China Jishan Holdings Limited

CREATING VALUE
PURSUING OPPORTUNITIES

ANNUAL REPORT 2018

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CORPORATE PROFILE

With more than 30 years of established track record, China Jishan Holdings Limited ("**China Jishan**", and together with our subsidiaries, the "**Group**"), is a leading player in China's textile industry.

The Group derives a stream of stable and recurring income from the lease of part of our factory space, and plant and equipment. This has enabled us to streamline our operations to more efficiently utilise our capacity. Our production facilities are strategically located within the Binhai Industrial Zone in China, a modern industrial district known as China's Textile Hub.

We are an ISO9001:2008 and ISO14001:2004 certified printing and dyeing services provider, which attests to our Group's efforts to deliver high quality products in a balanced and environmentally responsible manner.

STRIVING FORWARD

Through the years, China Jishan has remained persistent and resolute amidst challenges within the industry by continuing to work towards strengthening its core competencies. At a time of intense competition and uncertain economic conditions stemming from ongoing trade tensions between China and the United States, we see it essential to exercise prudent management and take active steps in enhancing productivity. In view of these, we will continue to seek out potential business opportunities that will enable us to deliver long-term value for our shareholders.

FINANCIAL HIGHLIGHTS

Key Financial Highlights
(RMB Million)

	FY2018	FY2017	Change (%)
Revenue	37.7	35.0	7.7
Gross Profit	36.8	30.4	21.1
Net Profit	11.7	22.8	(48.6)
Earnings per share basic basis (RMB cents)	3.9	7.6	(48.7)
Net Asset Value per share (RMB cents)	59.5	56.0	6.3

Note: EPS and NAV are based on 301,500,000 Ordinary Shares

Cash Flow
(RMB Million)

	FY2018	FY2017
Net cash generated from operating activities	54.9	43.0
Net cash used in investing activities	14.0	(42.4)
Net cash used in financing activities	(54.4)	(51.4)
Cash and cash equivalents at the end of the year	25.4	39.0

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

FY2018 was a year of many challenges on the macroeconomic front, as China grappled with a slowdown in its economy and a tit-for-tat trade war with the United States. Nevertheless, the Group continued to register positive growth in its topline during the year, as revenue for the year grew 7.7% from RMB35.0 million to RMB37.7 million over the last year, largely due to the recognition of full-year contributions from a new lessee that was added in mid FY2017.

During the year, gross profit grew 21.1% to RMB 36.8 million, while gross profit margin was higher at 97.5% in FY2018 from 86.7% in FY2017. However, the Group posted a lower net gain of RMB11.7 million as compared to RMB22.8 million in FY2017, which was primarily due to the absence of compensation from the local government for assets and other losses related to the relocation of our factory from Keqiao to Binhai Industrial Zone. The Group will continue to review its existing business to seek new growth platforms and increase profitability.

Meanwhile, the Group has obtained a favourable first-instance judgment from the Zhejiang Higher Court in relation to the proposed disposal of its entire equity interest in Shao Xing Yue Sheng Real Estate Property Development Co., Ltd. Following an appeal made by the purchaser against the judgment, the Group has engaged PRC legal counsel who is in the process of advising and assisting the Group in relation to the appeal. The Board will provide further updates when there are material developments.

LOOKING AHEAD

Amidst a crackdown on domestic debt, a slowing global economy and trade tensions with the United States, the Chinese government is forecasting economic growth of between 6.0 percent and 6.5 percent in 2019[1], lower than the 6.6% recorded in 2018, which was already the slowest pace in three decades.

Despite these challenges on the macro front, we remain cautiously optimistic of the Group's business outlook in the year ahead, on the back of brighter prospects in China's print and dye market, which is expected to register positive compound annual growth of approximately 6% for the period of 2017 to 2022. Moreover, China's 13th Five-Year Plan has led to a transformation of the print and dye industry in terms of integration and automation, with its focus on ecological safety and environmental protection upgrades[2]. This has reinvigorated the industry, and spells further opportunities for the Group as we continue to reap the fruits of our rationalisation strategy.

IN APPRECIATION

In closing, I would like to thank my fellow directors for their valuable guidance, and our staff for their dedication and commitment to the Group. On behalf of the Board of Directors, I would also like to express my sincerest appreciation to our business partners and bankers for their confidence and support. Finally, to our valued shareholders, thank you for your continued trust and support. As always, we will continue our efforts to create even greater value for you in the year to come.

MR LIEN KAIT LONG

Non-Executive and Independent Chairman

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1 5 March 2019, South China Morning Post- China lowers 2019 GDP growth target to 6-6.5 per cent range

2 Ken Research - China Dyes Market Outlook to 2022- By Market Structure, By Export and Domestic Sales, By Applications and By Type of Dyes

主席致词

亲爱的各位股东：

2018 财年是中国宏观经济挑战重重的一年，中国正努力应对发展逐渐放缓的经济，应对与美国针锋相对的贸易战。尽管如此，我们集团全年的营业收入继续保持正增长，比去年增长了7.7%，营业收入从去年的 3500 万元人民币增至 3770 万元人民币，这主要得益于 2017 财年年中的一名新承租人全年的贡献。

2018 财年，我们集团总利润为 3680 万元，增长了 21.1%；毛利率为 97.5%，高于 2017 财年的 86.7%。然而，集团宣告的净收益为 1170 万元人民币，低于 2017 财年的 2280 万元人民币，这主要是因为我们将工厂从柯桥搬迁到了滨海工业区，而当地政府没有补偿因搬迁工厂而导致的资产和其他损失。 我们集团将继续回顾现有业务, 同时继续为集团寻找新的增长平台, 并提高盈利能力。

同时，我们集团就计划出售在绍兴越胜房地产开发有限公司的全部股权一事，已获得浙江省高级人民法院的一审有利判决。买方对判决提出上诉后，我们集团聘请了中国法律顾问。目前，该法律顾问正针对该上诉，向我们集团提供建议和协助。如有实质进展，董事会将提供最新消息。

展望未来

在内债管制愈发严格、全球经济发展放缓和中美贸易关系紧张的背景下，中国政府预测 2019 年[1] 的经济增速在 6.0% 到 6.5% 之间，低于 2018 年 6.6% 的增速，2018 年的增速已达 30 年以来最低。

虽然我们面临宏观方面的挑战，但是展望未来一年集团的业务，我们仍持谨慎乐观态度。中国的印刷和染料市场前景可观，预计在 2017 到 2022 年期间实现 6% 的正复合年增长率。此外，中国的“十三五”规划推动印染行业向一体化和自动化方向转型，更加侧重生态安全和环境保护的提高。[2] 这有利于给该行业注入新的发展动能，为我们集团带来了更多机遇，我们将继续收获合理化战略带来的成果。

特别鸣谢

最后，我要感谢各位董事提供的宝贵指导，感谢全体员工对集团的大力奉献和辛勤付出。在此，我谨代表董事会，对我们的业务合作伙伴和银行家给予的信任和支持，表示最诚挚的感谢！最后，我要感谢我们的股东，感谢你们一直以来的信任和支持。我们将一如既往，继续努力，在新的一年里为大家创造更大的价值。

连克农先生
非执行董事和独立董事长

1 2019 年 3 月 5 日，《南华早报》——中国将 2019 年 GDP 增长目标下调到 6% 至 6.5% 区间

2 Ken Research — 中国染料市场展望 2022 年——分别从市场结构、出口和国内销售额、应用及染料种类四个角度看

BOARD OF DIRECTORS

LIEN KAIT LONG
Non-Executive and Independent Chairman

Mr Lien Kait Long was appointed to the Board on 20 March 2004 and last re-elected as a Director on 27 April 2018. He was appointed Lead Independent Director on 13 March 2009 and re-designated as Non-Executive and Independent Chairman on 28 December 2017. He is also concurrently the Chairman of our Audit and Risk Committee, and sits on the Remuneration Committee and the Nominating Committee. Mr Lien has more than 40 years of experience in accounting and finance, corporate management and business investments. He has held a number of senior management positions and executive directorships in various public and private corporations in Singapore, Hong Kong and China. Mr Lien holds a Bachelor of Commerce degree from Nanyang University, and is a fellow member of the CPA Australia and the Institute of Singapore Chartered Accountants.

Mr Lien currently serves as an Independent Director on the boards of several Singapore and Chinese companies listed on the Singapore Exchange: Renewable Energy Asia Group Limited, Falcon Energy Group Limited, Tat Seng Packaging Group Ltd and China Real Estate Grp Ltd. He is also a Director of China Enterprises Limited, a company listed on the OTC Securities Market in the United States. In the past three years, he was an Independent Director of IPC Corporation Limited, Hanwell Holdings Limited, 8Telecom International Holdings Co., Ltd, Viking Offshore and Marine Ltd and Pacific Healthcare Holdings Ltd.

JIN GUAN LIANG
Executive Director

Mr Jin Guan Liang was appointed as a Director of the Group on 23 December 2003, and sits on the Nominating Committee. He provides strategic advice to the Group, and has over 20 years of experience in the print and dye industry. Before joining us in 1989, Mr Jin was a manager in Shengli Industrial Supplies and Sales Company, and the chief accountant in Shengli Village Office. Mr Jin completed courses conducted by the Shanghai Economic Management Training Centre in 1985, and Tsinghua University Economic Management College in 1997. He also completed the Cheung Kong Graduate School of Business' China CEO Programme in January 2010, as well as the China Europe International Business School's 2010 Global CEO Programme in August 2010. Mr Jin was granted the title of "China Textile Industry Model Worker" in 2006. He is currently the Vice President of the China Print and Dye Industry Association. Mr Jin does not hold any directorships in other listed companies currently or over the preceding three years.

XIAO ZILIANG
Executive Director / Chief Executive Officer

Mr Xiao Ziliang was appointed as a Director and Chief Executive Officer of the Group on 11 May 2016 and has been with the Group since 1990. He has over 20 years of experience in the textile industry. Mr Xiao first joined Zhejiang Jishan Printing and Dyeing Co., Ltd as a Technology Executive in September 1990 before he was appointed to handle the sales operations as Sales Executive in 1995. From 2006 to 2013, Mr Xiao was the Deputy Sales Director and was responsible for the sale and marketing functions of the Group. He was subsequently promoted to General Manager in 2014 and took on the additional responsibility of the day-to-day operations of the Group. Mr Xiao graduated from Suzhou Institute of Silk Textile Technology in 1991, where he majored in dyeing and finishing. He is the cousin of Mr Jin Guan Liang, our Group's Executive Director. Mr Xiao does not hold any directorships in other listed companies currently or over the preceding three years.

YU MING HAI
Executive Director

Mr Yu Ming Hai was appointed as Director of the Group on 16 February 2006 and last re-elected on 29 April 2016. Mr Yu brings to the Board more than 20 years of public sector experience in macro-economic development and industrial management, in particular the printing and dyeing industry. Prior to joining the Group in March 2005, Mr Yu was the Deputy Governor of Fuquan Town, Shaoxing County, in charge of the industrial management of the town. He has served the government of Fuquan Town in various capacities and was appointed Deputy Governor in 2003. Mr Yu graduated from Zhejiang Province Chinese Communist Party School in December 2004 and obtained a diploma in Business Administration. Mr Yu does not hold any directorships in other listed companies currently or over the preceding three years.

BOARD OF DIRECTORS

MAK YEN-CHEN ANDREW
Independent Non-Executive Director

Mr Mak Yen-Chen Andrew was appointed as an Independent Director of the Group on 28 December 2017 and last re-elected as a Director on 27 April 2018. He is concurrently chairman of our Nominating Committee. Mr Mak also sits on the Audit and Risk Committee and the Remuneration Committee. He has more than 23 years of experience as a practising lawyer and is currently a Consultant with Fortis Law Corporation. Prior to his appointment at Fortis Law Corporation, Mr Mak was a partner with Loo & Partners LLP from 2014 to 2015 and a partner with Kelvin Chia Partnership from 2006 to 2013.

Mr Mak currently serves as an Independent Director of the following companies which are listed on the Singapore Exchange: Far East Group Limited, Falcon Energy Group Limited and Leader Environmental Technologies Limited. He was awarded the Public Service Medal (PBM) by the President of Singapore in the 2012 Singapore National Day honours list. He graduated with a Bachelor of Laws (Second Class Honours Upper Division) from the National University of Singapore in 1994.

CAI TIANCHEN
Independent Non-Executive Director

Ms Cai Tianchen was appointed as an Independent Non-Executive Director of the Group on 28 December 2017 and last re-elected as a Director on 27 April 2018. She is currently Senior Partner at Grant Thornton Shanghai China. She has over 20 years of professional experience in international accounting firms. Prior to joining Grant Thornton, she worked in Deloitte Shanghai, Deloitte Hong Kong, Deloitte New York and Deloitte Singapore where she amassed extensive experience in IPOs, fund raising, mergers and acquisition, and restructuring.

She holds memberships in the Institute of Singapore Chartered Accountants (Singapore CPA), the Hong Kong Institute of Certified Public Accountants (HK CPA) and the Chinese Institute of Certified Public Accountants (Chinese CPA). She is also a fellow member of the Association of Chartered Certified Accountants (FCCA) and a Chartered Financial Analyst (CFA). She has also completed the Executive Management Program at the Stanford Graduate School of Business in 2008 and the Capital Market Program at Cheung Kong Graduate School of Business in 2018.

YONG KOK HOON
Executive Director

Mr Yong was appointed as a Director of the Group on 28 December 2017 and last re-elected as Director on 27 April 2018. He has more than 37 years of auditing, management and operation experiences from International Accounting firms and large listed conglomerates in SGX and SET. He is presently Independent Chairman and non-executive director of Sabana Real Estate Investment Management Pte Ltd, the Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust. Prior to this, he held various senior leadership roles in Innotek Group from 1999 to 2014. He was the Managing Director of Innotek Ltd (SGX), Chairman & CEO of Mansfield group (HK) and Executive Director of MPT Ltd (SET). From 1996 to 1999, he was the CFO of QAF Ltd. From 1981 to 1995, he was with International Accounting firms KPMG, Ernst and Young and last served as an Audit Partner in Moore Stephen. He was a member of the financial statements review committee and was also a member of the China Committee of the Institute of Singapore Chartered Accountants.

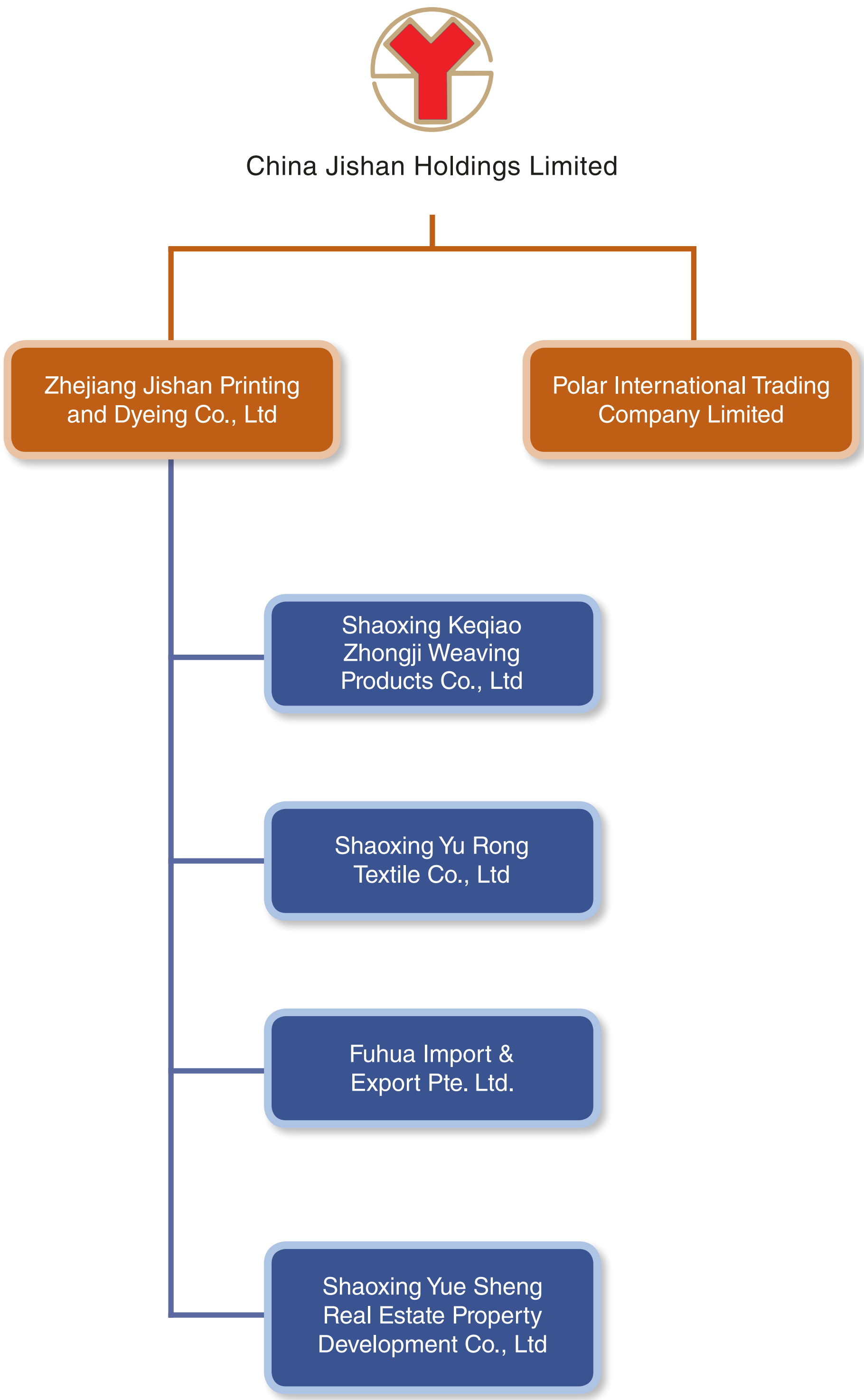
Mr Yong is a Chartered Accountant (Singapore) and a Fellow of the Association of Chartered Certified Accountants (UK). He also holds a Master of Business Administration degree from the International Management Centre, Europe. He attended the CEO program of Tsing Hua University and also the CEO program of the Singapore Institute of Management.

