum Acknowledgement.
- 8.15 The payment of consideration for the shares accepted will be made by crossed account payee cheque / demand draft / pay order or through Electronic mode as detailed below. In case of joint holder(s), the cheque / demand draft will be drawn in the name of the first holder and in case of unregistered owners of shares the consideration will be paid to the person whose name is stated in the contract note.



### 8.18 Non Resident Shareholders

- a. While tendering shares under the Offer, NRIs / OCBS / Foreign Shareholders will be required to submit the approvals including from RBI (specific or general) that they may have obtained for acquiring shares of the Target Company. In case of Approvals not being submitted, the Acquirer reserve the right to reject such shares tendered.
- b. While tendering shares under the Offer, NRIs / OCBS / Foreign Shareholders will be required to submit a Tax Clearance Certificate from the Income Tax authorities, indicating the amount of tax to be deducted by the Acquirer under the Income Tax Act, 1961 before remitting the consideration. In case the aforesaid Tax Clearance Certificate is not submitted, the Acquirer will arrange to deduct tax at the rate as may be applicable to the category of the shareholder under the Income Tax Act, 1961, on the entire consideration amount payable to such shareholder.
- c. The above documents should not be sent to the Acquirer or to The Target Company or to the Manager to the Offer. The same should be sent to the Registrar to the Offer only at the collection centre given above in 8.1.2. before 23<sup>rd</sup> July, 2013.

### 8.19 Settlement/ Payment of Consideration

- i) The Acquirer shall arrange to pay the consideration payable to the Public Shareholders whose Equity Shares have been accepted on or before Tuesday, 6<sup>th</sup> August, 2013.
- ii) Public Shareholders tendering their Equity Shares in the dematerialized form are advised to immediately update with their DP, their bank account details, i.e. nine digit MICR as appearing on their cheque leaf and also their bank's IFSC, which will get linked to their bank branch. Please note that failure to do so could result in delays in dispatch of payment or electronic transfer of funds, as applicable, and any such delay shall be at the Public Shareholder's sole risk and the Acquirer, the Manager to the Offer, Registrar to the Offer or the Escrow Bank shall not be liable to compensate such equity shareholder for any losses caused due to any such delay or any interest for such delay.
- iii) Payment of consideration to the Public Shareholders would be done through various modes in the following order of preference:
  - i) **Real Time Gross Settlement ("RTGS") / National Electronic Clearing Service ("NECS") / National Electronic Fund Transfer ("NEFT")** - Payment shall be undertaken through any of the above modes wherever the equity shareholder's bank has been assigned the IFSC, which can be linked to an MICR, if any, available to that particular bank branch or wherever the Public Shareholders have registered their nine digit MICR number and their bank account number with their DP.
  - ii) **Direct Credit** – Public Shareholders having bank accounts with the Escrow Bank, as mentioned in the Form of Acceptance-cum-Acknowledgement, shall be eligible to receive payments through direct credit.
  - iii) For all other Public Shareholders, including Public Shareholders holding Equity Shares in physical form and those who have not updated their bank particulars with the MICR code, the payments will be dispatched through speed post / registered post. Such payments will be made by cheques, pay orders or demand drafts drawn on the Escrow Bank and payable at par at places where acceptance forms are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Public Shareholders.

Applicants to whom payments are made through electronic transfer of funds will be sent a letter ("**Payment advice**") through ordinary post intimating them about the mode of credit / payment on or before 6<sup>th</sup> August, 2013. The Registrar to the Offer shall ensure dispatch of consideration, if any, by RTGS / NECS / NEFT / direct credit / cheques / pay orders / demand drafts only in the name of the sole or first equity shareholder and all communication will be addressed to the person whose name appears on Form of Acceptance-cum-Acknowledgement on or before 6<sup>th</sup> August, 2013 and adequate funds for making payments as per the mode(s) disclosed above shall be made available to the Registrar to the Offer by the Acquirer. Tax at applicable rate(s) will be deducted, in those cases where Tax Deduction at Source ("**TDS**") is applicable
  - iv) In terms of Regulation 18(11) of the SEBI (SAST) Regulations, in the case of non receipt of statutory approvals, SEBI has the power to grant extension of time for the purpose of making payment subject to the Acquirer agreeing to pay interest to the Shareholders for delay beyond the last date mentioned for payment of consideration

