CHINA JISHAN HOLDINGS LIMITED
(Company Registration No. 200310591E)
(Incorporated in the Republic of Singapore)

QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

The Board of Directors (the "**Board**") of China Jishan Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), would like to provide the following information in response to the queries from the SGX-ST regarding the unaudited financial statements of the Group for the financial period ended 31 December 2017("**FY2017**"), which was announced on 1 March 2018 (the "**Previous Announcement**"):

SGX query 1

Cost of sales decreased from RMB 40.6 million in FY2016 to RMB4.7 million in FY2017. The Company explained that it had eased production and depreciation of RMB 19.7 million was allocated to administrative expenses. Revenue of RMB35 million comprised wholly of rental income. Please provide a breakdown of the items classified as cost of sales and explain deviation for the RMB40.6 million reported in FY2016.

The Company's response to query 1

The breakdown of cost of sales is as follows:

	2017 RMB' million	2016 RMB' million
Raw materials	-	21
Salaries	-	6
Depreciation	-	12
Sales tax	3	2
Others	2	-
Total	5	41

Notes: There were no salaries and raw material used in the production for FY2017 as the Company has temporarily ceased its production in FY2017.

SGX query 2

Other operating income amounted to RMB48.2 million and mainly comprised of recognition of deferred income of RMB54 million due to the demolition of the old factory in Keqiao partially offset with the related property, plant and equipment that was written off of RMB19.3 million in connection with the demolition of the old factory. Please explain the balance sum of RMB34.7 million.

The Company's response to query 2

The breakdown of other operating income is as follows:

	RMB'million
Recognition of compensation amounts	54
Property, plant and equipment written off	(19)
Sub total	35
Margin on recovery of sewage costs from lessees	22
Bad debts collected	2
Loss on disposal of Property, plant and equipment	(6)

Relocation expenses	(6)
Others	1
Total	48

SGX query 3

The margin on recovery of sewage costs from lessees amounted to a gain of RMB22.3 million from RMB4.6 million. The Company explained that this “was derived from the charges charged to lessees by the Group deducted the cost of the sewage processing costs paid to the local government”. Please elaborate on the reasons and the factors that caused the significant increase in income.

The Company's response to query 3

The higher margin on recovery of sewage costs from lessees in FY2016 as compared to FY2017 was mainly due to:

In FY 2016, the Group was operating in the old factory in Keqiao area which has a complex sewage processing system from which the Group incurred processing costs to process the sewage from production before releasing them to the public sewage system for the final discharge by the local government. This has resulted in the higher costs for the sewage processing hence lower profit margin.

In FY 2017, the Company has moved to new factory in Binhai industrial zone whereby the group only has sewage ponds to collect the sewage discharges before releasing to public sewage system unlike the complex internal sewage processing facilities and high sewage costs incurred at Keqiao area. With the cost savings achieved without the internal sewage processing facilities, the Company has incurred less sewage processing costs and thus managed to generate a higher margin on the recovery of sewage costs as compared to FY 2016.

SGX query 4

In the statement of financial position, the “property, plant and equipment” (“PPE”) decreased from RMB78.4 million to RMB28 million. The Company reported that the PPE written off in connection with the demolition of the old factory in Keqiao amounted to RMB19.3 million and depreciation amounted to RMB22 million. In the cash flow statement, it was reported that the Company acquired PPE amounting to RMB22.7 million whilst loss on disposal of PPE amounted to RMB6.1 million. Please reconcile and explain for the decrease in PPE from RMB78.4 million to RMB28 million as well as where was the balance decrease of RMB25.7 million in PPE reported.

The Company's response to query 4

The reconciliations of PPE from 31 December 2016 to 31 December 2017 are as follows:

	RMB’ million
Balance b/f	78
Additions	23
Depreciations	(22)
Property, plant and equipment written off	(19)
Disposals	(12)
Transfers to investment properties	(20)
Balance c/f	28

SGX query 5

It was disclosed that “[a]s at 31 December 2017, the Group secured facilities comprising notes payable of RMB Nil and bank loan of RMB342.9 million.” Please reconcile this with the addition RMB 393 million “addition of bank loans” reported in the cash flow statement.

The Company's response to query 5

The balance of the bank loans as at 31 December 2017 is RMB342.9 million as compared to RMB379.0 million as at 31 December 2016, the decrease of RMB36.1 million was mainly due to addition of bank loan of RMB393.0 million and repayment of bank loans of 429.1 million during year.

SGX query 6

The Company explained on page 8, under "Administrative expenses", that administrative expenses of RMB24.5 million was mainly due to "temporary allocation of depreciation of RMB21.6 million for the PPE from costs of sales". However under "Gross Profit and Gross Profit Margin", the depreciation charges related to PPE of RMB 19.7 million was allocated to "administrative expenses". Please reconcile.

The Company's response to query 6

The Company wishes to clarify that the figure in the *Administrative expenses* under the Paragraph 8 of the Previous Announcement shall be revised as follows:

Administrative expenses

The decrease in administrative expenses was mainly due to reduced revenues for the year. The temporary allocation of depreciation of ***RMB19.7 million*** *for the plant and equipment from cost of sales to administrative expenses due to cessation of the print and dye production activities for the year under review (In prior years all the depreciation were allocated to cost of sales) has resulted in high administrative costs even though decrease substantially in revenues during the year as compared to FY2016.*

BY ORDER OF THE BOARD

Xiao Ziliang
Executive Director/ Chief Executive Officer

6 March 2018