SENIOR MANAGEMENT

MICHAEL CHIN JONG YEAT
Chief Financial Officer

Mr Michael Chin Jong Yeat rejoined the Group on 19 November 2012. Prior to this, he had served in the same capacity as Chief Financial Officer, from 2008 to 2010. He is responsible for the financial and accounting functions of the Group. Mr Chin has more than 10 years' audit experience in the big four accounting firms in both Malaysia and China. Prior to joining the Group, he was with Deloitte Shanghai, PRC, as a Senior Audit Manager, specialising in various industries such as manufacturing, consumer products, and trading etc. He is a member of the Malaysian Association of Certified Public Accountants as well as a member of the Malaysian Institute of Accountants.

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Lien Kait Long
Non-Executive and Independent Chairman

Jin Guan Liang
Executive Director

Xiao Ziliang
Executive Director / Chief Executive Officer

Yu Ming Hai
Executive Director

Yong Kok Hoon
Executive Director

Mak Yen-Chen Andrew
Independent Non-Executive Director

Cai TianChen
Independent Non-Executive Director

AUDIT AND RISK COMMITTEE

Lien Kait Long (Chairman)
Mak Yen-Chen Andrew
Cai TianChen

NOMINATING COMMITTEE

Mak Yen-Chen Andrew (Chairman)
Jin Guan Liang
Lien Kait Long

REMUNERATION COMMITTEE

Cai TianChen (Chairman)
Lien Kait Long
Mak Yen-Chen Andrew

COMPANY SECRETARY

Chan Wai Teng Priscilla

REGISTERED OFFICE

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AUDITORS

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Chartered Accountants of Singapore
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Audit Partner-in-Charge:
Neo Keng Jin
Date of Appointment:
With effect from financial year ended
31 December 2018

PRINCIPAL BANKERS

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Shaoxing City
The People's Republic of China

China CITIC Bank
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The People's Republic of China

Agriculture Bank of China
Shaoxing City West Branch
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CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") of China Jishan Holdings Limited ("the Company") is committed to maintain high standards of corporate governance and transparency within and throughout the Company and its subsidiaries ("the Group") to enhance shareholder value and financial performance of the Group by following closely the recommendations of the Code of Corporate Governance 2012 ("the Code") issued on 2 May 2012. The Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("the SGX-ST") on 10 May 2004 and the Group is continuously refining its policies and practices so as to achieve this goal. This report describes the Group's corporate governance processes and practices during the financial year ended 31 December 2018, with specific reference made to of the Code.

The Board is pleased to confirm that the Group has adhered to the principles and guidelines as set out in the Code, where appropriate.

BOARD MATTERS

Principle 1: Board's Conduct of Affairs

The Board comprises four Executive Directors and three Independent Non-Executive Directors, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Group, and all Directors objectively take decisions in the interest of the Group.

The Board's primary role is to protect and enhance long-term shareholders' value. It sets the overall strategy for the Group and supervises executive management. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Besides carrying out its statutory responsibilities, the Board's role is to:

1. provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

2. set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;

3. review management performance;

4. establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;

5. approve all Board appointments and appointments of key personnel to ensure effective management leadership of the highest quality and integrity, and review management performance;

6. identify the key stakeholder groups and recognize that their perceptions affect the company's reputation; and

7. consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Board Processes

All Directors exercise reasonable diligence and independent judgement when making decisions and are obliged to act honestly and consider the interests of the Group at all times.

To assist the Board in the execution of its responsibilities, the Board delegates specific authority to a number of Board Committees including an Audit and Risk Committee, a Nominating Committee and a Remuneration Committee. These Committees function within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. They assist the Board operationally without the Board losing authority over major issues.

The Board conducts regular scheduled meetings to deliberate on specific issues including material transactions, review the performance of the Group and approve the release of quarterly and full year results. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances.

The agenda for meetings is prepared in consultation with the Chairman/Chief Executive Officer ("CEO"). Standing items include the management report, financial reports, strategic matters, governance, business risk issues and compliance. Executives are regularly invited to attend Board meetings to provide updates on operational matters.

Directors' meetings held in 2018

The attendances of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings in the financial year under review, are disclosed at the end of this Report. In addition to physical meetings, the Board and Board committees also circulate written resolutions for approval by the relevant members of the Board and Board committees.

Matters requiring Board approval

The Company has documented internal guidelines for matters that requires the Board's approval such as corporate restructuring, mergers and acquisitions, major investment and divestment proposals, material acquisitions and disposals of assets, major funding proposals, major corporate policies on key areas of operations, the release of the Group's quarterly and full-year results, annual report, interested person transactions of a material nature, and declaration and proposal of dividends.

Board Orientation and Training

Upon appointment of a new director, the Company provides a formal letter to the Director, setting out the Director's duties and obligations; policies on disclosure of interests in securities, prohibitions on dealings in the Company's securities and restriction on disclosure of price-sensitive information; Annual Report and Code; Company's constitutional document; SGX-ST Listing Manual and relevant legislations; and other pertinent information for his reference. The Group conducts a comprehensive orientation programme to familiarize new Directors with the Group's operations and business issues, relevant regulations and governance requirements, financial performance and key management staff of the Group.

The Directors participate in seminars and discussions to keep themselves updated on the latest changes and developments concerning the Group and keep abreast of the latest regulatory changes. The Directors are also provided with updates on the relevant new laws and regulations related to the Group's operating environment through emails and regular meetings. The Internal Auditors updated the Board Members on the outcome of the comprehensive risk assessment activity in 2018 and the regular follow up and reporting procedures. The Directors also have the opportunity to visit the Group's operational facilities and meet with management to obtain a better understanding of the business operations.

The Company also provides for Directors' participation at industry conferences and seminars, and subject to approval, to fund Directors' attendance at any course or training program in connection with their duties as Directors and Board committees, if such participation or attendance is required.

Principle 2: Board Composition and Guidance

Presently the Board comprises four Executive Directors and three Independent Non-Executive Directors. The participation of the Directors in the Board committees is as follows:

Name of Director	Appointed On	Date of Last Re-election	Board	Audit and Risk Committee	Remuneration Committee	Nominating Committee
Lien Kait Long	20 March 2004	27 April 2018	Non-Executive and Independent Chairman	C	M	M
Jin Guan Liang	23 December 2003	–	Executive Director			M
Xiao Ziliang	11 May 2016	–	CEO and Executive Director			
Yu Ming Hai	16 February 2006	29 April 2016	Executive Director			
Yong Kok Hoon	28 December 2017	27 April 2018	Executive Director			
Mak Yen-Chen Andrew	28 December 2017	27 April 2018	Independent Non-Executive Director	M	M	C
Cai TianChen	28 December 2017	27 April 2018	Independent Non-Executive Director	M	C	

C: chairman; M: member

The Company voluntarily appointed Messrs Shook Lin & Bok LLP as its Compliance Adviser.

Board Independence

The Board adopts the definition of what constitutes an Independent Director under the Code and the negative definition of an Independent Director under the Mainboard Listing Rules. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgement of the Group's affairs. The Directors will disclose to the Board any such relationship as and when it arises.

Taking into account the above, the independence of each Director is reviewed annually by the Nominating Committee ("NC"). The NC adopts the Code's definition and provisions in the Mainboard Listing Rules of what constitutes an Independent Director in its review. The NC has reviewed the independence of Mr Lien Kait Long, Ms Cai TianChen and Mr Mak Yen-Chen Andrew.

Particular scrutiny is applied in assessing the continued independence of a Director having served beyond nine years from the date of his first appointment, with attention to ensuring his allegiance remains clearly aligned with shareholders' interest. Presently, Mr Lien Kait Long has served as Independent Director of the Company for more than nine years since his initial appointment in 2004. The Board has subjected his independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurs that Mr Lien Kait Long continued to demonstrate strong independence in character and judgement over the years in the discharge of his duties and responsibilities as Director of the Company, with the utmost commitment to protect and uphold the interests of the Company and all shareholders, not just its majority shareholder. He expressed individual viewpoints, debated issues and objectively scrutinized management, and sought clarification and amplification as he deemed necessary. Further, having gained in-depth understanding of the business and operating environment of the Group, he provides the Company with much needed experience and knowledge of the industry. Mr Lien has extensive experience in accounting and finance, corporate management and business investment and is familiar with the SGX-ST requirements and Singapore environment. He has an independent income source apart from the fixed fee received from the Company. He has no relationship with the substantial shareholder.

Mr Mak Yen-Chen Andrew and Ms Cai TianChen, Non-Executive Independent Directors, are considered by the NC and the Board to be independent. They are of the view that no individual or small group of individuals dominates the Board's decision making process. Independent Non-Executive Directors constructively challenge and help develop proposals on strategy and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The Independent Directors will meet amongst themselves without the presence of the other Directors where necessary, and they will provide any suggestion or feedback to the Chairman after such meetings.

Board Composition and Size

The Board proactively seeks to maintain an appropriate balance in its composition and size. This is reflected in the diversity of backgrounds, gender, experience and knowledge of our Directors whose competencies range from banking, finance, accounting and legal; to relevant business, corporate management, corporate governance, corporate finance, customer-based and industry knowledge; to mergers and acquisitions, strategic planning, entrepreneurial and management experience; and to familiarity with regulatory requirements, internal controls and risk management. This is beneficial to the Company and its management as decisions by, and discussions with, the Board would be enriched by the broad range of views and perspectives and the breadth of experience of our Directors. Each Director with his special contributions brings to the Board an independent and objective perspective to enable balanced and well considered decisions to be made.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to maximise its effectiveness. Keeping in mind the need for Board diversity, in identifying director nominees, the NC will consider factors such as gender, age, ethnicity and other relevant factors, in addition to skills, background and experiences.

The Board is of the view that the current board size of seven Directors is appropriate for the time being for facilitation of effective decision making on the part of the Board, taking into account the nature and scope of the Company's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees.

CORPORATE GOVERNANCE REPORT

Principle 3: Chairman and CEO

The Group keeps the roles of the Chairman and CEO separate. There is a clear division of responsibilities between the Chairman and the CEO, which ensures that there is a balance of power and authority at the top of the Group.

Mr Lien Kait Long is the Non-Executive and Independent Chairman of the Board. The Chairman's principal role is to lead the Board to ensure its effectiveness on all aspects of its role; set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; and promote a culture of openness and debate at the Board. He manages the business of the Board and the Board committees; preserve harmonious relations and ensure effective communication with shareholders; encourage constructive relations within the Board and between the Board and management; facilitate the effective contribution of Non-Executive Directors; and ensures that the Directors receive accurate, complete, adequate and timely information. The Chairman also advises on the Group's business strategy, keeps Board members abreast of key developments affecting the Group, and promotes high standards of corporate governance.

Mr Xiao Ziliang was appointed as CEO and Executive Director on 11 May 2016. He has over 20 years of experience in the print and dye industry. He first joined the Group in September 1990 and has been with the Group since. Mr Xiao's responsibilities include overseeing the Group's overall operations, general management, investment, business development and strategic planning.

There is a sufficiently strong independent element on the Board to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board, taking into account factors such as the appointment of a Non-Executive and Independent Chairman, the number of Independent Non-Executive Directors making up 43% of the Board, as well as the contributions made by each member at Board meetings which relate to the affairs and operations of the Group.

As a general rule, board papers are sent to Directors at least three days in advance in order for Directors to be adequately prepared for the meeting. Management staffs who have prepared the papers, or who can provide additional insight into matters to be discussed, are invited to present the papers or attend at the relevant time during the Board meeting. The Chairman with the assistance of the Compliance Adviser, Company Secretary, Chief Financial Officer and Board members, ensures that procedures are introduced to comply with the Code.

The above is not an exhaustive description of the current or future role of the Chairman and CEO. The role of the Chairman and CEO may change in line with developments affecting the Group.

Principle 4: Board Membership

Nominating Committee ("NC")

The NC comprises three members, two of whom, including the Chairman, are Independent Non-Executive Directors. The chairman is Mr Mak Yen-Chen Andrew, an Independent Non-Executive Director. He is not, nor has any relationship with, a substantial shareholder of the Company. The other two members are Mr Jin Guan Liang, an Executive Director, and Mr Lien Kait Long, the Non-Executive and Independent Chairman.

The NC meets at least once a year and when necessary. It is guided by the Terms of Reference. Whenever necessary, the Non-Executive Directors will also meet privately without the presence of management.

The NC is responsible for the following:

a Review and recommend to the Board on the appointment and re-appointment of Directors (including Alternate Directors, if applicable) having regard to their contribution and performance.

b Review the skills required by the Board, and the size of the Board.

c Ensure that the Company adheres to the board composition rules, including having Independent Directors make up 50% of the Board under certain circumstances.

d Assess the independence of the Directors annually.

e Evaluate whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple Board representations.

f Develop a process for evaluating the performance of the Board, its Board committees and contribution of each individual Director.

g Formal assessment of the effectiveness of the Board as a whole, its Board committees and individual Director.

h Review the training and professional development programmes for the Board.

i Review the Board succession plans for Directors, in particular, the Chairman and CEO.

The Company has no alternate directors on its Board.

The NC reviews and recommends to the Board the re-nomination of retiring Directors standing for re-election and appointment of new Directors. The review ensures that the Director to be re-nominated or appointed is committed, able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgement, and has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities (such as preparedness and candour).

Subject to Rule 720(5) of the Mainboard Listing Manual of the SGX-ST ("Listing Manual") which comes into effect from 1 January 2019 and requires all directors to submit themselves for re-nomination and re-appointment at least once every three years[1], and pursuant to the Constitution of the Company, new Directors must submit themselves for re-election at the next AGM of the Company immediately following their appointment and requires one-third of the Board to retire by rotation at every AGM.

The Directors due for retirement under Regulation 89 at the forthcoming Annual General Meeting ("AGM") are Mr Jin Guan Liang, Mr Yu Ming Hai and Mr Mak Yen-Chen Andrew. The NC recommends to the Board and shareholders, their re-nomination as Directors after taking into account their experience, qualifications, contributions and performance. Shareholders elect the Directors put up for re-election at the AGM individually and are provided with relevant information in the Annual Report on the Directors or Candidates who are seeking re-election.

The NC reviewed whether a Director who has multiple board representations is able to and has been adequately carrying out effectively the duties as a Director and to ensure that internal guidelines adopted to address the competing time commitments are relevant and being followed. All Directors are required to declare their Board representations. As a result of the NC's review, the NC is of the view that Mr Lien Kait Long and Mr Jin Guan Liang who sit on multiple boards, have and are able to more than adequately carry out their duties as Directors of the Board.

The NC is of the view that there is no need to set a limit on the number of listed company board representations a Director should have as it is not meaningful. The contribution of each Director would depend on their individual circumstances, including whether they have a full time vocation or other responsibilities, their different capabilities, the nature of the organisations in which they hold appointments, and the kind of committees on which they serve being of different complexities. Instead, the NC will assess each potential or existing Director relative to his abilities and known commitments and responsibilities. Specific considerations are also given to their attendance, contactability and responsiveness, contributions and individual capabilities.

The NC oversees a rigorous process for the appointment of Directors. Directors are selected not just for their experience and competencies but also for their fit with the Company. The NC regularly reviews the composition of the Board and Board committees. The NC takes into account each Director's skills and experience, to identify the staffing needs of each Board committee. Before a new Director is appointed, suitable candidates are identified from various sources. Thereafter, the NC conducts an assessment to review the candidate (including qualifications, attributes, capabilities, skills, age, past experience) to determine whether the candidate is fit and proper. The NC then interviews the short listed candidates and makes its recommendations to the Board. Similarly, the NC will evaluate a Director in accordance with set criteria before recommending him to the Board for re-election.

Key information regarding the Directors is given in the "Board of Directors" section of this annual report.

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1 Pursuant to Transitional Practice Note 3 (Transitional Arrangements Regarding Code of Corporate Governance 2018) of the Mainboard Listing Manual which comes into effect from 1 January 2019, a director (including an executive director) appointed or re-appointed before 1 January 2019 is required to submit himself/ herself for re-nomination and re-appointment to the board at a general meeting no later than 31 December 2021. In addition, a director appointed or reappointed to the board on or after 1 January 2019 must submit himself/ herself for re-nomination and re-appointment to the board at a general meeting by the end of the calendar year of the third anniversary of his/ her appointment or re-appointment."

Principle 5: Board Performance

The NC is responsible for recommending and implementing a process to assess the effectiveness of the Board and its Board committees as well as assessing the contribution of each individual Director to the overall effectiveness of the Board. An assessment system and evaluation forms have been established and adopted by the NC/Board for the evaluation of the Board and Board committees. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes and Board performance in relation to discharging its principal responsibilities. Such criteria employed by the NC are comparable with industry peers and have not changed from year to year. For the year under review, all Directors participated in the evaluation by providing feedback to the NC in the form of completing the Board and Board Committees Performance Assessment checklists. To ensure confidentiality, the evaluation returns completed by all Directors were submitted to the Company Secretary for collation and consolidated responses were presented to the NC and the Board for their review.

Each individual Director is evaluated and assessed as to whether he continues to contribute effectively and demonstrate commitment to the role, including commitment of time for Board and Board committee meetings, attendance, adequacy of preparation, generation of construction discussion, independence, team spirit etc. The Board is of the view that the Board and its Board committees operate effectively and each director is contributing to the overall effectiveness of the Board.

The Board and the NC have used their best efforts to ensure Directors appointed to the Board possess the necessary background, experience and knowledge in relevant industry and geographic know-how, business, law and finance, and have the appropriate management skills critical to the Company's business, and that each Director with his special contribution brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

A formal review of the Board's performance is undertaken annually by the NC. Following the review, if necessary, the Non-Executive and Independent Chairman will act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors. In addition, the renewals or replacement of Board members, when it happens, do not necessarily reflect their contributions to date, but may be driven by the need to position and shape the Board in line with the medium term needs of the Company and its business.

Principle 6: Access to Information

To enable the Board to function effectively and fulfil its responsibilities, Management recognises its obligation to provide the Board and Board committees with complete, adequate information in a timely manner. Management provides the Board with detailed Board papers specifying relevant information and commercial rationale for each proposal, as and when arise, for which Board approval is sought. The Non-Executive and Independent Chairman and CEO keep Board members abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. Directors also from time to time receive detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of management.

Directors have unrestricted access to the Company's records and information and receive management accounts and other financial information on the Company's activities. Besides these, the Board also meets and discusses the quarterly performance of the Group. Detailed Board papers and related materials are prepared for each meeting of the Board and are normally circulated at least three days in advance of each meeting. The Board papers include sufficient information from management on financial, business and corporate issues to enable Directors to be properly briefed on issues to be considered at Board meetings. The Group's CEO and the key management personnel are present at these meetings to address any queries which the Board may have.