## 8.20 General

- a. The Form of Acceptance and instructions contained therein are integral part of the LO.
- b. The Offer Price is denominated and payable in Indian Rupees only.
- c. If there is any upward revision in the Offer Price by the Acquirer at any time prior to commencement of the last three working days before the commencement of the tendering period viz., Friday, 5<sup>th</sup> July, 2013, the same would be informed by way of a Public Announcement in the same newspapers in which the Detailed Public Statement pursuant to Public Announcement was published as per Regulation 18(7) of SEBI (SAST) Regulations.
- d. If there is Competing Offer:
  - The Open Offers under all the subsisting bids shall close on the same date.
  - The Offer Price can be revised at any time prior to the commencement of the last three working days before the commencement of the tendering period shareholder advised to wait to know the final Offer Price of each bid and tender their acceptance accordingly.

## 9. COMPLIANCE WITH TAX REQUIREMENTS

### 9.1 General tax requirements

- 9.1.1 As per the provisions of Section 195(1) of the Income Tax Act any person responsible for paying to a non-Resident any sum chargeable to tax is required to deduct tax at source (including surcharge and education cess as applicable). The consideration received by the non-Resident Shareholders for Shares accepted in the Open Offer may be chargeable to tax in India either as capital gains under Section 45 of the Income Tax Act or as business profits, depending on the facts and circumstances of the case. The Acquirer are required to deduct tax at source (including surcharge and education cess) at the applicable rate as per the Income Tax Act on such capital gains/business profits. Further, the payment of any interest (paid for delay in payment of Open Offer Price) by the Acquirer to a non-Resident Shareholder may be chargeable to tax, as income from other sources under Section 56 of the Income Tax Act. The Acquirer are required to deduct tax at source (including surcharge and education cess) at the applicable rate as per the Income Tax Act on such interest.
- 9.1.2 Tax is not required to be deducted at source from the payment of consideration made to resident public shareholders in respect of capital gains. As per the provisions of Section 194A of the Income Tax Act, the payment of any interest (only if amount of interest payable is in excess of ₹ 5,000) by Acquirer to a resident Shareholder may be chargeable to tax, as income from other sources under Section 56 of the Income Tax Act. The Acquirer are required to deduct tax at source at the applicable rate as per the Income Tax Act on such interest (paid for delay in payment of Open Offer Price).
- 9.1.3 All Shareholders whether resident or non-resident (including Foreign Institutional Investors ("FII's")) are required to submit self-attested copy their Permanent Account Number ("PAN") for income-tax purposes. In case the PAN copy is not submitted or is invalid or does not belong to the Shareholder, the Acquirer will arrange to deduct tax at the rate of 20% (as provided in section 206AA of the Income Tax Act) or the rate, as may be applicable, to the category of the Shareholder under the Income Tax Act, whichever is higher.
- 9.1.4 In case of ambiguity, incomplete or conflicting information or the information not being provided to the Acquirer Company, and taxes shall be deducted at the maximum rate as may be applicable to the relevant category to which the Shareholder belongs under the Income Tax Act, on the gross consideration towards acquisition of Shares and interest, if any, payable to such Shareholder under the Offer.
- 9.1.5 Each Shareholder shall certify its tax residency status (i.e. whether resident or non-Resident) and its tax status (i.e. whether individual, firm, company, association of persons/ body of individuals, trust, any other, etc.) by selecting the appropriate box in the Form of Acceptance-cum-Acknowledgement. In case of ambiguity, incomplete or conflicting information or the information not being provided to the Acquirer, it will be assumed that the Shareholder is a non-Resident Shareholder and taxes shall be deducted treating the Shareholder as a non-Resident and at the rate as may be applicable, under the Income Tax Act, to the relevant category to which the Shareholder belongs, on the entire consideration and interest if any, payable to such Shareholder.
- 9.1.6 Any Shareholder claiming benefit under any Double Taxation Avoidance Agreement ("DTAA") between India and any other foreign country should furnish the 'Tax Residence Certificate' ("TRC") provided to him/it by the Income Tax Authority of such other foreign country of which

he/it claims to be a tax resident. The TRC should contain particulars and should be verified in the manner prescribed under the Income Tax Rules, 1962 ("Income Tax Rules").

