

QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 30 June 2017 (“**2Q2017**”), which was announced on 10 August 2017:

SGX query 1

As Listing Rule 705(2) requires the Company to announce its 2Q2017 results, please provide the commentary for 2Q2017 including the factors that resulted in the following:

- a. Decrease in revenue of RMB 13.7 million (or 60.3%). Please also disclose the streams of income that contributed to the Group’s revenue in 2Q2017;
- b. Decrease in cost of sales of RMB 14.6 million (or 86.5%);
- c. The margin on sewage and utilities charged to lessees of RMB 5.9 million in 2Q2017. Please explain how this margin is derived; and
- d. Increase in administrative expenses of RMB 4.2 million to RMB 8.2 million in 2Q2017.

The Company's response to query 1

- a. The decrease in revenue of RMB13.7 million (60.3%) from RMB22.7 million in 2Q2016 to RMB9.0 million for the period was mainly due to in 2Q2016, there were revenue generated from printing and dyeing operations of RMB17.2 million and rental revenue of RMB5.5 million whereas the revenue for 3 months period ended 2Q2017 was mainly contributed from rental income of RMB8.1 million and revenue from disposing of old products of RM0.9 million. There was no revenue generated from the printing and dyeing business in 2Q2017, as the Group has temporarily ceased its printing and dyeing business due to the relocation of the plant and machineries from old factory in Kebei Industrial area to the new factory in Binhai Industrial Zone.
- b. The decrease in cost of sales of RMB14.6 million (86.5%) from RMB16.9 million in 2Q2016 to RMB2.3 million in 2Q2017 was mainly due to the decrease in revenue generated from printing and dyeing business due to the reason explained in (a) above. On top of that, as a result of the temporary cessation of printing and dyeing business, the depreciation charges related to the plant and equipment of RMB4.9 million were allocated to administrative expenses during the period under review.
- c. The margin on sewage and utilities charged to lessees was derived from the charges charged on lessees by the Group deducted the cost of the sewage processing costs paid to the local government.
- d. The increase in administrative expenses of RMB4.2 million to RMB8.2 million in 2Q2017 was mainly due to the allocation of depreciation charges of RMB4.9 million from cost of sales to administrative expenses due to the reason explained in (b) above.

SGX query 2

Please provide a discussion of the performance of the “extra width” category of the Group’s printing and dyeing business and fabric processing segment and quantify its contribution.

The Company's response to query 2

As the Group has temporarily ceased its printing and dyeing business, there are no performance of and contribution from the “extra width” category of the Group’s printing and dyeing business and fabric processing segment for the period.

SGX query 3

Please provide a breakdown and the ageing schedule of “Other payables” amounting to RMB 182.2 million and RMB 197.5 million as at 30 June 2017 and 31 December 2016 respectively. Please elaborate on the factors that gave rise to these significant payables and disclose details of the underlying contract(s) which gave rise to this significant amount.

The Company's response to query 3

The breakdown of the other payables are as follows:

	Group		30.06.2017 RMB'000		31.12.2016 RMB'000	
	30.06.2017 RMB'000	31.12.2016 RMB'000	< 1 year	>1 year	<1 year	>1 year
Accrued expenses	5,170	6,327	3,077	2,093	4,133	2,194
Accrued interest payables	578	578	578	-	578	-
Payable for property, plant & Equipment(1)	5,968	9,076	4,052	1,916	7,237	1,839
Payable for investment properties(1)	16,994	36,202	16,994	-	36,202	-
Payable for land conversion fee and other related taxes (2)	27,523	27,523	-	27,523	-	27,523
VAT payable	442	3,453	442	-	3,453	-
Cash at bank held in trust for the third parties	-	888	-	-	888	-
Lease deposits held from lessees	17,000	14,000	6,000	11,000	3,000	11,000
Advances collected from lessees	19,133	14,303	19,133	-	14,303	-
Deposit for Proposed Disposal(3)	80,000	80,000	80,000	-	80,000	-
Deposit for dismantle of building	9,370	5,150	9,370	-	5,150	-
	182,178	197,500	139,646	42,532	154,944	42,556

Notes

- (1) The payable for property, plant & equipment and investment properties mainly related to the outstanding balance owing to the building contractors as set out under the query 4(c).
- (2) The payable for land conversion fee and other related taxes mainly pertains to the outstanding balance payable to local government for the 3% deed tax and the land conversion fee incurred during the previous year when the Group convert the title of the Kebei's land from industrial to commercial and residential land.
- (3) The Group has received the upfront deposit of RMB80,000,000 when the Group entered into a conditional share transfer agreement with Shanghai Jintumu Real Estate Co., Ltd.(上海金土木置业有限公司) (the Purchaser) on 24 December 2016, for disposal of the entire equity interest of its wholly owned subsidiary, Shaoxing Yue Sheng Real Estate Property Development Co., Ltd.

SGX query 4

Property, plant and equipment increased by RMB 2.4 million, mainly due to addition of property, plant and equipment. Please provide the following:

- a. The intended uses of the Binhai factory and its new property, plant and equipment, given that the Group has ceased its printing and dyeing operations;
- b. The total amount of construction costs incurred on the Binhai factory to-date. Please provide a breakdown of these expenses; and
- c. A breakdown of the repayments to contractors for the factory's construction costs, including the identity of the contractors and the amount paid

The Company's response to query 4

- a. The Company intends to rent out the Binhai factory and its new property, plant and equipment and further expand of its printing and dyeing business in Binhai factory.
- b. The breakdown of the construction costs incurred on the Binhai factory to-date is set out as follows:

Construction Projects Names	Construction Costs Incurred(RMB'000)
Dormitory	10,419
Factory	70,197
Others	9,362
Total	89,978

- c. The breakdown of the significant amount paid to the major contractors for the construction costs and their identities is set out as follows:

Suppliers	Amount (RMB'000)	Assets	Relationship
Zhejiang Tianyu Construction Co., Ltd (浙江天宇建设有限公司)	28,596	Factory	Non-related
Zhejiang Jinyun Garden Construction Engineering Co., Ltd (浙江金运园林建设工程有限公司)	30,504	Factory/Dormitory	Non-related
TOTAL	59,100		

SGX query 5

The Company reported that it generated a positive cash flow from operation in 2Q2017. Please reconcile this to the negative cash flow from operations of RMB 1.7 million reflected in the 2Q2017 consolidated statement of cash flows. Please provide the commentary for the consolidated statement of cash flows in 2Q2017. Please explain:-

- a. The net cash used in operating activities of RMB 1.7 million in 2Q2017; and
- b. How the purchase of property, plant and equipment had resulted in a cash inflow of RMB 1.9 million in 2Q2017.

The Company's response to query 5

- a. The net cash used in operating activities of RMB1.7 million in 2Q2017 were mainly derived from the positive cash generated from operations amounted to RMB2.9 million minus the interest paid of RMB4.6 million as shown in the cash flow statement.
- b. The positive cash inflow of RMB1.9 million on purchases of property, plant and equipment were mainly due to double taken up construction costs of approximately RMB2.0 million in 1Q2017 which were reversed in 2Q2017, thus resulted in the positive cash inflow for the purchase of property, plant and equipment in 2Q2017.

BY ORDER OF THE BOARD

Xiao Ziliang
Executive Director/ Chief Executive Officer

16 August 2017