Presentation decks for analysts and media reports, if any, on the Group are forwarded to the Directors on an ongoing basis.

The Board has separate and independent access to all levels of senior management and the Company Secretary at all times through email, telephone and face-to-face meetings. Any additional materials or information requested by the Directors to make informed decisions is promptly furnished. The Audit and Risk Committee meets the external Auditors separately at least once a year, without the presence of the CEO and Executive Directors and other senior management members, in order to have free and unfettered access to any information that it may gather or require.

The Company Secretary attends all the Board meetings and Board committee meetings. She ensures that Board procedures are followed, and applicable rules and regulations are complied with. The removal and appointment of the Company Secretary is decided by the Board. The Company Secretary also advises the Board on corporate governance matters and she is also the channel of communication between the Company and the SGX-ST.

The management, in consultation with the Compliance Adviser and other relevant professional advisors, is responsible for compliance with all rules, statutes and regulations which are applicable to the Company.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, they or he could select a professional advisor approved by the Board, to render the advice. The cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") ensures the appropriateness, transparency and accountability to shareholders on issues of remuneration of the directors, executive management, and employees who are related to the Directors, CEO and Substantial Shareholders.

The RC comprises three members, all of whom are Independent Non-Executive Directors. The Chairman is Ms Cai TianChen, and members are Mr Lien Kait Long and Mr Mak Yen-Chen Andrew. It is guided by the Terms of Reference adopted by the Committee in line with the recommendations in the Code.

Our RC is responsible for the following:

a to recommend to our Board a framework of remuneration and specific remuneration packages for each Director and key management personnel, such recommendations to be submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind;

b to review the remuneration of senior management, and employees who are related to the Directors, CEO and substantial shareholders; and

c in the case of service contracts, to consider what compensation commitments the contracts of service of Executive Directors and key management personnel, if any, would entail in the event of early termination, with a view to be fair, and avoid rewarding poor performance.

The Executive Directors are not present during discussions relating to their respective compensations, terms and conditions of service and review of performance. Similarly, no member of the RC is involved in deciding his own remuneration. Whenever necessary, the RC has access to expert advice from internal as well as external sources on remuneration of all Directors. For FY 2018, the RC has not sought internal and external expert advice on remuneration matters.

Principle 8: Level and Mix of Remuneration

The Company has adopted the spirit of the Code to determine the remuneration for Directors/key management personnel so as to ensure that the Company attracts and retains Directors/key management personnel needed to run the Group successfully. Fixed component is in the form of fixed monthly salary whereas variable component is linked to the performance of the Group and individual in the achievement of performance targets set at the beginning of the financial year. In setting the remuneration package, the RC ensures that it is adequate but not excessive and takes into account pay and employment conditions within the industry and in comparable companies, and the level of remuneration paid to Board Directors/key management personnel in other Singapore listed corporations relative to their sizes, work load and complexity.

The Executive Directors do not receive Directors' fees. The service agreements of Executive Directors/key management personnel consist of a basic salary component and a variable component which includes allowances and a variable bonus that is linked to individual performance and the performance of the Group as a whole, giving due regard to the financial and commercial health and business needs of the Group. Such performance related remuneration should be aligned with the interests of shareholders and promotes the longer-term success of the Company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of the risks.

Service contracts for Executive Directors are for a fixed appointment period. There are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of an Executive Director. Notice periods in service contracts are set at a period between one to six months.

The Independent and Non-Executive Directors do not have any service agreements with the Company. Except for Directors' fees, which have to be approved by shareholders at every AGM, the Independent and Non-Executive Directors do not receive any other forms of remuneration from the Company. The Board concurred with the RC that the proposed Directors' fees for the year ending 31 December 2019 is appropriate and that the Independent Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent for serving on the Board and Board committees, as well as the responsibilities and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive to the extent that their independence might be compromised.

The RC is of the view that the remuneration policy and amounts paid to the Directors are adequate and are reflective of present market conditions. Presently the Company does not have any share-based compensation scheme or any long-term incentive schemes involving the offer of shares or grant of options in place or any other forms of deferred remuneration. In evaluating long-term incentive schemes, the RC takes into consideration the costs and benefits of such schemes.

Principle 9: Disclosure on Remuneration

The remuneration of each individual Director and key executive officer of the Group is however not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in.

The report on Directors' remuneration is given below:

	Fees %	Salary %	Bonus %	Termination, Retirement and Post-employment benefits %	Other Benefits %	Total %
Below S$250,000						
Jin Guan Liang	–	100	–	–	–	100
Xiao Ziliang	–	64	36	–	–	100
Yu Ming Hai	–	100	–	–	–	100
Lien Kait Long	100*	–	–	–	–	100
Yong Kok Hoon	–	100	–	–	–	100
Mak Yen-Chen Andrew	100*	–	–	–	–	100
Cai TianChen	100*	–	–	–	–	100

Fees are subject to the approval of shareholders at the AGM to be held on 30 April 2019.

*Fees for FY2019 are approved for payment half-yearly in arrears.

The Executive Directors do not receive any Director's fee. The Company adopts a remuneration policy for management and staff comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual in the achievement of performance targets set at the beginning of the financial year. This is designed to align remuneration with the interests of the shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The Group's top 5 top executives are:

Mr Chin Jong Yeat Michael - Chief Financial Officer of China Jishan Holdings Limited
Mr Yu Wen Ming - Finance Manager
Mr Zhang Jian Yong - Vice President
Mr Hou Jian Hui - Integrated Department Head
Mr Tao Jian Ping - Administration Manager

The remuneration paid to each of the top five key executives who are not Directors of the Company during FY2018 are all below S$250,000. A breakdown of the level and mix of remuneration of these top five key executives is as follows:

	Salary %	Bonus %	Termination, Retirement and Post-employment benefits %	Other Benefits %	Total %
Below S$250,000					
Chin Jong Yeat Michael	100	–	–	–	100
Yu Wen Ming	71	22	–	7	100
Zhang Jian Yong	90	–	–	10	100
Hou Jian Hui	80	12	–	8	100
Tao Jian Ping	81	8	–	11	100

The aggregate total remuneration paid to or accrued to key executives (who are not Directors or CEO) amounted to RMB1,869,000 (S$373,337).

One employee of the Group, Mdm Jin Yao Yun, is the wife of Mr Jin Guan Liang, Executive Director and substantial shareholder. Her remuneration is between S$50,000 and S$100,000 during FY2018.

No share-based incentives and awards were granted to the Directors and the CEO. There is also currently no long-term incentive scheme in place for Executive Directors and key management personnel. The Company does not currently have any employee share schemes.

The Remuneration Committee is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

The Board will not include an annual remuneration report in the agenda of the forthcoming AGM, as the Board is of the view that the matters which are required to be disclosed in the annual remuneration report have already been sufficiently disclosed in this report and in the financial statements of the Company.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. All information on the Group's new initiatives is first disseminated via SGXNET followed by news release (where appropriate).

Management provides the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

This has been fully described under "Access to Information" (Principle 6).

In addition, the Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of SGX-ST, and will establish written policies in this relation, if appropriate.

Principle 11: Risk Management and Internal Controls, and
Principle 12: Audit and Risk Committee ("ARC")

The ARC comprises three members: Mr Lien Kait Long, Non-Executive and Independent Chairman and Mr Mak Yen-Chen Andrew and Ms Cai TianChen, both Independent Non-Executive Directors. It is chaired by Mr Lien Kait Long. Both Mr Lien Kait Long and Ms Cai TianChen have many years of experience in the financial services industry and are certified public accountants. Mr Mak Yen-Chen Andrew, on the other hand, has many years of experience as a corporate lawyer. In addition, these members bring with them a wealth of experience in business in China, Singapore and internationally. The Board considers that the members of the ARC are appropriately qualified to discharge the responsibilities of the ARC.

None of the ARC members were previous partners or directors of the Company's external auditors, Moore Stephens LLP, within the last twelve months or hold any financial interest in the external auditors.

Our ARC meets once every quarter and when necessary. It is guided by the Terms of Reference adopted by the Committee, in line with the recommendations in the Code.

The ARC is responsible for the following:

(a) determining the Company's level of risk tolerance and risk policies, and oversee management in the design, implementation and monitoring of the risk management and internal control systems;

(b) reviewing and reporting to the Board annually the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls;

(c) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response;

(d) review the quarterly and annual announcements and the Statement of Financial Position and Statement of Comprehensive Income before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(e) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(f) ensure co-ordination between the external auditors and our management, reviewing the assistance given by our management to the auditors, and discussing problems and concerns, if any arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);

(g) discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;

(h) reviewing the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors; make recommendation to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and; approving the remuneration and terms of engagement of the external auditors;

(i) reviewing annually the effectiveness of the internal audit function and to ensure that it is adequately resourced and has appropriate standing within the Company;

(j) review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken ("whistle blowing" procedures);

(k) review transactions falling within the scope of Chapter 9 of the Listing Manual;

(l) undertake such other reviews and projects as may be requested by our Board and will report to our Board its findings from time to time on matters arising and requiring the attention of our ARC; and

(m) generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made there to from time to time.

The ARC has the explicit powers to conduct or authorise investigations into any matters within its Terms of Reference. The ARC has full access to and co-operation by management and also full discretion to invite any Director or executive officer to attend its meetings as well as reasonable resources to enable it to discharge its function properly.

For FY2018, the ARC met with (a) the internal auditors ("IA"), and (b) the external auditors, in each case once without the presence of the management. These meetings enabled the internal auditors and external auditors to raise issues encountered in the course of their work directly to the ARC.

The ARC also met with the Group's internal and external auditors together with its executive management to review accounting standards, accounting, auditing, financial reporting, and internal controls and risk management matters.

The ARC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, as well as the cost effectiveness of the audit before confirming their re-nomination. The audit fees earned by Messrs Moore Stephens LLP Singapore and their member firms for the year ended 31 December 2018 is S$120,000/-. No non-audit fee is payable to them.

The ARC has conducted a review and the Company confirms that it is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual in engaging Moore Stephens LLP, registered with the Accounting and Corporate Regulatory Authority, Singapore, as the external auditors of the Company for FY2018. The ARC also conducts a review to ensure that there are no improper activities of the Company.

The external auditors provide regular updates and briefings to the ARC on changes or amendments to accounting standards to enable the members of the ARC to keep abreast of such changes and their corresponding impact on the financial statements, if any.

The ARC advises the Board regarding the adequacy of the Group's internal controls.

The Company has put in place a Whistle-Blowing framework, endorsed by the ARC, by which employees and external parties may raise concerns in confidence about wrongdoing, malpractice or possible irregularity within the Group, and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow up actions. The ARC conducts annual review of the Whistle-Blowing Policy.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

An Enterprise Risk Management programme has been implemented to identify, prioritise, assess, manage and monitor key risks. The risk management process in place covers, inter alia, financial, operational, compliance and information technology risks faced by the Group. The key risks identified are deliberated by Senior Management, and will be reported to the ARC on an annual basis. Having identified the risks to the achievement of their strategic objectives, each business is required to document the management and mitigating actions in place and/or proposed in respect of each significant risk. Reviews are carried out on the management and mitigating actions of each significant risk. The proper implementation of all required corrective, preventive or improvement measures are closely monitored. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation. The approach to risk management and internal controls refers to the Enterprise Risk Management Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The IA review policies and procedures as well as key controls and highlight any issues to the Directors and ARC. In addition, the external auditors, in performing their audit of the financial statements, perform tests over operating effectiveness of certain controls to the extent of their scope as laid out in the audit plan. The external auditors report any significant deficiencies in such internal controls to the Directors and the ARC.

The ARC reviews the adequacy and effectiveness of the Company's systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems established by the management (collectively " Systems of Internal Controls and Risk Management") annually.

CORPORATE GOVERNANCE REPORT

The Board, with the concurrence of ARC, is of the opinion that the Group's Systems of Internal Controls and Risk Management that has been maintained by the Group's management throughout the financial year ended 31 December 2018 were adequate and effective to address risks which the Group considers relevant and material to its operations.

The Board and ARC are of the opinion that, the Group's Systems of Internal Controls and Risk Management were adequate and effective based on:

(i) the internal controls established and maintained by the Group;

(ii) reports issued by the internal and external auditors of the Group;

(iii) regular reviews performed by the management, and annual review undertaken by ARC and the Board; and

(iv) confirmation by the management of the Company.

The Board has received assurance from CEO and Chief Financial Officer that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's internal control system (including financial, operational, compliance and information technology controls) and risk management system are adequate and effective.

In the review of the financial statements for FY2018, the ARC has discussed with Management on the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and considered the clarity of key disclosure in the financial statements. The ARC reviewed, amongst other matters, the significant matters identified by external auditor and have been included in the Independent Auditor's Report to the shareholders of the Company under "Key Audit Matters". Following the review, the ARC is satisfied that those matters have been properly addressed and recommended the Board to approve the audited financial statements of the Group for FY2018. The Board has on 1 April 2019 approved the FY2018 financial statements.

Principle 13: Internal Audit

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' interests and the Group's assets and business. The Group outsourced its internal audit function to an independent and suitably qualified public accounting firm.

The ARC reviews and approves the internal audit plans, resources and reports, and the internal audit fees. The IA has unfettered access to all the company's documents, records, properties and personnel, including access to the ARC. The IA reports directly to the chairman of the ARC on audit matters and to the CEO on administrative matters.

An annual review of the internal audit function is carried out. The ARC is satisfied that the internal audit function is (i) adequately resourced to perform its function effectively, (ii) has appropriate standing within the Group, (iii) staffed with persons with relevant qualifications and experience and (iv) the IA carry out its function according to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors as the guidance for the outsourcing works and applied COSO Internal Control Frameworks to do its review.

Principle 14: Shareholder Rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation during the AGM which will be held in a central location in Singapore, where relevant rules and procedures governing the meetings are clearly communicated. Shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance and other business related matters.

All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company will conduct poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, are explained at such general meetings.

Pursuant to the provisions in the Constitution of the Company, shareholders who are not "relevant intermediaries" may appoint up to two proxies to attend, speak and vote on their behalf at the general meetings. Shareholders who are "relevant intermediaries", as defined in Section 181 of the Companies Act Cap. 50, such as banks and capital markets service licence holders which provide nominee services and custodial services for securities respectively, and the Central Provident Board ("CPF") which purchases shares on behalf of the CPF investors, are allowed to appoint more than two proxies. This is to facilitate indirect shareholders to participate in general meetings. Such indirect shareholders where so appointed as proxies, will have the same rights as direct shareholders to attend, speak and vote at the general meetings.

Principle 15: Communication with Shareholders, and
Principle 16: Conduct of Shareholder Meetings

In line with continuous disclosure obligations of the Company, pursuant to Corporate Disclosure Policy of the SGX-ST, the Board's policy is that shareholders are informed of all major developments that impact the Group in a timely, fair and equitable manner.

Information is communicated to shareholders on a timely basis. Where there is an inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable.

Communication is made through:

a Annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Companies Act and the relevant accounting standards.

b Quarterly and full-year financial statements containing a summary of the financial information and affairs of the Group for the period.

c Notices of and explanatory memoranda for annual general meetings and extraordinary general meetings.

d Press and analyst briefings for the Group's interim and annual results as well as other briefings, as appropriate.

e Press releases on major developments of the Group, as appropriate.

f Disclosures to the SGX-ST.

g The Company retained August Consulting Pte Ltd as its Investor Relations firm.

To promote effective communication with shareholders of the Company, the Non-Executive and Independent Chairman also ensures that there is constructive and meaningful dialogue between the shareholders, Board and management at AGMs or other general meetings of the Company.

The shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The AGM is the principal forum for dialogue with the shareholders. The Annual Report and notice of the AGM are dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 days before the meeting. The notice is also advertised in newspapers and made available on the SGXNet. The Board actively encourages shareholders to participate during AGMs. They have opportunity to raise issues either informally or formally before or at the AGMs. These meetings provide excellent opportunities for the Company to obtain shareholders' views. The Chairman of the Board is available to address shareholders' queries at the meeting. In addition, the Chairmen of the ARC, RC and NC or their representatives are available at the meeting to answer questions relating to the work of these committees, the external auditors are also available to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

For the time being, the Board is of the view that it is adequate to enable shareholders to participate in general meetings of the Company by voting in person or through proxy/ies, and is not proposing to amend its Constitution to allow voting in absentia.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and management, and makes these minutes available to shareholders upon their request.

In line with the new SGX-ST Main Board Listing Rule 730A, with effect from 1 August 2015, all resolutions will be voted by way of poll and the Company will announce the detailed results showing the number of vote cast for and against each resolution and the respective percentages to the public.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. The Company has been declaring dividends on an annual basis up to FY2012.

No dividend is declared for FY2018 by the Company as its current priority is to achieve long term growth for the future benefit of its shareholders.

Any pay-outs are clearly communicated to shareholders via the financial results announcement through SGXNet.

CORPORATE DISCLOSURE

The Company believes that a high level of disclosure is essential to enhance the standard of corporate governance. To this end, the Company is committed to provide a high level of disclosure in public announcements, press releases and annual reports.

DEALING IN SECURITIES

The Company has adopted an internal Code of Dealings in Securities by Officers of the Company ("Policy") in compliance with Rule 1207(19) of the SGX-ST Listing Manual. Officers (including directors and employees) of the Group are prohibited from dealing in the Company's shares while in possession of unpublished material price sensitive information; on short term considerations; and during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's annual results and ending on the date of announcements of such results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

INTERESTED PERSON TRANSACTIONS POLICY

All transactions with interested persons shall comply with the requirements of the Listing Manual. As required by paragraph 1(9)(e) of Appendix 2.2 of the Listing Manual, our Directors shall not vote in regard to any contract, proposed contract or arrangement in which he has directly or indirectly a personal material interest.

The Company has adopted an internal policy in respect of transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions by the ARC, the Board and the shareholders (where applicable).

There was no Interested Person Transaction ("IPT") for FY 2018.

MATERIAL CONTRACTS

Save for the above mentioned in the paragraph "interested person transactions policy", as well as the service agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting at the end of the financial year ended 31 December 2018.