- 9.1.7 The Acquirer will not accept any request from any Shareholder, under any circumstances, for non-deduction of tax at source or deduction of tax at a lower rate, on the basis of any self-computation/computation by any tax consultant, of capital gain and/or interest, if any and tax payable thereon.
- 9.1.8 Securities transaction tax will not be applicable to the Shares accepted in the Open Offer.
- 9.1.9 The provisions contained in paragraph 9.1.3 to paragraph 9.1.5 above are subject to anything contrary contained in paragraph 9.2 to paragraph 9.5 below.
- 9.2 Tax implications in case of Non-Resident shareholders (other than FII)**
- 9.2.1 While tendering Shares under the Open Offer, Non Resident Indians ("NRIs"), Overseas Corporate Bodies ("OCBs"), and other non-resident Shareholders (excluding FIIs) will be required to submit a 'No Objection Certificate' ("NOC") or a Certificate for Deduction of Tax at Lower Rate issued by Income Tax department, indicating the amount of tax to be deducted by Acquirer before remitting the consideration. The Acquirer will arrange to deduct taxes at source in accordance with such NOC or Certificate for Deduction of Tax at Lower Rate.
- 9.2.2 In case the NOC or Certificate for Deduction of Tax at Lower Rate is not submitted, the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the Shareholder belongs, under the Income Tax Act on the entire consideration amount payable to such Shareholder.
- 9.2.3 For interest payments by the Acquirer for delay in payment of Open Offer Price, if any, NRIs, OCBs, and other non-resident Shareholders (excluding FIIs) will be required to submit a NOC or Certificate for Deduction of Tax at Lower Rate indicating the amount of tax to be deducted by the Acquirer before remitting the consideration. The Acquirer will arrange to deduct taxes at source in accordance with such NOC or Certificate for Deduction of Tax at Lower Rate.
- 9.2.4 In case the NOC or Certificate for Deduction of Tax at Lower Rate is not submitted, the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the Shareholder belongs under the Income Tax Act on the entire consideration payable as interest to such Shareholder.
- 9.2.5 All NRIs, OCBs and other non-resident Shareholders (excluding FIIs) are required to submit self-attested copies of their PAN for income tax purposes. In case the copy of the PAN is not submitted or is invalid or does not belong to the Shareholder, Acquirer will arrange to deduct tax at the rate of 20% (as provided in section 206AA of the Income Tax Act) or the rate, as may be applicable to the category of the Shareholder under the Income Tax Act, whichever is higher.
- 9.2.6 Any NRIs, OCBs and other non-resident Shareholders (excluding FIIs) claiming benefit under any DTAA between India and any other foreign country should furnish the TRC provided to him/it by the Income Tax Authority of such other foreign country of which it claims to be a tax resident. In the absence of such Tax Residence Certificate, the Acquirer will arrange to deduct tax in accordance with the provisions of the Income Tax Act and without having regard to provisions of any DTAA. The TRC should contain particulars and should be verified in the manner prescribed under the Income Tax Rules
- 9.3 Tax implications in case of FII**
- 9.3.1 As per the provisions of Section 196D (2) of the Income Tax Act, no deduction of tax at source is required to be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Income Tax Act, to an FII, as defined in Section 115AD of the Income Tax Act, subject to the following conditions.
- i. FIIs are required to certify the nature of their holding (i.e. whether held on Capital Account as Investment or on Trade Account) of the shares in the Target Company by selecting the appropriate box in the Form of Acceptance-cum-Acknowledgement. The benefits under Section 196D(2) are applicable in case the Shares are held on Capital Account;
  - ii. FIIs shall also certify the nature of its income (i.e. whether capital gains or business income) on the sale of shares in the Target Company by selecting the appropriate box in the Form of Acceptance-cum-Acknowledgement. The benefits under Section 196D(2) are applicable in case the nature of the FII's income is capital gains.

