

FURTHER QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of China Jishan Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to its announcements dated 31 March 2020 and 20 April 2020 (the “**Previous Announcements**”).

Unless otherwise stated, all capitalised terms used herein shall have the same meaning ascribed to them in the Previous Announcement.

The Board would like to provide the following information in response to further queries from the SGX-ST regarding the unaudited financial statements of the Group for the financial period ended 31 December 2019, which was announced on 31 March 2020.

SGX query 1

In response to SGX Query 2 (as set out in the Company’s announcement dated 20 April 2020), the Company disclosed that "Legal and tax and other professional fees" of RMB 36million comprised more than half of the Company’s administrative expenses of RMB 60.8 million in FY2019.

- (a) Please provide a further breakdown of the "Audit, Legal and tax and other professional fees of RMB 36million in FY2019, in comparison to the breakdown of the Audit, Legal and tax and other professional fees of RMB 7.5million in FY2018;
- (b) Noting that legal fees to PRC lawyers amounted to RMB 34.7 million in relation to the Court case involving Jintumu, please elaborate on reason(s) for the significant RMB 6.2 million decrease in "Audit, legal and tax and other professional fees" in FY2019 which was only RMB 1.3 million (after deducting the legal fees for the Court case) as compared to RMB 7.5 million in FY2018.

The Company's response to query 1

- (a) The “Audit, legal and tax and other professional fees” of RMB 36.0 million in FY2019 consist of RMB 34.7 million legal fees (FY2018 : RMB6.7 million) and audit, tax and other professional fees of RMB1.3 million (FY2018 : RMB0.8 million).
- (b) Please refer to the breakdown above. The RMB 7.5 million of “Audit, legal and tax and other professional fees” in FY2018 comprises RMB 6.7 million of legal fees and RMB 0.8 million of audit, tax and other professional fees. The said legal fees of RMB6.7 million paid in FY2018 is related to the court case involving Jintumu.

SGX query 2

In response to SGX Query 2 (as set out in the Company’s announcement dated 20 April 2020), the Company disclosed impairment loss from on 'Other receivables' of RMB 2 million and elaborated as follows at Note 5: " N5 - The impairment loss on other receivables was related to debtor which the management has identified unrecoverable from the third party". Please provide details of this Third Party and elaborate on the nature of the underlying transactions of the "other receivables... which the management has identified unrecoverable".

The Company's response to query 2

The third party referred to in Note 5 is the Debtor (as defined in the Company's announcement dated 20 April 2020). Further information relating to the Debtor and on the nature of the underlying transactions of the "other receivables" mentioned in Note 5 is provided in the Company's announcement dated 20 April 2020 and in the response to query 4 below. Please refer to our response to query 4 below which relates to the same amount.

SGX query 3

In response to SGX Query 3 (as set out in the Company's announcement dated 20 April 2020), the Company provided a breakdown of the write back of other payables of RMB 2.8 million and elaborated on the underlying transactions in Notes 1 to 3. With reference to Notes 1 to 3, please provide further clarification on the following:

- (a) Why did the Management deem that these amounts of RMB 2.8 million should be written off only after more than 10 years;
- (b) Please detail the steps taken by Management over this period to re-pay the outstanding debts;
- (c) Please also explain the Company's impairment policy and whether the above decision by Management to write off RMB 2.8 million of outstanding other payables is in accordance with internal policy and accounting standards.

The Company's response to query 3

The outstanding other payables relate mainly to the disagreement with the quality of certain PPE purchased in prior years. The relevant creditors did not further pursue those payables from the Company, and therefore the Company decided to write back the payables during the current year as part of an internal clean-up of the accounts. The limitation period for the recovery of debts under PRC law is 3 years. However, the Company, in the interest of prudence, did not immediately write back the payables after 3 years, but made the write-backs after a longer period.

The Company has not written back any payables in the past except for this current year for the reason explained above. However, in future, we will adopt the internal policy to write back payables which remain outstanding for longer than 6 years.

SGX query 4

In response to SGX Query 4 on the impairment loss on other receivables of RMB 2 million in FY2019 (as set out in the Company's announcement dated 20 April 2020), the Company explained that the "short-term advance" of RMB 2.0 million was made to the Debtor in FY2018 and the impairment of the said advance was made in FY2019 as the Debtor was "being sued by various parties and the owner of the Debtor being investigated by the PRC government".

- (a) Please provide specific details of the due diligence, if any, conducted by the Company prior to remitting the short-term advance to the Debtor;
- (b) If no due diligence was conducted, please explain why;
- (c) Disclose details of the underlying transaction (including but not limited to whether the advance was secured, interest rate(s) and what security was provided by the Debtor);
- (d) Please elaborate on the steps taken by the Company to recover the short-term advance to the Debtor, if any.

The Company's response to query 4

No due diligence was conducted as the Debtor is one of the shareholders in P&D's associated company, Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd. This is a non-trade, short-term advance, and is unsecured and interest-free.

The Company intends to recover the advance by replacing the amount owing in exchange for the Debtor's shares in Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd. The matter is in progress with discussions with the PRC government.

SGX query 5.1

In response to SGX Query 5 (as set out in the Company's announcement dated 20 April 2020), the Company elaborated on the significant increase in the Company's borrowings of RMB 200 million as at 31 Dec 2019.