Directors' Attendance at Board and Board Committee Meetings

Period covering January to December 2018

	Board Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nominating Committee Meetings	
Name of directors	**Number of meetings held**	**Attendance**	**Number of meetings held**	**Attendance**	**Number of meetings held**	**Attendance**	**Number of meetings held**	**Attendance**
Jin Guan Liang	4	4	N.A.	N.A.	N.A.	N.A.	1	1
Yu Ming Hai	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Xiao Zi Liang	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Lien Kait Long	4	4	4	4	1	1	1	1
Yong Kok Hoon	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mak Yen-Chen Andrew	4	4	4	4	1	1	1	1
Cai TianChen	4	4	4	4	1	1	N.A.	N.A.

N.A.: not applicable

FINANCIAL CONTENTS

The directors of the Company present their statement to the members together with the audited consolidated financial statements of China Jishan Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the Board of Directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon, are drawn up so as to give a true and fair view of the financial positions of the Group and the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended; and

(b) at the date of this statement, for reasons set out in Note 3(b) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are as follows:

Lien Kait Long	*(Non-Executive and Independent Chairman)*
Jin Guan Liang	*(Executive Director)*
Xiao Ziliang	*(Executive Director/Chief Executive Officer)*
Yu Ming Hai	*(Executive Director)*
Yong Kok Hoon	*(Executive Director)*
Mak Yen-Chen Andrew	*(Independent Non-Executive Director)*
Cai TianChen	*(Independent Non-Executive Director)*

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' Interests in Shares or Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company, or of related corporations (other than wholly owned subsidiary companies), as stated below:

	Holdings registered in name of director		**Holdings in which a director is deemed to have an interest**	
Name of director and company in which interests are held	**At 1.1.18**	**At 31.12.18**	**At 1.1.18**	**At 31.12.18**
The Company				
<u>*No. of ordinary shares*</u>				
Jin Guan Liang	16,649,500	16,649,500	220,623,000	220,623,000
Yong Kok Hoon	15,000	15,000	–	–

3 Directors' Interests in Shares or Debentures (cont'd)

Name of director and company in which interests are held	**Holdings registered in name of director**	
	As at 1.1.18	**As at 31.12.18**
Ultimate Holding Company[1]		
Jin Cheng International Holding Limited		
No. of ordinary shares of US$1.00 each		
Jin Guan Liang	1,208,240	1,208,240

(1) As at 31 December 2018, Jin Cheng International Holdings Limited held 73.18% (2017: 73.18%) of the ordinary shares in the Company.

By virtue of Section 7 of the Act, Mr Jin Guan Liang is deemed to have an interest in the shares held by the Company in all its wholly owned subsidiary companies.

There was no change in the above-mentioned director's interests between the end of the financial year and 21 January 2019.

Except for disclosed in this statement, no director who held office at the end of the financial year had interests in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later or at the end of the financial year.

4 Share Options

Options Granted

During the financial year, there were no share options granted by the Company or its subsidiary companies.

Options Exercised

During the financial year, there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary companies.

Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or its subsidiary companies under option.

5 Audit and Risk Committee

The Audit and Risk Committee ("ARC") comprises all non-executive directors. The members of the ARC at the date of this statement are as follows:

Lien Kait Long *(Chairman)*
Mak Yen-Chen Andrew
Cai TianChen

5 Audit and Risk Committee (cont'd)

The ARC has performed its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50 and the Code of Corporate Governance, which includes the following:

(a) Determining the Company's level of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems;

(b) Reviewing and reporting to the Board annually the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls;

(c) Review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response;

(d) Review the quarterly and annual announcements and statement of financial position and profit and loss statements before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(e) Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(f) Ensure coordination between the external auditors and our management, reviewing the assistance given by our management to the auditors, and discussing problems and concerns, if any arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);

(g) Discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;

(h) Reviewing the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors; make recommendation to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and; approving the remuneration and terms of engagement of the external auditors;

(i) Reviewing annually the effectiveness of the internal audit function and to ensure that it is adequately resourced and has appropriate standing within the Company;

(j) Review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken ("whistle blowing" procedures);

(k) Review transactions falling within the scope of Chapter 9 of the Listing Manual;

(l) Undertake such other reviews and projects as may be requested by our Board and will report to our Board its findings from time to time on matters arising and requiring the attention of our ARC; and

(m) Generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made there to from time to time.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

5 Audit and Risk Committee (cont'd)

The ARC, having reviewed the external auditors' non-audit services (if any), was of opinion that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The ARC has held four meetings since the last directors' statement with full attendance from all members. In performing its functions, the ARC has also met with the Company's internal and external auditors, without the presence of the Company's management, at least once a year.

The Company confirms that Rules 712 and 715 of the Singapore Exchange Securities Trading Limited's Listing Manual have been complied with.

Further details regarding the ARC are disclosed in the Report on Corporate Governance included in the Company's Annual Report.

The ARC has recommended to the Board of Directors the nomination of Moore Stephens LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

6 Independent Auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

Xiao Ziliang
Director

Yu Ming Hai
Director

1 April 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of China Jishan Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the financial positions of the Group and the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(b) to the financial statements, which indicates that as of the financial year ended 31 December 2018, the Group and the Company has net current liabilities of RMB446,371,000 and RMB30,795,000 (2017: net current liabilities of RMB480,134,000 excluding assets classified as held for sale and RMB27,256,000), respectively. In addition, the Group has been unable to renew bank loans amounting RMB204,500,000 (2017: RMB nil), which were secured by the Group's development properties held for sale, as a result of the legal case with a third party (Note 38). As at 31 December 2018, one of the banks has obtained a Court judgement for the repayment of the outstanding loan principal of RMB27,900,000 and the accrued interest. The bank has not enforced the judgement and the Group is still in discussion with the bank regarding the repayment of the loan.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Nevertheless, in the preparation of the financial statements, the management believes that the use of the going concern assumption is appropriate after taking into the following considerations:

(i) The management is of the view that the Group would be able to maintain its credit facilities with the financial institutions as the fair value of the secured development properties held for sale is substantially higher than the outstanding bank borrowings; and

(ii) The Group has sufficient cash flows to satisfy the interest payments of the bank borrowings while the legal case is ongoing.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter (cont'd)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Classification of development properties and legal claim

We refer to Notes 4, 17, 18, 38 and 39 to the consolidated financial statements.

As at 31 December 2018, the Group has development properties held for sale amounting to approximately RMB459,605,000 (Note 17).

The Group has classified these properties as "Assets classified as held for sale" as at the previous financial year ended 31 December 2017 in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* (Note 18).

As disclosed in Note 38 to the consolidated financial statements, on 25 October 2018, the Higher People's Court of Zhejiang Province issued a first-instance judgement whereby:

(i) The Agreement and the Supplemental Agreement between Zhejiang Jishan Printing & Dyeing Co., Ltd ("P&D"), a subsidiary of the Company and the Purchaser have since been terminated;

(ii) P&D shall repay to the Purchaser the initial deposit amounting to RMB80,000,000 (Note 28) together with an interest of 24% per annum; and

(iii) The Purchaser's claim has been dismissed.

Subsequent to the first-instance judgement, the management has changed its intention and made the decision to reclassify the properties from "Asset classified as held for sale" to "Development properties held for sale" as it no longer meets the recognition criteria for SFRS(I) 5.

The Purchaser has subsequently filed an appeal to the Supreme People's Court of the PRC on 12 November 2018. Consequently, the first-instance judgement has not taken effect.

The legal claim by the Purchaser requires management's critical judgement (Note 4) on the classification of the development properties held for sale and increases the risk that the potential legal liabilities (Note 39) arising from the legal claim may not be appropriately provided or adequately disclosed.

</td><td>

Our response:

We reviewed and assessed the amount to be reclassified from "Assets classified as held for sale" to "Development properties held for sale" upon the change in management's intention.

We discussed with management their assumptions and estimates on the likely financial outcome of the legal claim. We reviewed the adequacy of the disclosures made in the financial statements.

We found management's assessment and the judgement on the classification of the development properties held for sale to be appropriate.

We found the disclosures on the Group's exposure to the potential legal liabilities arising from the legal claim to be appropriate.

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</table>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary company incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Neo Keng Jin.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	5	37,721	35,021
Cost of sales		(957)	(4,654)
Gross profit		36,764	30,367
Other operating income	6	30,118	90,566
Selling and distribution expenses		–	(1)
Administrative expenses		(32,518)	(62,456)
Impairment loss on trade receivables written back	21	776	2,132
Impairment loss on other receivables	22	(531)	–
Other losses (net)	7	(454)	(6,759)
Share of profit of associate		1,071	1,056
Finance costs	8	(18,895)	(18,724)
Profit before income tax	9	16,331	36,181
Income tax expense	10	(4,622)	(13,417)
Profit for the year		11,709	22,764
Other comprehensive income		–	–
Total comprehensive profit for the year attributable to owners of the Company		11,709	22,764
Profit per share (RMB cents)			
Basic and diluted	34	3.88	7.55

The accompanying notes form intergral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018 RMB'000	Group 2017 RMB'000	Group 1 January 2017 RMB'000	Company 2018 RMB'000	Company 2017 RMB'000	Company 1 January 2017 RMB'000
ASSETS							
Non-current assets							
Property, plant and equipment	11	26,161	28,086	78,446	–	–	–
Investment properties	12	87,245	91,472	71,158	–	–	–
Investment in subsidiary companies	13	–	–	–	144,587	144,587	144,587
Investment in associate	14	28,687	28,723	27,666	–	–	–
Prepaid leases	15	22,625	23,016	23,535	–	–	–
Deferred tax assets	16	45,662	842	3,274	–	–	–
Development properties held for sale	17	459,605	–	–	–	–	–
		669,985	172,139	204,079	144,587	144,587	144,587
Current assets							
Inventories	19	483	479	3,978	–	–	–
Prepaid leases	15	519	647	647	–	–	–
Other financial assets	20	2,235	1,709	2,898	–	–	–
Trade receivables	21	–	9,316	29,386	–	–	–
Other receivables and prepayments	22	9,394	9,386	11,136	4,471	4,349	4,498
Cash and bank balances	23	25,415	38,994	94,135	253	1,084	204
		38,046	60,531	142,180	4,724	5,433	4,702
Assets classified as held for sale	18	–	497,680	497,680	–	–	–
		38,046	558,211	639,860	4,724	5,433	4,702
Total assets		708,031	730,350	843,939	149,311	150,020	149,289
EQUITY AND LIABILITIES							
Equity attributable to owners of the Company							
Share capital	24	125,808	125,808	125,808	125,808	125,808	125,808
Statutory reserve	25	21,678	21,678	21,678	–	–	–
Retained earnings/(Accumulated losses)		31,984	21,382	(1,382)	(12,016)	(8,477)	(5,595)
Total equity		179,470	168,868	146,104	113,792	117,331	120,213
Non-current liabilities							
Deferred tax liabilities	16	44,144	20,817	20,817	–	–	–
		44,144	20,817	20,817	–	–	–
Current liabilities							
Bank borrowings	26	307,408	342,890	379,000	–	–	–
Trade payables	27	9,931	11,285	23,789	–	–	–
Other payables	28	145,514	152,881	197,500	34,647	31,793	28,108
Loans from a related party	29	872	896	968	872	896	968
Deferred income	30	–	–	54,032	–	–	–
Income tax payable		20,692	32,713	21,729	–	–	–
		484,417	540,665	677,018	35,519	32,689	29,076
Total liabilities		528,561	561,482	697,835	35,519	32,689	29,076
Total equity and liabilities		708,031	730,350	843,939	149,311	150,020	149,289

The accompanying notes form intergral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital RMB'000	Statutory reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
Group				
Balance as at 1 January 2018	125,808	21,678	21,382	168,868
Adjustment on initial application of SFRS(I) 9	–	–	(1,107)	(1,107)
Adjusted balance as 1 January 2018	125,808	21,678	20,275	167,761
Profit for the year	–	–	11,709	11,709
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	11,709	11,709
Balance as at 31 December 2018	125,808	21,678	31,984	179,470
Balance as at 1 January 2017	125,808	21,678	(1,382)	146,104
Profit for the year	–	–	22,764	22,764
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	22,764	22,764
Balance as at 31 December 2017	125,808	21,678	21,382	168,868

The accompanying notes form intergral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group	
	2018	2017
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Profit before income tax	16,331	36,181
Adjustments for:		
Impairment of other receivables	531	–
Write back of impairment of trade receivables	(776)	(2,132)
Amortisation of prepaid lease	519	519
Depreciation of property, plant and equipment	3,800	19,144
Depreciation of investment property	4,227	2,566
Plant and equipment written off	–	19,378
Fair value loss/(gain) on other financial assets	494	(104)
Gain on disposal of other financial assets	(43)	(80)
Loss on disposal of property, plant and equipment	296	5,938
Recognition of compensation amounts	–	(54,032)
Unrealised loss/(gain) on foreign exchange	44	(56)
Interest income	–	(23)
Interest expense	18,895	18,724
Share of profit of associate	(1,071)	(1,056)
Operating cash flows before working capital changes	43,247	44,967
Changes in working capital:		
Trade receivables	10,092	22,202
Other receivables and prepayments	(539)	1,749
Inventories	(4)	3,498
Trade payables	(1,354)	(12,504)
Other payables	3,524	(16,901)
Cash generated from operating activities	54,966	43,011
Income tax paid	(61)	–
Net cash generated from operating activities	54,905	43,011
Cash Flows from Investing Activities		
Proceeds from disposal of other financial assets	1,986	5,999
Proceeds from disposal of property, plant and equipment	87	5,782
Purchase of property, plant and equipment (Note A)	(5,012)	(7,040)
Purchase of investment property (Note B)	(8,137)	(42,553)
Payments to acquire other financial assets	(2,963)	(4,626)
Interest received	–	23
Net cash used in investing activities	(14,039)	(42,415)

The accompanying notes form intergral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group	
	2018	2017
	RMB'000	RMB'000
Cash Flows from Financing Activities		
Proceeds from bank loans	102,900	393,000
Repayment of bank loans	(138,382)	(429,110)
Repayment of loans from a related party	(68)	(15)
Decrease in pledged fixed deposits	–	2,854
Interest paid	(18,895)	(18,724)
Net cash used in financing activities	(54,445)	(51,995)
Net decrease in cash and cash equivalents	(13,579)	(51,399)
Cash and cash equivalents at the beginning of the year	38,994	90,393
Cash and cash equivalents at the end of the year (Note 23)	25,415	38,994

(Note A)
Additions of property, plant and equipment

	Group	
	2018	2017
	RMB'000	RMB'000
Additions of property, plant and equipment	(2,258)	(2,687)
Decrease in other payables for property, plant and equipment	(2,754)	(4,353)
Net cash for additions of property, plant and equipment	(5,012)	(7,040)

(Note B)
Additions of investment properties

	Group	
	2018	2017
	RMB'000	RMB'000
Additions of investment properties	–	(20,075)
Decrease in other payables for investment properties	(8,137)	(22,478)
Net cash for additions of investment properties	(8,137)	(42,553)

The accompanying notes form intergral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1 General Information

China Jishan Holdings Limited (the "Company") is a public limited company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the Company's registered office is 112 Robinson Road #05-01 Singapore 068902 and the principal place of business is at 276 Zhongxing Middle Road, 2nd Floor, Block A Xiandai Building, Shaoxing City, Zhejiang Province, the People's Republic of China ("PRC").

The immediate and ultimate holding company of the Company is Jin Cheng International Holdings Limited, incorporated in the British Virgin Islands. The ultimate controlling party is Mr Jin Guan Liang, a Director of the Company.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 13.

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")

The Group has adopted SFRS(I) on 1 January 2018 and has prepared its first set of financial statements under SFRS(I) for the financial year ended 31 December 2018. As a result, the audited financial statements for the year ended 31 December 2017 was the last set of financial statements prepared under the previous Financial Reporting Standards in Singapore ("FRS").

In adopting SFRS(I), the Group is required to apply all the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

<u>Optional exemptions applied on adoption of SFRS(I)</u>

For first-time adopters, SFRS(I) 1 allows the exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

(i) SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous FRS financial statements has been adopted.

(ii) The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

(iii) The Group has elected to apply the requirements in the SFRS(I) 1-23 Borrowing Costs from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under FRS prior to date of transition are not restated.

(iv) The Group elected the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 Financial Instruments: Recognition and Measurement. Arising from this election, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* to the extent that the disclosures as required by SFRS(I) 7 to items within the scope of SFRS(I) 9.

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I) and adoption of new standards

A. SFRS(I) 1 *First-time Adoption of SFRS(I)*

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any impact on the financial statements. There were no adjustments to the Group's statement of cash flows arising from the transition from FRS to SFRS(I).

B. SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively. There is no material impact on the Group's financial statements on the adoption of SFRS(I) 15.

C. SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, requirements of FRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017 (Note 3(n)). Additionally, the Group is exempted from complying with SFRS(I) 7 for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9. As a result, the requirements under FRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below:

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at Fair Value through Other Comprehensive Income ("FVOCI"); and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at Fair Value through Profit or Loss ("FVPL").
- If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I) and adoption of new standards (cont'd)

C. SFRS(I) 9 *Financial Instruments (cont'd)*

Further details of the new requirements of SFRS(I) 9 are described below.

Classification of financial assets and financial liabilities

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of SFRS(I) 9.

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI (debt instrument), FVOCI (equity instrument); or FVPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

On the date of initial application of SFRS(I) 9 on 1 January 2018, the following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018:

Group	Note	Measurement category		Carrying amount		
		FRS 39	SFRS(I) 9	FRS 39 RMB'000	SFRS(I) 9 RMB'000	Differences RMB'000
Current financial assets						
Other financial assets						
- Quoted equity shares	(i)	FVPL	FVPL	1,709	1,709	–
Trade receivables	(ii)	Loans and receivables (amortised cost)	Amortised cost	9,316	9,316	–
Other receivables						
- Advances to staff	(ii)	Loans and receivables (amortised cost)	Amortised cost	179	179	–
- Due from a related party	(ii)	Loans and receivables (amortised cost)	Amortised cost	3,335	3,335	–
- Recoverable expenses from lessees	(ii)	Loans and receivables (amortised cost)	Amortised cost	3,428	3,428	–
- Others	(ii)	Loans and receivables (amortised cost)	Amortised cost	676	676	–
Cash and bank balances		Loans and receivables (amortised cost)	Amortised cost	38,994	38,994	–
Current financial liabilities						
Bank borrowings		Financial liabilities (amortised cost)	Amortised cost	342,890	342,890	–
Trade payables		Financial liabilities (amortised cost)	Amortised cost	11,285	11,285	–
Other payables		Financial liabilities (amortised cost)	Amortised cost	152,881	152,881	–
Loans from a related party		Financial liabilities (amortised cost)	Amortised cost	896	896	–

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) First-time adoption of SFRS(I) and adoption of new standards (cont'd)

C. SFRS(I) 9 *Financial Instruments (cont'd)*

Classification of financial assets and financial liabilities (cont'd)

(i) Quoted equity shares

The Group has continued to measure these assets at fair value through profit or loss ("FVPL") under SFRS(I) 9. There was no impact on the amounts recognised in relation to these assets from the adoption of SFRS(I) 9.