- 9.3.2 The absence of certificates/declarations as contemplated in paragraph 9.3.1 above (as applicable), notwithstanding anything contained in paragraph 9.3.1 above, the Acquirer shall deduct tax at the maximum marginal rate as may be applicable to the category of the Shareholder under the Income Tax Act, on the entire consideration amount payable to such Shareholder (i.e. FII).
- 9.3.3 In case it is certified by the FII that shares held by such FII in the Target Company are held on Trade Account no deduction of tax at source shall be made if such FII furnishes a TRC and furnishes a self-declaration stating that such FII does not have a permanent establishment in India, in terms of the DTAA entered between India and the country of tax residence of such FII. In the absence of such certificates/declarations, the Acquirers shall deduct tax at the maximum marginal rate as may be applicable to the category of the Shareholder under the Income Tax Act, on the entire consideration amount payable to such Shareholder (i.e. FII).
- 9.3.4 Notwithstanding anything contained in paragraph 9.3.1 to paragraph 9.3.3 above, in case an FII furnishes a NOC or Certificate for Deduction of Tax at Lower Rate, the Acquirer will arrange to deduct taxes at source in accordance with such NOC or Certificate for Deduction of Tax at Lower Rate.
- 9.3.5 For interest payments by the Acquirer for delay in payment of Open Offer Price, if any, FIIs will be required to submit a NOC or Certificate for Deduction of Tax at Lower Rate from the income tax authorities under the Income Tax Act indicating the amount of tax to be deducted by the Acquirer before remitting the consideration. The Acquirer will arrange to deduct taxes at source in accordance with such NOC or Certificate for Deduction of Tax at Lower Rate.
- 9.3.6 In case the NOC or Certificate for Deduction of Tax at Lower Rate is not submitted, the Acquirer will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the Shareholder belongs under the Income Tax Act on the entire consideration payable as interest to such Shareholder.
- 9.3.7 All FIIs shall submit their PAN for income tax purposes. In case PAN is not submitted or is invalid or does not belong to the Shareholder, Acquirer will arrange to deduct tax at the rate of 20% (as provided in section 206-AA of the Income Tax Act) or the rate, as may be applicable to the category of the Shareholder under the Income Tax Act, whichever is higher.
- 9.3.8 Any FII claiming benefit under any DTAA between India and any other foreign country should furnish a TRC provided to it by the income tax authority of such other foreign country of which it claims to be a tax resident. In the absence of such Tax Residence Certificate, the Acquirer will arrange to deduct tax in accordance with the provisions of the Income Tax Act and without having regard to provisions of any DTAA. The Tax Residence Certificate should contain particulars and should be verified in the manner prescribed under the Income Tax Rules.

#### **9.4 Tax Implications in case of resident shareholders**

- 9.4.1 **For interest payments by the Acquirer for delay** in payment of Open Offer Price, if any, the Acquirer will arrange to deduct tax at the rate of 10% (as provided in section 194 A of the Income Tax Act).
- 9.4.2 All resident Shareholders shall submit self-attested copy of their PAN for income tax purposes. In case the PAN copy is not submitted or is invalid or does not belong to the Shareholder, Acquirer will arrange to deduct tax at the rate of 20% (as provided in section 206-AA of the Income Tax Act).
- 9.4.3 Notwithstanding anything contained in paragraph 9.4.1 to paragraph 9.4.2 above, no deduction of tax shall be made at source by the Acquirer and/or the PAC where the total amount of interest payable to a resident Shareholder does not exceed ` 5,000 or where a self-declaration in Form 15G or Form 15H (as provided in the Income Tax Rules, 1962), as may be applicable, has been furnished by a resident Shareholder. The self-declaration in Form 15G and Form 15H will not be regarded as valid unless the resident Shareholder furnished its PAN in such declaration.