In relation to the loan of RMB 60 million extended by Shaoxing County Keqiao Huijin Small Loan Co., Ltd. (绍兴柯桥汇金小额贷款股份有限公司) ("**Keqiao Huijin**"):

- (a) What is the size of Keqiao Huijin;
- (b) What is Keqiao Huijin's business / operations;
- (c) Why is company borrowing from Keqiao Huijin;
- (d) Who are the directors and shareholders of Keqiao Huijin;
- (e) What are the terms of the loan extended by Keqiao Huijin;
- (f) When was the loan extended by Keqiao Huijin;
- (g) What is the use of proceeds;
- (h) How was the Company introduced to Keqiao Huijin;
- (i) Did the Board approved the loan.

The Company's response to query 5.1

- (a) We are unable to obtain the financial statements of Keqiao Huijin, but we understand that the paid-up capital of Keqiao Huijin is RMB 400.0 million.
- (b) Keqiao Huijin's business / operations is to provide small loans, and to provide business development, management and financial consulting services.
- (c) The banks were unable to extend further loans to the Company as the land assets owned by the Group located in Kebei Industrial Area, Shaoxing City were frozen by the court due to the court case involving Jintumu. After the conclusion of the court case, the Company needed to pay off the deposits of RMB80.0 million and interest of RMB 36.7 million to Jintumu on an urgent basis. In the circumstances, the Company had no alternative but to borrow from Keqiao Huijin. The relevant land assets were subsequently unfrozen, and the Company has renewed all its previous bank loans and is currently in the process of obtaining new bank loans to repay Keqiao Huijin soonest possible.
- (d) As disclosed in the Previous Announcement dated 20 April 2020, the ultimate beneficial shareholders and directors of the Keqiao Huijin are not related to any of the director, key executive, substantial shareholder of the Company or their respective associates. Information on the ultimate beneficial shareholders and directors can be searched via the Chinese app 天眼查 (website link: <https://www.tianyancha.com/>)

- (e) The loan terms provide for an interest of 14.4% p.a. plus a service fee of 14.4%p.a., payable on a monthly basis, and the loan is repayable in November 2019. Subsequent to the loan tenure maturity in November 2019, Keqiao Huijin has not called for the loan repayment, and the Company is still promptly servicing the interest and service fee on a monthly basis. The loan is secured with the Kebei land assets and is guaranteed by the Company's substantial shareholder/director and his spouse.
- (f) The loan was extended to the Company in August 2019.
- (g) Please refer to our response to query 5.1(c) above.
- (h) The loan from Keqiao Huijin was sourced from the market.
- (i) The Board has approved the loan.

SGX query 5.2

In relation to the anonymous individual who extended a loan of RMB 150 million to the Company:

- (a) Provide background information on this individual (for eg, what is his relationship with the Company, how he was introduced to the Company, whether the Company conducted creditworthiness checks on this individual; how did the Company gain confidence that this individual would be able to extend a loan of RMB 150 million to the Company)
- (b) Please also elaborate on the key terms of the loan such as the loan repayment date, interest rates and including any specific security provided.
- (c) Why is company borrowing from this individual;
- (d) When was the loan extended;
- (e) What is the use of proceeds;
- (f) How was the Company introduced to the individual;
- (g) Did the Board approved the loan.

The Company's response to query 5.2

- (a) The individual is not related to any of the directors, key executives, substantial shareholders of the Company or their respective associates. The loan was sourced independently from the market and business associates.
- (b) The loan terms provide for an interest of 20% p.a., payable on a monthly basis, and the loan is repayable in March 2020. Subsequent to the loan tenure maturity in March 2020, the lender has not called for the loan repayment, and the Company is still promptly servicing the interest on a monthly basis. The loan is secured with the Kebei land assets and is guaranteed by the Company's substantial shareholder/director and his related company.
- (c) The banks were unable to extend further loans to the Company as the land assets owned by the Group located in Kebei Industrial Area, Shaoxing City were frozen by the court due to the court case involving Jintumu . After the conclusion of the court case, the Company needed to pay off the deposits of RMB80.0 million and interest of RMB 36.7 million to Jintumu on an urgent basis. In the circumstances, the Company had no alternative but to further borrow from this individual as the loan from Keqiao Huijin was insufficient to cover the abovementioned amount. The relevant land assets were subsequently unfrozen, and the Company has renewed all its previous bank loans and is currently in the process of obtaining new bank loans to repay this individual soonest possible.

- (d) The loan was extended to the Company in August 2019.
- (e) The loan was used to repay the remaining deposit of RMB 20.0 million (after deducting the Keqiao Huijin loan of RMB 60.0 million mentioned above) and interest of RMB 36.7 million payable to Jintumu, payment of legal fees of approximately RMB34.7 million to PRC lawyers in relation to the court case involving Jintumu, construction in progress of approximately RMB 33 million and other working capital purposes.
- (f) Please refer to our response to query 5.2(a) above.
- (g) The Board has approved the loan.

BY ORDER OF THE BOARD

Xiao Ziliang
Executive Director/ Chief Executive Officer

29 April 2020