(ii) Trade and other receivables

Trade and other receivables (excluding advances for purchases and prepayment) that were classified as loans and receivables under FRS 39 are now classified at amortised cost.

Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost but not to equity investments. As a result of the adoption of SFRS(I) 9, the Group presented impairment gain/(loss) related to trade and other receivables separately in the statement of profit or loss. Accordingly, impairment loss on trade receivables written back amounting to RMB2,132,000 recognised under FRS 39, has been reclassified from administrative expenses and disclosed separately in the consolidated statement of comprehensive income for the year ended 31 December 2017.

The Group has applied the simplified impairment approach to recognise only lifetime ECL impairment charges on all trade receivables. Based on the assessment made, no additional allowance for impairment was recognised in opening retained earnings of the Group at 1 January 2018 on transition to SFRS(I) 9, as the allowance recognised under FRS 39 does not differ significantly from that of the allowance measured under SFRS(I) 9. For other receivables, the Group has assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

The Group has assessed the adoption implication of SFRS(I) 9 in relation to the associate's loan to a third party. As a result, an allowance for impairment of RMB1,107,000 was recognised in the opening retained earnings of the associate and by extension, the Group, at 1 January 2018 on transition to SFRS(I) 9.

2 Application of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (cont’d)

(a) First-time adoption of SFRS(I) and adoption of new standards (cont’d)

C. SFRS(I) 9 *Financial Instruments (cont’d)*

Transition impact on equity

The following table summarises the impact, net of tax, of transition to SFRS(I) 9 and the reconciliation of equity at 1 January 2018.

	Impact of adopting SFRS(I) 9 at 1 January 2018
	RMB’000
Group	
Investment in associate	
Closing balance as at 31 December 2017 (SFRS 39)	28,723
Impact on share of loss of associate on the adoption of SFRS(I) 9	(1,107)
Opening balance as at 1 January 2018 (SFRS(I) 9)	27,616
Retained earnings	
Closing balance as at 31 December 2017 (SFRS 39)	21,382
Impact on share of loss of associate on the adoption of SFRS(I) 9	(1,107)
Opening balance as at 1 January 2018 (SFRS(I) 9)	20,275

D. Impact on the Consolidated Statement of Cash Flows

There were no material adjustments to the Group’s consolidated statement of cash flows arising from the transition from FRS to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15.

(b) SFRS(I)s and SFRS(I) INTs issued but not yet effective

At the date of authorisation of these financial statements, the following standards that have been issued and are relevant to the Group and Company but are not yet effective:

Description		**Effective for annual periods beginning on or after**
SFRS(I) 16	*Leases*	1 January 2019
SFRS(I) INT 23	*Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9	*Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28	*Long term Interests in Associates and Joint Ventures*	1 January 2019
Annual improvements to SFRS(I)s 2015-2017 cycle	*- Amendments to SFRS(I) 3 Business Combinations* *- Amendments to SFRS(I) 11 Joint Arrangements* *- Amendments to SFRS(I) 1-12 Income Taxes* *- Amendments to SFRS(I) 1-23 Borrowing Costs*	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28	*Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture*	Deferred indefinitely, early application is still permitted

Except for SFRS(I) 16 described below, management anticipates that the adoption of the other standards will have no material impact on the financial statements in the period of initial application.

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(b) SFRS(I)s and SFRS(I) INTs issued but not yet effective (cont'd)

SFRS(I) 16 *Leases*

SFRS(I) 16 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces SFRS(I) 1-17 Leases, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*; and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than twelve months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

The Group plans to adopt SFRS(I) 16 on 1 January 2019 based on a permitted transition approach that does not restate comparative information, but recognises the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings on 1 January 2019. The Group will elect the transition option to record, in respect of leases previously classified as operating leases, the right-of-use asset on 1 January 2019 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments as at 31 December 2018. The Group also plans to adopt an expedient offered by SFRS(I) 16, exempting the Group from having to reassess whether pre-existing contracts contain a lease.

The Group does not expect any significant impact on the financial statements on the adoption of SFRS(I) 16. However, some additional disclosures will be required from the next financial year ending 31 December 2019.

3 Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") as issued by Accounting Standards Council. These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)* has been applied. In the previous financial years, the financial statements were prepared in accordance with the Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 has affected the reported financial position, financial performance and cash flows is provided in Note 2(a). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in Note 4.

3 Significant Accounting Policies (cont'd)

(b) Going Concern Assumption

As of the financial year ended 31 December 2018, the Group and the Company has net current liabilities of RMB446,371,000 and RMB30,795,000 (2017: net current liabilities of RMB480,134,000 excluding assets classified as held for sale and RMB27,256,000), respectively. In addition, the Group has been unable to renew bank loans amounting RMB204,500,000 (2017: RMB nil), which were secured by the Group's development properties held for sale, as a result of the legal case with a third party (Note 38). As at 31 December 2018, one of the banks has obtained a Court judgement for the repayment of the outstanding loan principal of RMB27,900,000 and the accrued interest. The bank has not enforced the judgement and the Group is still in discussion with the bank regarding the repayment of the loan.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, in the preparation of the financial statements, the management believes that the use of the going concern assumption is appropriate after taking into the following considerations:

(i) The management is of the view that the Group would be able to maintain its credit facilities with the financial institutions as the fair value of the secured development properties held for sale is substantially higher than the outstanding bank borrowings; and

(ii) The Group has sufficient cash flows to satisfy the interest payments of the bank borrowings while the legal case is ongoing.

If the Group and the Company is unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to these financial statements.

(c) Consolidation

Subsidiary companies

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiary companies. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3 Significant Accounting Policies (cont'd)

(c) Consolidation (cont'd)

Subsidiary companies (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary companies is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Business combination

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. The subsequent accounting for changes in the fair value of the contingent consideration depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

3 Significant Accounting Policies (cont'd)

(c) Consolidation (cont'd)

Changes in the Group's ownership interests in existing subsidiary companies

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary company, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary company are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 13, or when applicable, the cost on initial recognition of an investment in an associate.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 13. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3 Significant Accounting Policies (cont'd)

(c) Consolidation (cont'd)

Associates (cont'd)

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group. When necessary, adjustments are made to the financial statements of associates to bring their accounting policies in line with the Group's accounting policies.

(d) Investments in Subsidiary Companies and Associates

Investments in subsidiary companies and associates are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiary companies and associates, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

(e) Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Renminbi, and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rate of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

(f) Property, Plant and Equipment

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3 Significant Accounting Policies (cont'd)

(f) Property, Plant and Equipment (cont'd)

Depreciation

Depreciation is charged so as to write off the cost of assets less their residual values (if any) over their useful lives, using the straight-line method, on the following bases:

Buildings	-	5%
Leasehold improvements	-	10%
Plant and machinery	-	10%
Motor vehicles	-	20%
Fixtures and equipment	-	20%

Depreciation of construction-in-progress assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amounts of the replaced components are recognised in profit or loss. All other costs of maintenance, repairs and minor improvements are recognised in profit or loss when incurred.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognised.

(g) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of the assets less their residual value (if any) over their useful lives, using the straight-line method, of 20 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. All other costs of maintenance, repairs and minor improvements are recognised in profit or loss when incurred.

An investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of the property is determined as the difference between the sales proceeds and the carrying amount of the property and is included in profit or loss in the period in which the property is derecognised.

3 Significant Accounting Policies (cont'd)

(h) Prepaid Leases

Prepaid leases, which represent land use rights, are measured initially at cost. Subsequent to initial recognition, prepaid leases are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line method to profit and loss over the lease period of the land use rights, which is 40 years. The amortisation period and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(i) Impairment of Non-financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Development Properties Held for Sale

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost plus, where appropriate, a portion of attributable profit and estimated net realisable value, net of progress billings. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

(k) Non-current Assets (or Disposal Group) Classified as Held for Sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary company, all of the assets and liabilities of that subsidiary company are classified as held for sale when the criteria set out above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary company after the sale.

3 Significant Accounting Policies (cont'd)

(k) Non-current Assets (or Disposal Group) Classified as Held for Sale (cont'd)

Non-current assets (or disposal group) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

When the criteria set out above are no longer met, the Group will cease to classify the asset (or disposal group) as held for sale. The Group will measure the non-current asset (or disposal group) that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell or distribute.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Allowance for stock obsolescence is made for obsolete and slow moving inventories.

(m) Financial Assets – accounting policies are applicable from 1 January 2018

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through Other Comprehensive Income ("FVOCI") or through profit or loss ("FVPL"), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Initial Recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

3 Significant Accounting Policies (cont'd)

(m) Financial Assets – accounting policies are applicable from 1 January 2018 (cont'd)

<u>Classification and measurement</u> *(cont'd)*

(ii) Subsequent Measurement

(a) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade receivables and other receivables (excluding prepayment and advances for purchases). Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The Group's debt instruments are classified in the amortised cost category.

<u>Amortised cost</u>

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. For debt instrument that is measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Impairment losses are deducted from the gross carrying amount of these assets and are presented as separate line item in the statement of profit or loss.

Interest income is recognised in profit or loss and is included in the "other operating income" line item.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value of equity investments in OCI and there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Dividends are included in the 'other operating income' line item in profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

3 Significant Accounting Policies (cont'd)

(m) Financial Assets – accounting policies are applicable from 1 January 2018 (cont'd)

<u>*Impairment*</u>

The Group assesses on a forward looking basis the expected credit losses associated with financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach - Trade receivables

The Group applies the simplified approach to provide ECLs for all trade receivables as permitted by SFRS(I) 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

General approach - Other financial instruments

The Group applies the general approach to provide for ECLs on all other financial instruments, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 1 year past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3 Significant Accounting Policies (cont'd)

(m) Financial Assets – accounting policies are applicable from 1 January 2018 (cont'd)

Impairment (cont'd)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired.

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (e.g. being more than 1 year past due);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not other consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3 Significant Accounting Policies (cont'd)

(m) Financial Assets – accounting policies are applicable from 1 January 2018 (cont'd)

Recognition and derecognition (cont'd)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise the fair value changes in other comprehensive income.

(n) Financial Assets – accounting policies applied until 31 December 2017

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets, at fair value through profit or loss ("FVPL")

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are presented as current assets, except for those expected to be realised later than twelve months after the reporting period which are presented as non-current assets.

Loans and receivables are presented as "trade and other receivables" and "cash and bank balances" on the statement of financial position.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset has expired, or has been transferred and transferred substantially all the risks and rewards of ownership of the financial asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received is recognised in profit or loss. Any amount recognised in other comprehensive income relating to that asset is transferred to profit or loss.

3 Significant Accounting Policies (cont'd)

(n) Financial Assets – accounting policies applied until 31 December 2017 (cont'd)

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(o) Cash and Cash Equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits and bank balances with financial institutions which are subject to an insignificant risk of change in value, less any restricted deposits and bank balances.

(p) Financial Liabilities

The Group shall recognise a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently carried at amortised cost using the effective interest method.

3 Significant Accounting Policies (cont'd)

(p) Financial Liabilities (cont'd)

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially measured at fair value, net of any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of borrowings and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integrated part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the borrowings, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(q) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(r) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(s) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Leasing income

Revenue from operating lease is recognised on a straight line basis over the lease term as set out in the specific lease agreements.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the rights to receive payment have been established.

(t) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received.

3 Significant Accounting Policies (cont'd)

(t) Government Grants (cont'd)

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(u) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions to state-managed retirement benefit schemes on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(v) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor - operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Contingent rents are recognised as an income in the period in which they are earned.

Lessee - operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals are recognised as an expense in the period in which they are incurred.

3 Significant Accounting Policies (cont'd)

(x) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiary companies and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

(y) Financial Guarantees

<u>Financial guarantees in the separate financial statements – accounting policies from 31 December 2018</u>

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are measured initially at their fair values and, if not designated as at FVPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with expected credit loss model under SFRS(I) 9.

3 Significant Accounting Policies (cont'd)

(y) Financial Guarantees (cont'd)

Financial guarantees in the separate financial statements – accounting policies from 31 December 2018 (cont'd)

- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover. Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

Financial guarantees in the separate financial statements – accounting policies applied until 31 December 2017

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are measured initially at their fair value and, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are amortised to profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amounts with the difference charged to profit or loss.

(z) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive personnel who are responsible for allocating resources and assessing performance of the operating segments.

(aa) Contingent Liabilities

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation that arises from past events but is not recognised because

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3 above, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical Judgements in Applying Accounting Policies

In addition to the going concern assumption disclosed in Note 3(b), the following are the critical judgements that the management has made in the process of applying the Group's accounting policies during the financial year that have the most significant effect on the amounts recognised in the financial statements:

(i) *Classification of development properties held for sale and legal claim*

Subsequent to the first-instance judgement by the Higher People's Court of Zhejiang Province (Note 38), management has changed its intention and made the decision to reclassify the "assets classified as held for sale" to "development properties held for sale" as it no longer meets the recognition criteria for SFRS(I) 5. Subject to the result of the legal claim by the Purchaser, the Group has a contingent liability on the interest payable of approximately RMB23,200,000 in respect of the upfront deposit of RMB80,000,000 as at 31 December 2018.

The classification of the development properties held for sale and the legal claim requires management's critical judgement. The information on the Group's development properties held for sale and the legal claim are disclosed in Note 17 and 39, respectively.

(ii) *Valuation of other receivables*

The Group applies the general approach to provide for ECLs on all other receivables, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition. At each reporting date, the Group assesses whether the credit risk of the other receivables has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Management have assessed and considered the other receivables to have low credit risk as there has been no significant increase in the risk of default on the receivables since initial recognition. There is no allowance for ECLs arising from these outstanding balances as the ECLs are not material. The information about the ECLs on the Group's other receivables is disclosed in Note 22 and 36.

(iii) *Valuation of associate*

Management assessed the impairment of the carrying value of the investment by determining the recoverable amount of the investment.

The recoverable amount calculation involves significant judgement and estimates that are affected by expected future market and economic conditions, changes to the assumptions could lead to material changes in the estimated recoverable amount, impacting the potential impairment charges. The information on the investment in associate is disclosed in Note 14.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(b) Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(i) *Estimated useful lives of property, plant and equipment and investment properties*

Property, plant and equipment, and investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment, other than construction-in-progress, and investment properties are depreciated on a straight-line basis over the property, plant and equipment's and investment properties' estimated useful lives less residual values, if any.

Management estimates the useful lives of these property, plant and equipment to be within 5 to 20 years and investment properties to be at 20 years. These are common life expectancies applied in these industries. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets. Hence, future depreciation charges could be revised. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 2.5% (2017: 2.3%) variance in the Group's profit before tax.

5 Revenue

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Leasing revenue	37,721	35,021

6 Other Operating Income

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Interest income	–	23
Government grants		
- Recognition of compensation amounts (Note 30)	–	54,032
- Others	–	1,416
Net gain on foreign exchange	498	567
Others		
- Sewage cost recharged to lessees (net)	17,932	22,309
- Factory overheads recharged to lessees (net)	11,600	7,397
- Write back of land use tax	–	4,822
- Miscellaneous	88	–
	30,118	90,566

The sewage cost recharged to lessees relates to cost savings achieved without the internal sewage processing facilities in the new factory in Binhai Industrial zone.

The write-back of land use tax in the prior year was made after an assessment by management that the liability was no longer required.

7 Other Gains and Losses

	Group	
	2018	2017
	RMB'000	RMB'000
Fair value (loss)/gain on other financial assets	(496)	104
Gain on disposal of other financial assets	43	80
Loss on disposal of property, plant and equipment	(296)	(5,938)
Gain/(Loss) on disposal of inventories	429	(846)
Others	(134)	(159)
	(454)	(6,759)

8 Finance Costs

	Group	
	2018	2017
	RMB'000	RMB'000
Interest expense on:		
- Bank loans	18,895	18,724

9 Profit before Income Tax

	Group	
	2018	2017
	RMB'000	RMB'000
Profit before income tax has been arrived at after charging/(crediting):		
<u>Included in administrative expenses</u>		
Audit fees paid/payable to:		
- auditors of the Company	600	588
- other auditors	–	–
Non-audit fees paid/payable to auditors of the Company	–	–
Reversal of allowance for impairment of trade receivables	(776)	(2,132)
Allowance for impairment loss on other receivables	531	–
Amortisation of prepaid leases	519	519
Depreciation of property, plant and equipment	3,800	19,144
Depreciation of investment properties	4,227	2,566
Plant and equipment written off	–	19,378
Staff costs		
- defined contribution plans	434	346
- salaries and benefits	5,214	4,054
Directors' fees	808	442
Staff welfare	962	986
Relocation costs	–	5,065
Professional fees	6,446	2,016

10 Income Tax

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Income tax		
Current	11,367	10,985
Deferred tax		
Current	(6,745)	2,432
	4,622	13,417

PRC income tax is calculated at 25% (2017: 25%) of the estimated assessable profit for the year. Taxation for operations in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense for the financial year can be reconciled to the accounting profit before income tax as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Profit before income tax	16,331	36,181
Income tax charge at applicable tax rates	4,083	9,045
Tax effect of non-deductible expenses	539	4,372
	4,622	13,417

The applicable tax rate used for the reconciliation above is the PRC income tax rate of 25% (2017: 25%) since the principal operations of the Group are conducted in the PRC. Taxation for operations in other jurisdictions are either not material or have no taxable profits.