#### 9.5 Issue of certificate for tax deduction at source

The Acquirer will issue a certificate in the prescribed form to the Shareholders (both resident and non-resident) who have been paid the consideration and/or interest, if any, after deduction of tax on the same, certifying the amount of tax deducted and other prescribed particulars in accordance with the provisions of the Income Tax Act read with the rules made there under.

#### 9.6 Tax implications in foreign jurisdictions

Apart from the above, the Acquirer are entitled to withhold tax in accordance with the tax laws applicable in overseas jurisdictions where the non-resident Shareholder is a resident for tax purposes ("Overseas Tax"). For this purpose, the nonresident Shareholder shall furnish a self-declaration stating the quantum of the Overseas Tax to be withheld as per the relevant tax laws of the country in which the non-resident Shareholder is a tax resident, and the Acquirer will be entitled to rely on this representation at their sole discretion.

- 9.7 Notwithstanding the details given above, all payments will be made to Shareholders subject to compliance with prevailing tax laws.
- 9.8 The tax deducted by the Acquirer while making payment to a Shareholder may not be the final tax liability of such Shareholder and shall in no way discharge the obligation of the Shareholder to appropriately disclose the amounts received by it, pursuant to this Open Offer, before the income tax authorities.
- 9.9 Shareholders are advised to consult their respective tax advisors for assessing the tax liability, pursuant to this Open Offer, or in respect of other aspects such as the treatment that may be given by their respective assessing officers in their case, and the appropriate course of action that they should take.
- 9.10 The tax rates and other provisions specified herein above are based on the current position of the law and may undergo changes. We do not assume responsibility to update our views consequent upon changes in the tax laws.
- 9.11 The Acquirer, and the Manager to the Open Offer do not accept any responsibility for the accuracy or otherwise of the tax provisions set forth herein above.

#### 10. DOCUMENTS FOR INSPECTION

Copies of the following documents are regarded as material documents and are available for inspection at Master Capital Services Ltd, SCO 22-23, Sector 9-D, Chandigarh – 160009 the office of the Manager of the Offer. The documents can be inspected during normal business hours (11.00 A.M. to 4.00 P.M.) on all working days (except Saturdays and Sundays and Public/Bank Holidays) from the date of opening of the Offer up till the date of closure of the Offer.

- 10.1 Articles of Association of the Acquirer and certificate of registration.
- 10.2 A certificate of M/s Shulun, certified Public Accountants LLP., CPA registration no. 440300690907; having his office at 4F, No. 61 Nan Jing, Dong Road, Shanghai, China- 200002, Tel. No. 86-755- 8258 4728; Fax No. 86-21-63392558, vide certificate dated 20.5.2013 has certifying that the Acquirer has adequate financial resources to fulfill its obligations under this Open Offer;
- 10.3 Audited annual reports of the Acquirer for the last three years, i.e. the financial years ending December 31, 2012, 2011 and 2010;
- 10.4 Certificates of M/s. P.Srinivasan & Co., Chartered Accountant, (Membership No.021007) having its office at No.6/24, Sambasivam Street, T. Nagar, Chennai-600017, Tel No. 044-28151105, E-Mail: psgopalan@gmail.com, certifying the brief financials and fair value of Equity Share of Target Company, vide their certificate dated 23.05.2013.
- 10.5 Copy of confirmation letter dated 21.05.2013 of ICBC, Mumbai to Manager to the Offer.
- 10.6 Copy of Escrow Agreement dated 21.05.2013 between the ICBC Bank, Acquirer and Manager to the Open Offer.
- 10.7 Copy of Share Purchase Agreement dated 20.05.2013 between the Acquirer & the Seller for acquisition of 66.50% of shares of the Target Company and subsequent change in control and management.
- 10.8 Copy of the Public Announcement submitted to Stock Exchanges, SEBI & The Target Company on 20.05.2013.
- 10.9 Copy of the Detailed Public Statement which appeared in the newspapers on 27.05.2013 for acquisition of Equity Shares.
- 10.10 Published copy of the recommendation made by Committee of the Independent Directors of the Target Company, published in Newspapers on [•]
- 10.11 Observation letter no [•] dated [•] on the draft Letter of Offer filed with the Securities and Exchange