11 Property, Plant and Equipment

	Construction-in-progress "CIP" RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Fixtures and equipment RMB'000	Total RMB'000
Group							
2018							
Cost							
Balance at 1 January	2,014	11,052	–	41,568	2,651	2,067	59,352
Additions	606	40	–	36	1,522	54	2,258
Disposals	–	–	–	(1,207)	–	–	(1,207)
Balance at 31 December	2,620	11,092	–	40,397	4,173	2,121	60,403
Accumulated depreciation							
Balance at 1 January	–	286	–	27,214	2,032	1,334	30,866
Depreciation for the year	–	394	–	3,032	217	157	3,800
Disposals	–	–	–	(788)	–	–	(788)
Balance at 31 December	–	680	–	29,458	2,249	1,491	33,878
Impairment							
Balance at 1 January	–	–	–	155	109	136	400
Disposals	–	–	–	(36)	–	–	(36)
Balance at 31 December	–	–	–	119	109	136	364
Carrying amount							
Balance at 31 December	2,620	10,412	–	10,820	1,815	494	26,161
2017							
Cost							
Balance at 1 January	4,311	38,771	7,595	179,254	3,779	6,538	240,248
Additions	1,223	–	–	1,126	333	5	2,687
Transfer from/(to) CIP	(3,520)	826	–	2,619	75	–	–
Transfer to investment properties	–	(2,805)	–	–	–	–	(2,805)
Disposals	–	–	–	(26,660)	(199)	(1)	(26,860)
Write off	–	(25,740)	(7,595)	(114,771)	(1,337)	(4,475)	(153,918)
Balance at 31 December	2,014	11,052	–	41,568	2,651	2,067	59,352
Accumulated depreciation							
Balance at 1 January	–	25,740	4,142	114,908	3,400	5,011	153,201
Depreciation for the year	–	286	–	18,576	115	167	19,144
Disposals	–	–	–	(14,688)	(179)	–	(14,867)
Write off	–	(25,740)	(4,142)	(91,582)	(1,304)	(3,844)	(126,612)
Balance at 31 December	–	286	–	27,214	2,032	1,334	30,866
Impairment							
Balance at 1 January	–	–	3,453	4,583	141	424	8,601
Disposals	–	–	–	(273)	–	–	(273)
Write off	–	–	(3,453)	(4,155)	(32)	(288)	(7,928)
Balance at 31 December	–	–	–	155	109	136	400
Carrying amount							
Balance at 31 December	2,014	10,766	–	14,199	510	597	28,086
Carrying amount							
Balance at 1 January 2017	4,311	13,031	–	59,763	238	1,103	78,446

11 Property, Plant and Equipment (cont'd)

Certain of the Group's plant and machinery were also included as part of the leases of the Group's factory buildings. As at 31 December 2018, the carrying amount of these plant and machinery leased amounted to RMB7,207,000 (2017: RMB9,901,000; 1 January 2017: RMB18,890,000).

The Group's property, plant and equipment are located at Binhai Industrial Zone Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC.

The buildings are pledged as security for certain bank borrowings of the Group (Note 26).

12 Investment Properties

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Cost		
Balance at 1 January	94,038	71,158
Additions	–	20,075
Transfer from property, plant and equipment (Note 11)	–	2,805
Balance at 31 December	94,038	94,038
Accumulated depreciation		
Balance at 1 January	2,566	–
Depreciation for the year	4,227	2,566
Balance at 31 December	6,793	2,566
Carrying amount		
Balance at 31 December	87,245	91,472

Investment properties relate to the Group's new factory buildings leased to third parties to earn lease revenue.

Leasing revenue relating to the Group's investment properties leased amounted to RMB37,721,000 for the financial year ended 31 December 2018 (2017: RMB35,021,100). Direct operating expenses (excluding depreciation) arising from the Group's investment properties leased that generated the leasing revenue during the financial year ended 31 December 2018 consists of land use tax and property tax amounting to RMB957,000 (2017: RMB1,348,000).

The Group's investment properties are located at Binhai Industrial Zone Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC.

The investment properties are pledged as security for certain bank borrowings of the Group (Note 26).

Details of the Group's investment properties are as follows:

Description and Location	**Existing Use**	**Site Area (sqm)**
Block 1, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	11,046.5
Block 2, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	11,046.5
Block 3, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	11,808.0
Block 4, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	30,806.0
Block 5, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	11,850.0

12 Investment Properties (cont'd)

Management has determined the valuation of these investment properties (including prepaid leases) at RMB169,018,000 as at 31 December 2018 based on its own assessment and relying on the valuation carried out by an independent professional valuer for certain of the investment properties as at 8 August 2017.

The valuation was based on Replacement Value method. The fair value measurement under the fair value hierarchy is Level 3 (2017: Level 3; 1 January 2017: Level 3) as disclosed in Note 36(b).

13 Investment in Subsidiary Companies

	Company		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Unquoted equity shares, at cost	144,741	144,741	144,741
Less: Allowance for impairment loss	(154)	(154)	(154)
	144,587	144,587	144,587

The Company had made an allowance for impairment loss on its investment in a dormant subsidiary company in prior years.

Details of the Group's subsidiary companies are as follows:

Name of subsidiary	**Principal activities/Country of incorporation and operation**	**Equity interest attributable to the Group**		
		2018	**2017**	**1 January 2017**
		%	%	%
Held by Company				
Zhejiang Jishan Printing and Dyeing Co., Ltd	Printing and dyeing of fabric and sales of garments, and leasing of property and equipment (People's Republic of China)	100	100	100
Polar International Trading Company Limited	Intended: Import and export of textile products. Presently dormant (Hong Kong)	100	100	100
Held by Zhejiang Jishan Printing and Dyeing Co., Ltd				
Fuhua Import & Export Pte Ltd	Intended: Import and export of textile products. Presently dormant (Singapore)	100	100	100
Shaoxing Yu Rong Textile Co., Ltd	Intended: Wholesale and retail of textile and garments and related products Presently dormant (People's Republic of China)	100	100	100

13 Investment in Subsidiary Companies (cont'd)

Name of subsidiary	Principal activities/Country of incorporation and operation	Equity interest attributable to the Group		
		2018	2017	1 January 2017
		%	%	%
Held by Zhejiang Jishan Printing and Dyeing Co., Ltd (cont'd)				
Shaoxing Yue Sheng Real Estate Property Development Co., Ltd	Property development and management for general commercial and residential buildings (People's Republic of China)	100	100	100
Shaoxing Keqiao Zhongji Weaving Products Co., Ltd	Intended: Wholesale and retail of textile and garments and related products Presently dormant (People's Republic of China)	100	100	100

All the subsidiary companies are audited/reviewed by Moore Stephens LLP, Singapore for the purposes of consolidation of the Group.

14 Investment in Associate

Name of associate	Principal activities/Country of incorporation and operation	Equity interest attributable to the Group		
		2018	2017	1 January 2017
		%	%	%
Held by Zhejiang Jishan Printing & Dyeing Co., Ltd ("ZJPD")				
Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd. ("Shaoxing Uni-Power")	Provision of financial services (People's Republic of China)	26	26	26

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with SFRS(I).

	Group		
	2018	2017	1 January 2017
	RMB'000	RMB'000	RMB'000
Current assets	111,578	113,009	107,336
Non-current assets	1,523	204	303
Current liabilities	(2,767)	(2,740)	(1,230)
Revenue	5,659	5,562	5,351
Profit/Total comprehensive income for the year	4,119	4,062	3,391

14 Investment in Associate (cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Shaoxing Uni-Power recognised in the consolidated financial statements is as follows:

	Group		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Net assets of the associate	110,334	110,473	106,409
Proportion of the Group's ownership in Shaoxing Uni-Power	26%	26%	26%
Carrying amount of the Group's interest in Shaoxing Uni-Power	28,687	28,723	27,666

On 30 December 2013, ZJPD entered into a sale and purchase agreement (the "SPA") with Zhejiang Jishan Holding Group Co., Ltd ("ZJHG"), a related party of the Group, pursuant to which ZJHG has agreed to sell, and ZJPD has agreed to purchase, a further 25% of the total equity interest in Shaoxing Uni-Power held by ZJHG for a consideration of RMB25,000,000 (the "Proposed Acquisition"). After the completion of the Proposed Acquisition, ZJPD will own 51% of the total equity interest in Shaoxing Uni-Power. The Proposed Acquisition was approved by the shareholders of the Company in an Extraordinary General Meeting held on 26 March 2014. As at the date of these financial statements, this Proposed Acquisition has not been completed.

15 Prepaid Leases

	Group		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Cost			
Balance at 1 January and 31 December	25,956	25,956	25,956
Accumulated amortisation			
Balance at 1 January	2,293	1,774	1,255
Amortisation for the year	519	519	519
Balance at 31 December	2,812	2,293	1,774
Carrying amount			
Balance at 31 December	23,144	23,663	24,182
Presented as:			
Current	519	647	647
Non-current	22,625	23,016	23,535
	23,144	23,663	24,182

Prepaid leases represent the leasehold interest in land use rights of Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC.

Details of the Group's prepaid leases are as follows:

	Interest held by Group	**Land area (sqm)**	**Tenure**
Prepaid leases			
4 plots of lands for industrial use			
- Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, the PRC (New factory)	100%	84,000	50 years

16 Deferred Tax Assets/(Liabilities)

Deferred tax assets

	Allowances RMB'000	Tax losses RMB'000	Total RMB'000
Group			
Balance at 1 January 2018	842	–	842
(Credited)/Charged to profit or loss	(232)	6,977	6,745
Reclassified from assets classified as held for sale (Note 18)	–	38,075	38,075
Balance at 31 December 2018	610	45,052	45,662
Balance at 1 January 2017	842	2,432	3,274
Credited to profit or loss	–	(2,432)	(2,432)
Balance at 31 December 2017	842	–	842

As at 31 December 2018, the Group has recognised deferred tax assets on unutilised tax losses of approximately RMB180,200,000 (2017: RMB152,300,000; 1 January 2017: RMB152,300,000) which can be carried forward and used to offset against future taxable income of those entities in the Group in which the losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective countries in which they operate. There was no deferred tax assets recognised on unutilised tax losses of approximately RMB24,700,000 (2017: RMB24,700,000; 1 January 2017: RMB1,500,000) due to the uncertainty of its future utilisation. The tax losses arising from the entities in the Group operating in the PRC have an expiry of 5 years.

Deferred tax liabilities

	Undistributed profits RMB'000	Gain on disposal of prepaid lease RMB'000	Other temporary differences RMB'000	Total RMB'000
Group				
Balance at 1 January 2018	(554)	(20,263)	–	(20,817)
Reclassified to/(from) current income tax payable	–	20,263	(43,590)	(23,327)
Balance at 31 December 2018	(554)	–	(43,590)	(44,144)
Balance at 1 January and 31 December 2017	(554)	(20,263)	–	(20,817)

The deferred tax liability for the gain on disposal of prepaid lease has been realised to profit or loss as the tax on government grant income has been finalised in the current financial year.

The other deductible temporary differences arose due to the temporary difference between the carrying value and the tax written down value of the investment property and property, plant and equipment which was fully claimed against the chargeable profit when the government grant income was finalised during the current financial year.

As at 31 December 2018 and 2017, no deferred tax liability has been recognised for taxes that would be payable on the undistributed profits of certain of the Group's subsidiaries in the PRC as the Group has determined that the undistributed earnings of its subsidiaries will not be distributable in the foreseeable future. The aggregate amount of temporary differences associated with undistributed profits of the Group's subsidiaries in the PRC for which no deferred tax liabilities have been recognised amounted to approximately RMB169,500,000 (2017: RMB137,200,000; 1 January 2017: RMB106,800,000). The deferred tax liability is estimated to be RMB8,475,000 (2017: RMB6,860,000; 1 January 2017: RMB5,340,000).

17 Development Properties Held for Sale

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Balance at 1 January	–	–
Reclassified from assets classified as held for sale (Note 18)	459,605	–
Balance at 31 December	459,605	–

The details of the Group's development properties held for sale are as follows:

	Land area (sqm)	**Tenure**
Development Properties		
7 plots of lands for commercial and residential development		
- No 426, Feng Lin Road, Kebei Industrial Area, Shaoxing City, Zhejiang Province, the PRC (Old factory)	146,650	40 and 70 years

On 31 May 2017, management has obtained a valuation on the development properties held for sale from an independent professional valuer who has valued it at RMB1,597,000,000 as at that date. The valuation was based on the Direct Comparison Method. Based on the above independent valuation, management is of the view that fair value of these assets has not changed significantly as at 31 December 2018.

The development properties held for sale are pledged as security for certain bank borrowings of the Group (Note 26).

18 Assets Classified as Held for Sale

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Balance at 1 January	497,680	497,680
Reclassified to deferred tax assets (Note 16)	(38,075)	–
Reclassified to development properties held for sale (Note 17)	(459,605)	–
Balance at 31 December	–	497,680

As at 24 December 2016, the Group entered into a conditional share transfer agreement ("Agreement") for the disposal of its wholly owned subsidiary, Shaoxing Yue Sheng Real Estate Property Development Co., Ltd ("Yue Sheng") (the "Proposed Disposal"), to a third party (the "Purchaser") for a cash consideration of approximately RMB785,800,000 (the "Sale Consideration"). On disposal, Yue Sheng shall primarily have the following assets (the "Assets Held for Sale"):

(i) Land use rights for 7 plots of lands with a carrying amount of RMB459,605,000; and

(ii) Deferred tax assets totalling RMB38,075,000 arising from the recognised unutilised tax losses of Yue Sheng in prior years.

On 25 October 2018, the Higher People's Court of Zhejiang Province has issued a first-instance judgement (Note 38) whereby the Agreement and the subsequent Supplement Agreement between the Group and the Purchaser have since been terminated and the Purchaser's claim was dismissed. The Group has changed its intention from assets held for sale to development properties.

Upon the change in intention, the Group has transferred the assets classified as held for sale to development properties.

19 Inventories

	Group		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
At cost:			
Raw materials	483	479	2,371
Work in progress	–	–	117
Finished goods	–	–	1,490
	483	479	3,978

20 Other Financial Assets

	Group		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Financial assets carried at fair value through profit or loss			
- Held for trading	–	1,709	2,898
Equity investments mandatorily measured at fair value through profit or loss			
- Quoted equity shares	2,235	–	–
	2,235	1,709	2,898

The fair values of these equity shares are based on the quoted closing market prices on the last market day of the financial year. The fair value measurement under the fair value hierarchy is Level 1 (2017: Level 1; 1 January 2017: Level 1) as disclosed in Note 36(b).

21 Trade Receivables

	Group		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Third parties	–	13,459	35,661
Less: Allowance for impairment loss	–	(4,143)	(6,275)
	–	9,316	29,386

Trade receivables are non-interest bearing and are usually due within 30-60 days. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

21 Trade Receivables (cont'd)

The movements in credit loss allowance for impairment of trade receivables during the year are as follows:

	Group Lifetime ECL RMB'000
At 1 January 2018 per FRS 39	4,143
Adjustment on initial application of SFRS(I) 9	–
At 1 January 2018 per SFRS(I) 9	4,143
Impairment loss recognised in profit or loss during the year	
- Reversal of unutilised amounts	–
- Impairment loss written back	(776)
- Changes in credit risk	–
	(776)
Receivables written off as uncollectible	(3,367)
As 31 December 2018 per SFRS(I) 9	–

The write back of impairment loss during the current financial year was due to collections from the debtors. The trade receivables written off as uncollectible amounting to RMB3,367,000 (2017: RMB nil; 1 January 2017: RMB nil) are still subject to enforcement activity by the Group.

Previous accounting policy for impairment of trade receivables

As at 31 December 2017, trade receivables disclosed above include amounts which are past due at the end of the reporting period but for which the Group has not recognised an allowance for impairment losses because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

	Group	
	2017 RMB'000	1 January 2017 RMB'000
Past due but not impaired:		
- 61 to 120 days	–	2,039
- 121 to 180 days	5,224	1,746
- >180 days	4,092	4,196
	9,316	7,981

Movement in the allowance for impairment loss:

	Group 2017 RMB'000
Balance at 1 January 2017	6,275
Impairment loss written back	(2,132)
Balance at 31 December 2017	4,143

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period. 26% of the Group's trade receivables were due from four customers. The write back of impairment loss was due to collections from the debtors.

22 Other Receivables and Prepayments

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances for purchases	2,299	2,276	3,676	–	–	–
Less: Allowance for impairment loss	(2,039)	(1,508)	(1,508)	–	–	–
	260	768	2,168	–	–	–
Security deposit for land development	–	–	2,520	–	–	–
Due from a subsidiary (i)	–	–	–	4,471	4,349	4,498
Advances to staff (ii)	179	179	179	–	–	–
Due from a related party (iii)	3,335	3,335	3,335	–	–	–
Recoverable expenses from lessees	2,792	3,428	2,934	–	–	–
Prepayment for legal expenses (iv)	–	1,000	–	–	–	–
Loan to a third party (v)	2,000	–	–	–	–	–
Others	828	676	–	–	–	–
	9,394	9,386	11,136	4,471	4,349	4,498

(i) Amount due from a subsidiary is non-trade, unsecured, interest-free and repayable on demand in cash.

(ii) Advances to staff are unsecured, interest-free and repayable on demand in cash.

(iii) The related party is an entity which is controlled by a key management personnel of the Group. Amount due from a related party is non-trade, unsecured, interest-free and repayable on demand in cash. The key management personnel has undertaken to provide payment to the Group in the event that the amount is not recoverable from the related party.

(iv) Prepayment for the legal expense in the prior year relates to the legal claim as disclosed in Note 38.

(v) The loan to a third party is non-trade, unsecured, interest-free and repayable on 5 August 2019, which is the maturity date. A key management personnel of the Group has undertaken to provide payment to the Group in the event that the amount is not recoverable from the third party.

For purpose of impairment assessment, the other receivables (excluding prepayment and advance for purchases) are considered to have low credit risk as there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment on these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses which reflects the low credit nature of the exposures. These receivables are performing, based on internal rating grades. There is no allowance for doubtful debts arising from these outstanding balances as the expected credit losses are not material. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

Movement in the allowance for impairment loss for non-financial assets (advances for purchases):

	Group	
	2018	2017
	RMB'000	RMB'000
Balance at 1 January	1,508	1,508
Impairment loss recognised during the year	531	–
Balance at 31 December	2,039	1,508

23 Cash and Bank Balances

	Group			Company		
	2018	2017	1 January 2017	2018	2017	1 January 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	25,415	38,994	90,393	253	1,084	204
Fixed deposits	–	–	2,854	–	–	–
Cash at bank held in trust for third parties	–	–	888	–	–	–
	25,415	38,994	94,135	253	1,084	204

As at 31 December 2016, fixed deposits had a maturity of six months or less and bear interest at an average rate of 2% per annum. Fixed deposits were pledged as security for note payables of the Group (Note 27).

For the purposes of presentation in the consolidated statement of cash flows, the consolidated cash and cash equivalents of the Group comprised the following:

	Group		
	2018	2017	1 January 2017
	RMB'000	RMB'000	RMB'000
Cash and bank balances	25,415	38,994	90,393
Fixed deposits	–	–	2,854
Cash at bank held in trust for third parties	–	–	888
	25,415	38,994	94,135
Less: Restricted fixed deposits	–	–	(2,854)
Less: Restricted cash at bank held in trust for third parties	–	–	(888)
Cash and cash equivalents as per the consolidated statement of cash flows	25,415	38,994	90,393

24 Share Capital

	Group and Company					
	2018		2017		1 January 2017	
	Number of ordinary shares	Share capital	Number of ordinary shares	Share capital	Number of ordinary shares	Share capital
		RMB'000		RMB'000		RMB'000
Issued and paid-up:						
Balance at 1 January and 31 December	301,500,000	125,808	301,500,000	125,808	301,500,000	125,808

The ordinary shares of the Company have no par value.

The ordinary shares carry one vote per share without restrictions and their holders are entitled to receive dividends as and when declared by the Company.

25 Statutory Reserve

In accordance with the Foreign Enterprise Law applicable to the Group's subsidiaries in the PRC, the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

The movement of the statutory reserve during the financial year is set out in the Group's consolidated statement of changes in equity.

26 Bank Borrowings

		Group	
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Short term bank loans	307,408	342,890	379,000

The bank loans are arranged at fixed interest rates and are either guaranteed by related parties and/or secured on the Group's pollution quota, development properties held for sale (Note 17) and certain buildings in property, plant and equipment (Note 11) and investment properties (Note 12).

The weighted average effective interest rates incurred on the bank loans is 7.4% (2017: 5.4%; 1 January 2017: 5.2%) per annum.

The Group has been unable to obtain a renewal of bank loans totalling RMB204,500,000 (2017: RMB nil; 1 January 2017: RMB nil) that were secured by the land use rights of the Group's development properties as a result of the legal case brought by a third party in connection with the proposed disposal of equity interest of a wholly owned subsidiary of the Group as disclosed in Note 38. While these bank loans are currently subsisting, the banks are charging the Group higher interest rates on the said loans.

27 Trade Payables

		Group	
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Third parties	9,931	11,285	20,935
Notes payables	–	–	2,854
	9,931	11,285	23,789

The credit period for trade payables range from 30 to 90 days. No interest is charged on the outstanding balances of trade payables. The notes payables were interest-free and secured on the Group's fixed deposits (Note 23). The notes payables were repayable within the next twelve months from the end of the financial year.

28 Other Payables

	Group			Company		
	2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000	2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
Accrued expenses	5,815	6,668	6,327	626	1,200	1,451
Due to subsidiaries	–	–	–	34,021	30,593	26,657
Interest payable	658	536	578	–	–	–
Payable for property, plant and equipment	1,969	4,723	9,076	–	–	–
Payable for investment properties	5,587	13,724	36,202	–	–	–
Payable for land conversion fee and other related taxes	23,434	22,244	27,523	–	–	–
VAT payable	–	–	3,453	–	–	–
Cash at bank held in trust for third parties	–	–	888	–	–	–
Lease deposits held from lessees	17,000	17,000	14,000	–	–	–
Advances collected from lessees	11,051	7,986	14,303	–	–	–
Deposit for Proposed Disposal (Note 38)	80,000	80,000	80,000	–	–	–
Deposit for dismantle of building	–	–	5,150	–	–	–
	145,514	152,881	197,500	34,647	31,793	28,108

Amounts due to subsidiaries are non-trade, unsecured, interest-free and repayable on demand in cash.

29 Loans from a Related Party

Loans from a related party are unsecured, interest-free and repayable on demand in cash.

30 Deferred Income

Deferred income relates to the compensation received from government in 2010 for shortened usage period for buildings, arising from the change in land use rights, including relocation subsidies. The Group was required to vacate and demolish its buildings on those lands at No. 426 Feng Lin Road, Kebei Industrial Area, Shaoxing City, Zhejiang Province, the People's Republic of China (old factory) before the end of 2017 (Refer to Note 17).

During the financial year ended 31 December 2017, the Group completed its relocation from the existing premises and recognised RMB54,032,000 of the compensation in profit or loss based on the progress of the relocation and in accordance with the terms and conditions of the compensation agreement.

31 Changes in Liabilities Arising from Financial Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below:

		Cash flows		Non cash changes	
	1 January	Proceeds	Repayments	Other changes	31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
2018					
Bank borrowings	342,890	102,900	(157,277)	18,895*	307,408
Loans from a related party	896	–	(68)	44**	872
	343,786	102,900	(157,345)	18,939	308,280
2017					
Bank borrowings	379,000	393,000	(447,834)	18,724*	342,890
Loans from a related party	968	–	(15)	(57)**	896
	379,968	393,000	(447,849)	18,667	343,786

* Includes interest accrued.
** Represents foreign exchange translation differences.

32 Related Party Transactions

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the Group and the Company if any of the following conditions apply:

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint venture of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

32 Related Party Transactions (cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions apply: (cont'd)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties during the financial year:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Guarantees provided by related parties to banks for credit facilities granted to the Group	262,888	274,890

Key management compensation

The remuneration of directors and other key management personnel during the financial year are as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Directors' fees	808	441
Salaries and benefits	3,624	2,543
Defined contribution plans	204	99
	4,636	3,083
Comprised amounts paid/payable to:		
Directors of the Company	2,767	1,458
Other key management personnel	1,869	1,625
	4,636	3,083

33 Segment Information

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is categorised as follows:

(i) leasing of property; and

(ii) property development.

Accordingly, the above are the Group's reportable segments under SFRS(I) 8. Information regarding the Group's reportable segments is presented below. There is no change to amounts reported for the prior year as the segment information reported internally is provided to the Group's chief operating decision maker on a similar basis.

33 Segment Information (cont'd)

Segment revenue and results

	Revenue		Net profit/(loss)	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Leasing of property	37,721	35,021	47,747	35,120
Property development	–	–	(21,783)	(20,254)
	37,721	35,021	25,964	14,866
Other operating income			586	56,039
Central administration costs			(10,836)	(29,021)
Other losses (net)			(454)	(6,759)
Share of profit of associate			1,071	1,056
Profit before income tax			16,331	36,181
Income tax			(4,622)	(13,417)
Consolidated profit for the year			11,709	22,764

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the current and previous financial years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents profit earned by each segment without allocation of central administration costs, certain other operating income, other gains and losses and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets

	Group	
	2018	2017
	RMB'000	RMB'000
Leasing of property	167,293	186,693
Property development	504,656	497,680
Total segment assets	671,949	684,373
Unallocated assets	36,082	45,977
Consolidated total assets	708,031	730,350

Unallocated assets comprised primarily investment in associate, deferred taxes, other financial assets, other receivables and prepayments and other assets which are used jointly by reportable segments and are not allocated.

Segment liabilities

	Group	
	2018	2017
	RMB'000	RMB'000
Leasing of property	136,419	114,365
Property development	308,800	344,159
Total segment liabilities	445,219	458,524
Unallocated liabilities	83,342	102,958
Consolidated total liabilities	528,561	561,482

33 Segment Information (cont'd)

Segment liabilities (cont'd)

Unallocated liabilities comprised primarily deferred tax liabilities, other payables, loans from a related party and other liabilities which are incurred jointly by reportable segments and are not allocated.

Other material information

	Depreciation and amortisation		Addition of property, plant and equipment		Addition of investment properties	
	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Leasing of property	8,546	22,229	2,258	2,687	–	22,880

Geographical information

The Group principally operates in the PRC (country of domicile). All assets and operations of the Group are located in the PRC, and accordingly, no segmental analysis of segment assets is presented.

Information about major customers

All of the Group's leasing revenue were derived from 5 individual lessees.

34 Profit Per Share

The basic profit per share is calculated on the Group's profit for the year of RMB11,709,000 (2017: RMB22,764,000) divided by the number of ordinary shares of 301,500,000 (2017: 301,500,000) in issue during the financial year.

There is no dilution of profit per share as there were no potential dilutive ordinary shares outstanding at the end of the current and previous financial years.

35 Commitments

(a) Operating lease commitments – as a lessor

The Group leased out its factory buildings including certain plant and machinery under operating leases with lease terms of 5 years. The leases have varying terms, escalation clauses and renewal rights.

Future minimum rental receivables under non-cancellable operating leases as at the end of the reporting period are as follows:

	Group	
	2018	2017
	RMB'000	RMB'000
Not later than 1 year	37,721	37,721
Later than 1 year but not later than 5 years	40,664	75,685
More than 5 years	–	2,700
	78,385	116,106

(b) Capital commitments

The Group through its wholly owned subsidiary, Zhejiang Jishan Printing and Dyeing Co., Ltd, has entered into a contract to construct a new building on the premises at Binhai Industrial Zone Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC for a consideration of RMB8,250,000.

36 Financial Risk Management

(a) Financial Risk Management Objectives and Policies

The Group's and Company's activities expose it to credit risk, interest rate risk, currency risk, liquidity risk and price risk. The Group and the Company seeks to minimise the effects of these risks by continually monitoring the financial risk management process to ensure that an appropriate balance between risk and control is achieved. The Board of Directors is responsible for setting the objectives and policies implemented to mitigate the risk exposures. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The following section provide details regarding the Group's and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

<u>Credit risk</u>

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group and the Company. The Group's and Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company has adopted a policy of only dealing with creditworthy counterparties. The Group and the Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group and the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than one year, significant difficulty of the counterparty, and also other evidence as disclosed in Note 3(m).

Trade receivables

As disclosed in Note 3(m), the Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics and numbers of days past due. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Further details on the loss allowance of the Group's credit risk exposure in relation to trade receivables is disclosed in Note 21.

Cash and cash equivalents

The cash and cash equivalents are entered into with bank and financial institution counterparties, which are rated Aa2 to B3, based on rating agency ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents was immaterial.

36 Financial Risk Management (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Credit risk (cont'd)

Credit risk grading guideline

The Group's management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	**Definition**	**Basis of recognition of expected credit loss (ECL)**
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 180 days past due).	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired (i.e. interest and/or principal repayments are more than 1 year past due).	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayments are more than 2 years past due).	Asset is written off

Credit risk exposure and significant credit risk premium

The Group and the Company have assessed the financial assets as performing, counterparties having low risk of default and does not have any past due amounts. The basis of recognition of expected credit loss for other receivables are set out in Note 22 to the financial statements.

The carrying amount of the Group's financial assets best represents their respective maximum exposure to credit risk. The group holds no collateral over any of these balances.

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements under SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

SFRS 39 - financial assets that are neither past due nor impaired

As at 31 December 2017 and 1 January 2017, trade and other receivables that are neither past due nor impaired are with credit-worthy debtors. Cash at banks, short-term deposits and other financial assets are placed or entered into with reputable financial institutions.

Currency risk

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in the PRC and is exposed to foreign currency risk when transactions such as sales and purchases are denominated in currencies other than RMB. The currencies giving rise to this risk are primarily the United States dollar (USD) and Singapore dollar (SGD).

The Group does not enter into any forward currency contracts or any hedging instruments to manage the foreign currency risk. This exposure is managed as far as possible by natural hedges of matching assets and liabilities.

36 Financial Risk Management (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Currency risk (cont'd)

The Group's foreign currency exposures based on the information provided by key management as at the statement of financial position date are as follows:

	RMB RMB'000	SGD RMB'000	USD RMB'000	Total RMB'000
Group				
2018				
Financial assets				
Cash and bank balances	25,046	168	201	25,415
Trade and other receivables	9,134	–	–	9,134
Other financial assets	2,235	–	–	2,235
	36,415	168	201	36,784
Financial liabilities				
Trade and other payables	(154,819)	(626)	–	(155,445)
Bank borrowings	(307,408)	–	–	(307,408)
Loans from a related party	–	–	(872)	(872)
	(462,227)	(626)	(872)	(463,725)
Net financial liabilities	(425,812)	(458)	(671)	(426,941)
Less: Net financial liabilities denominated in the respective entity's functional currency	425,812	–	–	425,812
Currency exposure	–	(458)	(671)	(1,129)
2017				
Financial assets				
Cash and bank balances	37,799	1,003	192	38,994
Trade and other receivables	16,934	–	–	16,934
Other financial assets	1,709	–	–	1,709
	56,442	1,003	192	57,637
Financial liabilities				
Trade and other payables	(162,965)	(1,201)	–	(164,166)
Bank borrowings	(342,890)	–	–	(342,890)
Loans from a related party	–	–	(896)	(896)
	(505,855)	(1,201)	(896)	(507,952)
Net financial liabilities	(449,413)	(198)	(704)	(450,315)
Less: Net financial liabilities denominated in the respective entity's functional currency	449,413	–	–	449,413
Currency exposure	–	(198)	(704)	(902)

36 Financial Risk Management (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Currency risk (cont'd)

	RMB RMB'000	SGD RMB'000	USD RMB'000	Total RMB'000
Group				
1 January 2017				
Financial assets				
Cash and bank balances	93,800	118	217	94,135
Trade and other receivables	15,063	22,332	959	38,354
Other financial assets	2,898	–	–	2,898
	111,761	22,450	1,176	135,387
Financial liabilities				
Trade and other payables	(189,985)	(23,723)	(4,128)	(217,836)
Bank borrowings	(379,000)	–	–	(379,000)
Loans from a related party	–	–	(968)	(968)
	(568,985)	(23,723)	(5,096)	(597,804)
Net financial liabilities	(457,224)	(1,273)	(3,920)	(462,417)
Less: Net financial liabilities denominated in the respective entity's functional currency	457,224	–	–	457,224
Currency exposure	–	(1,273)	(3,920)	(5,193)

	RMB RMB'000	SGD RMB'000	USD RMB'000	Total RMB'000
Company				
2018				
Financial assets				
Cash and bank balances	–	168	85	253
Other receivables	4,471	–	–	4,471
	4,471	168	85	4,724
Financial liabilities				
Other payables	(5,348)	(28,647)	(652)	(34,647)
Loans from a related party	–	–	(872)	(872)
	(5,348)	(28,647)	(1,524)	(35,519)
Net financial liabilities	(877)	(28,479)	(1,439)	(30,795)
Less: Net financial liabilities denominated in the respective entity's functional currency	877	–	–	877
Currency exposure	–	(28,479)	(1,439)	(29,918)

36 Financial Risk Management (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Currency risk (cont'd)

	RMB RMB'000	SGD RMB'000	USD RMB'000	Total RMB'000
Company				
2017				
Financial assets				
Cash and bank balances	–	1,003	81	1,084
Other receivables	4,349	–	–	4,349
	4,349	1,003	81	5,433
Financial liabilities				
Other payables	(4,639)	(27,154)	–	(31,793)
Loans from a related party	–	–	(896)	(896)
	(4,639)	(27,154)	(896)	(32,689)
Net financial liabilities	(290)	(26,151)	(815)	(27,256)
Less: Net financial liabilities denominated in the respective entity's functional currency	290	–	–	290
Currency exposure	–	(26,151)	(815)	(26,966)
1 January 2017				
Financial assets				
Cash and bank balances	–	118	86	204
Other receivables	4,498	–	–	4,498
	4,498	118	86	4,702
Financial liabilities				
Other payables	(3,727)	(24,381)	–	(28,108)
Loans from a related party	–	–	(968)	(968)
	(3,727)	(24,381)	(968)	(29,076)
Net financial assets/(liabilities)	771	(24,263)	(882)	(24,374)
Less: Net financial liabilities denominated in the respective entity's functional currency	(771)	–	–	(771)
Currency exposure	–	(24,263)	(882)	(25,145)

36 Financial Risk Management (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Currency risk (cont'd)

A 10% strengthening of SGD and USD against RMB as at the statement of financial position date would decrease the Group's and Company's profit before income tax by the amounts shown below. This analysis assumes that all other variables, including income tax, remain constant.

	Decrease in profit before tax			
	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
SGD	(46)	(20)	(2,848)	(2,615)
USD	(67)	(70)	(144)	(82)

A 10% weakening of the SGD and USD against RMB would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables, including income tax, remain constant.

Interest risk

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate risk. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes.

Information on the Group's financial instruments that are exposed to interest rate risk are disclosed in Note 26.

The Group's profit or loss is not affected by changes in interest rates as the interest bearing financial instruments carry interests at fixed rates. Therefore, no sensitivity analysis is disclosed in these financial statements.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting its obligations due to shortage of funds. The Group and the Company manages liquidity risk by maintaining adequate cash reserves in meeting its day to day operational needs, including having committed and/or stand-by credit facilities. Further discussion on the Group's liquidity risk is set out below.

The table below analyses the maturity profile of the financial liabilities of the Group and of the Company as at the statement of financial position date based on contractual undiscounted cash flows of the financial liabilities on the earlier date on which the Group and the Company can be required to pay.

36 Financial Risk Management (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Liquidity risk (cont'd)

	Carrying amount RMB'000	Contractual cash flows within 1 year RMB'000
Group		
2018		
Trade and other payables	155,445	155,445
Bank borrowings (Note 26)	307,408	326,944
Loans from a related party	872	872
	463,725	483,261
2017		
Trade and other payables	164,166	164,166
Bank borrowings (Note 26)	342,890	349,543
Loans from a related party	896	896
	507,952	514,605
1 January 2017		
Trade and other payables	217,836	217,836
Bank borrowings (Note 26)	379,000	386,641
Loans from a related party	968	968
	597,804	605,445
Company		
2018		
Other payables	34,647	34,647
Loans from a related party	872	872
Financial guarantees	–	38,426
	35,519	73,945
2017		
Other payables	31,793	31,793
Loans from a related party	896	896
Financial guarantees	–	37,284
	32,689	69,973
1 January 2017		
Other payables	28,108	28,108
Loans from a related party	968	968
Financial guarantees	–	36,872
	29,076	65,948

36 Financial Risk Management (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Price risk

The Group is exposed to equity price arising from its investment in quoted equity shares. The investments are held for short-term profit-taking.

The sensitivity analysis below has been determined based on the exposure to equity price risks as at the statement of financial position date.

In respect of the investment in quoted equity shares classified as equity investments mandatorily measured at FVPL, if equity prices had been 10% higher/lower as at the statement of financial position date, the Group's profit before income tax would increase/decrease by RMB224,000 (2017: RMB171,000).

(b) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The Group classifies fair value measurements using a fair value hierarchy based on the degree to which the inputs to the fair value measurement are observable and the significant of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurement of the Group's investment properties (Note 12) and other financial assets (Note 20) are classified as Level 3 (2017: Level 3; 1 January 2017: Level 3) and Level 1 (2017: Level 1; 1 January 2017: Level 1), respectively under the fair value hierarchy. The significant unobservable inputs under level 3 in respect of the investment properties are the selling price per square meter of RMB1,299 (2017: RMB1,299; 1 January 2017: N/A – newly constructed).

The carrying amount of the Group's and Company's other financial assets and financial liabilities with a maturity of less than one year, which are primarily cash and bank balances, trade and other receivables, bank borrowings, trade and other payables and loans from a related party is a reasonable approximation of the fair value because of their relatively short term period of maturity.

37 Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of net debts (total liabilities excluding deferred income, deferred tax liabilities and income tax payable, less cash and bank balances) and equity of the Group (comprising all components of shareholders' equity).

The Group is not subject to any externally imposed capital requirements for the financial years ended 31 December 2018 and 2017, other than the statutory reserve requirements of the Group's subsidiaries in the PRC as disclosed in Note 25.

37 Capital Management (cont'd)

The Group monitors capital with reference to a net debt-to-equity ratio, which as at the statement of financial position date is as follows:

	Group		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Total debts	463,725	507,952	601,257
Less: Cash and bank balances (Note 23)	(25,415)	(38,994)	(94,135)
Net debt	438,310	468,958	507,122
Total equity	179,470	168,868	146,104
Net debt-to-equity ratio	2.4	2.8	3.5

38 Legal Claim

On 24 December 2016, Zhejiang Jishan Printing & Dyeing Co., Ltd. ("P&D"), a wholly-owned subsidiary of the Group, entered into a conditional share transfer agreement ("Agreement") for the disposal of its wholly-owned subsidiary, Shaoxing Yue Sheng Real Estate Property Development Co., Ltd. ("Yue Sheng") to a third party (the "Purchaser") for consideration of approximately RMB785,800,000.

On 5 April 2017, P&D entered into Supplemental Agreement in which the purchase consideration has been adjusted from RMB785,800,000 to RMB1,183,200,000.

On 10 October 2017, the Group has announced that owing to the Purchaser's conduct and refusal to agree to a revised purchase consideration which is based on an updated independent valuation, the Company has terminated the agreement.

On 1 November 2017, the Company announced that the Purchaser has filed a legal claim against P&D, the Guarantor (Zhejiang Jishan Holding Group Co., Ltd) and the Target (Shaoxing Yue Sheng Real Estate Property Development Co., Ltd.) for certain alleged breaches that have been committed by P&D. Specially, the Purchaser is claiming (i) withdrawal of the Supplemental Agreement; (ii) the continued performance of the Agreement; and (iii) RMB485,973 for costs incurred as at 28 September 2018. In addition, the Purchaser has obtained an order from the High Court in the PRC to freeze the following assets by way of an injunction:

(i) 100% of equity interest in the Target held by P&D; and

(ii) The Seven Land Use Rights (for a total amount of up to RMB780,000,000) (Refer to Note 17).

On 25 October 2018, the Higher People's Court of Zhejiang Province ("Zhejiang Higher Court") has issued a first-instance judgement as follows:

(i) The Agreement and the Supplemental Agreement has since been terminated;

(ii) P&D will pay to the Purchaser the upfront deposit of RMB80,000,000, together with interest of 24% p.a.;

(iii) The Court dismissed the Purchaser's claim;

(iv) The Purchaser shall pay the costs and disbursements of the Legal Claim totalling RMB5,957,800 and the application fees relating to property preservation measures totalling RMB5,000. P&D shall pay the costs and disbursements of the Counter-Claim totalling RMB220,900.

On 12 November 2018, P&D has received from Zhejiang Higher Court a written appeal against the first-instance judgement issued which was filed by the Purchaser to the Supreme People's Court of the PRC. Accordingly, the first-instance judgement issued by the Zhejiang Higher Court has not taken effect due to the appeal by the Purchaser.

38 Legal Claim (cont'd)

The Group is of the view that the legal claim by the Purchaser has no merits and management will vigorously defend the legal claim and seek to unfreeze the assets. No provisions for liabilities are necessary as at 31 December 2018.

Management has advised that the first-instance judgement issued by the Zhejiang Higher Court is likely to influence the final judgement of the Supreme People's Court.

39 Contingent Liability

Subject to the result of the legal claim by the Purchaser, the Group has a contingent liability on the interest payable of approximately RMB23,200,000 in respect of the upfront deposit of RMB80,000,000 (Note 38) as at 31 December 2018.

STATISTICS OF SHAREHOLDERS

As at 26 March 2019

Issued share capital	:	SGD25,819,935.00
Number of shares	:	301,500,000
Voting rights	:	one vote per share

Shareholders Distribution

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 - 99	1	0.08%	2	0.00%
100 - 1,000	40	3.14%	37,900	0.01%
1,001 - 10,000	852	66.82%	5,590,300	1.85%
10,001 - 1,000,000	373	29.25%	20,606,298	6.84%
1,000,001 and above	9	0.71%	275,265,500	91.30%
	1,275	100%	301,500,000	100%

Based on information available to the Company as at 26 March 2019, approximately 21.0327% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top Twenty Shareholders As At 26 March 2019

S/No.	Name	No. of Shares	Percentage
1	DBS NOMINEES PTE LTD	223,878,400	74.25%
2	JIN GUAN LIANG	16,649,500	5.52%
3	TEO CHENG TUAN DONALD	11,732,300	3.89%
4	MAYBANK KIM ENG SECURITIES PTE.LTD.	6,319,000	2.10%
5	LIM AND TAN SECURITIES PTE LTD	5,380,000	1.78%
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,360,300	1.45%
7	CITIBANK NOMINEES SINGAPORE PTE LTD	3,104,000	1.03%
8	CHEN GANG	2,652,000	0.88%
9	YANG JINKUI	1,190,000	0.39%
10	TAN AH CHYE	720,000	0.24%
11	LEE KUM YOKE	495,000	0.16%
12	QIAN YUECHAO	395,000	0.13%
13	GOH WOON KEAT	350,000	0.12%
14	YEOH POH LENG	350,000	0.12%
15	TEE POI TENG	327,000	0.11%
16	ZHANG HUA	325,000	0.11%
17	ABLEWOOD INTERNATIONAL LIMITED	300,000	0.10%
18	LIM HAN CHEOW	300,000	0.10%
19	TOH WEE CHIANG	300,000	0.10%
20	UNITED OVERSEAS BANK NOMINEES PTE LTD	294,400	0.10%
		279,421,900	92.68%

STATISTICS OF SHAREHOLDERS

As at 26 March 2019

Substantial Shareholders

As shown in the Register of Substantial Shareholders

Name of Shareholders	Direct Interest	Deemed Interest
Jin Cheng International Holdings Limited (1)	220,623,000	
Jin Guan Liang (2)	16,649,500	220,623,000

(1) Jin Cheng International Holdings Limited ("Jin Cheng") holds 220,623,000 shares in the company under DBS Nominees Pte Ltd.

(2) Jin Guan Liang is deemed to be interested in the shares held by Jin Cheng by virtue of the fact that he owns 100% of the issued share capital of Jin Cheng.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of China Jishan Holdings Limited (the "Company") will be held at Furama RiverFront Singapore, Jupiter III (Level 3), 405 Havelock Road, Singapore 169633 on Tuesday, 30 April 2019 at 10 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **[Resolution 1]**

2. To approve Directors' Fees of RMB800,992 (2018: RMB763,723) to be paid half-yearly in arrears for the financial year ending 31 December 2019. **[Resolution 2]**

3. To re-elect the following Directors retiring pursuant to the Company's Constitution:-

   a) Mr Jin Guan Liang [retiring pursuant to Regulation 89] **[Resolution 3(a)]**

   b) Mr Yu Ming Hai [retiring pursuant to Regulation 89] **[Resolution 3(b)]**

   c) Mr Mak Yen-Chen Andrew [retiring pursuant to Regulation 89] **[Resolution 3(c)]**

4. To re-appoint Messrs Moore Stephens LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 4]**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution with or without any modifications:-

ORDINARY RESOLUTION

6. "That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Limited, the Directors of the Company be and they are hereby authorised to issue shares and convertible securities in the Company [whether by way of rights (renounceable or non-renounceable), bonus or otherwise] at any time and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion, deem fit provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed 50 per centum of the total number of issued shares excluding treasury shares and subsidiary holdings, in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed 20 per centum of the total number of issued shares excluding treasury shares and subsidiary holdings, in the capital of the Company at the time of the passing of this Resolution and that such authority shall continue in force until the date that the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier, unless revoked or varied at a general meeting of the Company."
   [See Explanatory Note (i)] **[Resolution 5]**

BY ORDER OF THE BOARD

Chan Wai Teng Priscilla
Company Secretary
Singapore, 12 April 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

A Member is entitled to appoint no more than two proxies to attend and vote in his place. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy. A proxy need not be a Member of the Company. Members wishing to vote by proxy at the meeting may use the proxy form enclosed. The completed proxy form must be lodged at the Registered Office of the Company at 112 Robinson Road #05-01 Singapore 068902 not less than 72 hours before the time appointed for the Meeting.

Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:-

(a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

(b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

(c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

The Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Mr Jin Guan Liang, Mr Yu Ming Hai and Mr Mak Yen-Chen Andrew.

Please refer to the "Supplemental Information" section of the Company's Annual Report 2018 for information relating to Mr Jin, Mr Yu and Mr Mak as set out in Appendix 7.4.1 of the Mainboard Listing Manual of the SGX-ST, respectively.

Note to item no. 3(c):-

Mr Mak Yen-Chen Andrew is an Independent Director, chairman of the Nominating Committee and member of the Audit and Risk Committee and Remuneration Committee. He will continue in the said capacities upon re-election as a Director of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

(i) The Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the capital of the Company (the "shares") and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue Shares pursuant to such instruments, up to an amount not exceeding in total 50 per centum of the total number of issued shares excluding treasury shares and subsidiary holdings, with a sub-limit of 20 per centum of the total number of issued shares excluding treasury shares and subsidiary holdings for issue other than on a pro-rata basis to existing shareholders of the Company, for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier.

The percentage of the issued share capital is based on the number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company at the time of the passing of this Resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution and (c) any subsequent bonus issue, consolidation or subdivision of shares.

Rule 816(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) states that subject to Rule 816(2), a rights issue must provide for the rights to subscribe for securities to be renounceable in part or in whole in favour of a third party at the option of the entitled shareholders.

Rule 816(2)(a)(ii) states that an issuer can undertake non-renounceable rights issues in reliance on this general mandate to issue rights shares if the rights shares are priced at not more than 10% discount to the weighted average price for trades done on the Exchange for the full market day on which the rights issue is announced. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the rights issue is announced. Rule 816(2)(b) states that the non-renounceable rights issue must comply with Part V of Chapter 8 of the Listing Manual of the SGX-ST except Rule 816(1).

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

The following information relating to Mr Jin Guan Liang, Mr Yu Ming Hai and Mr Mak Yen-Chen Andrew, each of whom is standing for re-election as a Director at the Annual General Meeting of the Company on 30 April 2019, is provided pursuant to Rule 720(6) of the Mainboard Listing Manual of the Singapore Exchange Securities Trading Limited.

Name of Director	**Jin Guan Liang**	**Yu Ming Hai**	**Mak Yen-Chen Andrew**
Date of Appointment	**23 December 2003**	**16 February 2006**	**28 December 2017**
Date of last re-appointment (if applicable)	–	29 April 2016	27 April 2018
Age	57	56	49
Country of principal residence	China	China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Mr Jin Guan Liang has continued to discharge his duties well and continued to positively contribute to the Company. In addition his inside perspectives on all aspects of the Company will be beneficial to Board deliberations.	Mr Yu Ming Hai has continued to discharge his duties well and continued to positively contribute to the Company.	Mr Mak Yen-Chen Andrew has continued to discharge his duties well and continued to positively contribute to the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Jin provides strategic advice to the Group	Executive – Project Management	Non-Executive
Job Title	• Executive Director • Nominating Committee (Member)	• Executive Director	• Independent Non-Executive Director • Nominating Committee (Chairman) • Audit & Risk Committee (Member) • Remuneration Committee (Member)
Professional qualifications	• Industrial Enterprise Management Course, Shanghai Economic Management Training Centre • Senior Factory Manager Training Course, Qinghua University Economic Management College • CEO Programme, Cheng Kong Graduate School of Business • Global CEO Programme, China Europe International Business School	• Diploma in Business Administration, Zhejiang Province Chinese Communist Party School	• Bachelor of Laws (Second Class Honours Upper Division), University of Singapore

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

Name of Director	Jin Guan Liang	Yu Ming Hai	Mak Yen-Chen Andrew
Working experience and occupation(s) during the past 10 years	• Executive Chairman of China Jishan Holdings Limited • Vice President of the Shaoxing Print and Dye Industry Association • Manager of Shengli Industrial Supplies and Sales Company • Chief Accountant of Shengli Village Office	• Deputy Governor of Fuquan Town, Shaoxing County	• Consultant with Fortis Law Corporation • Partner with Loo & Partners LLP • Partner with Kelvin Chia Partnership
Shareholding interest in the Company and its subsidiaries	• 237,272,500 China Jishan shares	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	• Cousin of Mr Xiao Ziliang, Executive Director/CEO • Husband of Ms Jin Yao Yun, an officer of Zhejiang Jishan Printing and Dyeing Co., Ltd, a principal subsidiary • Substantial Shareholder	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes
Other principal commitments (including directorships) – Present	• Jin Hong International Holdings Ltd (Director) • Jincheng International Holdings Limited (Director) • Shaoxing Jishan Property Co., Ltd. (Director) • Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd (Director)	• Zhejiang Jishan Printing & Dyeing Co. Ltd. (Director) • Shaoxing Jishan Property Co., Ltd. (Director)	• Far East Group Limited; (Independent Director) • Falcon Energy Group Limited; (Independent Director) • Leader Environmental Technologies Limited (Independent Director) • Fortis Law Corporation (Consultant)

Name of Director	Jin Guan Liang	Yu Ming Hai	Mak Yen-Chen Andrew
Other principal commitments (including directorships) – Past, for the last 5 years	• Handan Jishan Real Estate Development Co., Ltd. (Director) • Shaoxing Yamei BioChem Co., Ltd. (Director) • Shaoxing Jishan Real Estate Property Development Co., Ltd. (Director) • Zhejiang Jishan Industry Company Limited (Director) • China Huanong Property & Casualty Insurance Company Limited (Director) • Shaoxing County Rural Cooperative Bank (Director) • Shaoxing Yamei Real Estate Property Development Co., Ltd. (Director)	None	None
Disclosure on the following matters concerning the Director:			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

Name of Director	Jin Guan Liang	Yu Ming Hai	Mak Yen-Chen Andrew
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

Name of Director	Jin Guan Liang	Yu Ming Hai	Mak Yen-Chen Andrew
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-	No	No	No

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

Name of Director	Jin Guan Liang	Yu Ming Hai	Mak Yen-Chen Andrew
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

CHINA JISHAN HOLDINGS LIMITED

(Company Registration No.: 200310591E)

Important 1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting (please see Note 2 for the definition of "relevant intermediary"). 2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them. 3. Please read the notes to the Proxy Form.

PROXY FORM

I/We ____

of ____

being a *member/members of China Jishan Holdings Limited, hereby appoint

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of Fifteenth Annual General Meeting of the Company ("**AGM**"), as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the AGM to be held at Furama RiverFront Singapore, Jupiter III (Level 3), 405 Havelock Road, Singapore 169633 on Tuesday, 30 April 2019 at 10 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

(Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please indicate your vote with a tick [✓]. Alternatively, please indicate the number of votes "For" or "Against".)

Resolution No.		For	Against
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditors' Report thereon.		
2.	To approve payment of Directors' Fees for the financial year ending 31 December 2019.		
3(a).	To re-elect Mr Jin Guan Liang as a Director [pursuant to Regulation 89 of the Constitution of the Company].		
3(b).	To re-elect Mr Yu Ming Hai as a Director [pursuant to Regulation 89 of the Constitution of the Company].		
3(c).	To re-elect Mr Mak Yen-Chen Andrew as a Director [pursuant to Regulation 89 of the Constitution of the Company].		
4.	To re-appoint Messrs Moore Stephens LLP as Auditors and to authorise the Directors to fix their remuneration.		
5.	To authorise the Directors to issue/allot shares in the Company.		

Signed this __________ day of ____________________ 2019

Total No. of Shares in:	No. of Shares
1) CDP Register	
2) Register of Members	

____

Signature(s) of Member(s)
or Common Seal of Corporate Member

IMPORTANT : PLEASE READ NOTES OVERLEAF

NOTES:

1. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote in his stead at the AGM. Such proxy need not be a member of the Company.

2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the AGM. Relevant intermediary is either:

    (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

    (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

    (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

3. Where a member appoints more than one proxy, he must specify the proportion of his shareholding to be represented by each proxy, failing which the nomination shall be deemed to be alternative.

4. The instrument appointing a proxy must be signed by the appointer or his duly authorised attorney or if the appointer is a corporation, it must be executed either under its common seal or signed by its attorney or a duly authorised officer of the corporation.

5. A corporation which is a member may also appoint by resolution of its directors or other governing body, an authorised representative or representatives in accordance with its Constitution and Section 179 of the Singapore Companies Act, Chapter 50, to attend and vote on its behalf.

6. The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company, 112 Robinson Road #05-01 Singapore 068902 not less than 72 hours before the time appointed for holding the AGM.

7. A member should insert the total number of Ordinary Shares held. If the member has Ordinary Shares entered against his name in the Depository Register, he should insert that number of Ordinary Shares. If the member has Ordinary Shares registered in his name in the Register of Members, he should insert that number of Ordinary Shares. If the member has Ordinary Shares entered against his name in the Depository Register as well as Ordinary Shares registered in his name in the Register of Members, he should insert the aggregate number of Ordinary Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Ordinary Shares held by the member.

8. The Company shall be entitled to reject this instrument of proxy if it is incomplete, or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of a member whose Ordinary Shares are entered in the Depository Register, the Company shall be entitled to reject this instrument of proxy which has been lodged if such member is not shown to have Ordinary Shares entered in his name in the Depository Register at least 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 April 2019.

China Jishan Holdings Limited

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