

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 ANNOUNCEMENT MADE BY THE COMPANY ON 17 AUGUST 2020

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 queries from the SGX-ST regarding its announcement dated 17 August 2020.

SGX queries

We refer to the Company’s announcement dated 17 August 2020 titled “Update on the Launch of Pre-Sales of Properties” (Announcement”).

SGX query 1

In the Company’s Announcement dated 17 Aug 2020 on “Update on the Launch of Pre-Sales of Properties” (Announcement”), the Company disclosed that “following the launch of the Pre-Sales on 1 August 2020, Shaoxing Yue Sheng had secured contracts [for the “pre-sale of residential properties” under development], amounting to RMB 330.7million.” The Company had disclosed in its Annual Report 2018 that these properties under development relate to the 7 plots of land which are part of old factory building[s] situated in the Kebei Industrial Area, Shaoxing City. As the Pre-Sales approval relates to a residential development, please disclose when the Company sought approval from the government to convert the use of land from ‘industrial’ use to ‘residential’ use and the date when the approval was obtained;

The Company's response to query 1

As disclosed in the Company’s circular dated 23 October 2009, the 7 plots of land were compulsorily converted from industrial to commercial and/or residential use by the relevant government authority according to the relevant PRC laws.

On 30 December 2009, the relevant Shaoxing government authority transferred the 7 plots of commercial and residential land situated in the Kebei Industrial Area, Shaoxing City to Shaoxing Yue Sheng.

SGX query 2

In the Company’s Annual Report 2019 issued on 8 June 2020, the plots of land were stated as “leasehold lands for development” located in the Kebei Industrial Area for a “tenure of 40 years (commercial) or 70 years (residential)”. Please disclose when construction commenced for the residential properties and what is the current stage of completion of the construction for the project;

The Company's response to query 2

The construction of Blocks 93, 94 and 95 of the Project commenced on 17 July 2020. The current construction progress of the Project is as follows:

- Block 93 has completed the aboveground construction of 2 storeys;
- Block 94 has completed the aboveground construction of 3 storeys; and
- Block 95 has completed the aboveground construction of 4 storeys.

SGX query 3

The Company disclosed on 1 July 2020 that the Company had obtained a Construction Work Planning Permit (建设工程规划许可证) (“Construction Planning Permit”) dated 1 July 2020 issued by Shaoxing Bureau of Natural Resources and Planning (绍兴市自然资源和规划局), being one of the requisite permits, in relation to the Proposed Development of Land Assets. Please disclose when the Company had applied for the Construction Work Planning Permit dated 30 July 2020. Please also elaborate on what are the material conditions relating to the Construction Planning Permit and how the Company had satisfied the requirements/ criteria for the Construction Work Planning Permit;

The Company's response to query 3

The Group submitted the application for the Construction Planning Permit on 22 June 2020. The conditions for applying for the Construction Planning Permit include the approval of the planning proposal, building construction drawings and review comments thereof as well as the survey and mapping, etc. The Group submitted all the documents required by relevant government authorities for applying for the Construction Work Planning Permit, and obtained the Construction Planning Permit for Phase I of the Project.

SGX query 4

On 31 July 2020, the Company announced that Shaoxing Yue Sheng has obtained a pre-sale permit (商品房预售证) (the “Pre-Sale Permit”) dated 30 July 2020 issued by the Bureau of Housing and Urban-Rural Development of Keqiao District, Shaoxing City (绍兴市柯桥区住房与城乡建设局). Please elaborate on the stages of construction that must be in place before the Bureau of Housing and Urban-Rural Development of Keqiao District, Shaoxing City will allow the pre-sale of residential properties in the PRC and the material conditions attached to the Pre-Sale Permit requirements. With respect to the development of the residential properties approved for Pre-sales, please provide the status update of the current stage of planning or development for the project;

The Company's response to query 4

The Pre-Sale Permit dated 31 July 2020 is for the sale of Blocks 93, 94 and 95 of the Project. The pre-sales permit can be applied for once the underground construction work of the Project has been completed while the aboveground construction work has not yet commenced. Please refer to our response to query 2 above with regard to the construction progress of the Project.

SGX query 5

Please elaborate and provide details on the Company’s development plans for these 7 plots of land e.g. the size of the project, the number of units, the mix of the development, the class of property such as whether these are luxurious or low cost housing, the commencement and completion dates of the project, the cost of development for the project and how much cost has been incurred on the project and the development cost to-date;

The Company's response to query 5

The total floor area approved under the Construction Planning Permit for Phase I of the Project is 310,267.6 square metres, comprising the aboveground floor area of 216,291.06 square metres (of which, the floor area of residential buildings is 190,028.19 square metres, floor area of commercial buildings is 20,815.79 square metres and floor area of ancillary premises is 5,447.08 square metres) and the underground floor area of 93,976.54 square metres.

The construction of Phase I of the Project commenced on 17 July 2020 and it is estimated to complete on or around 30 June 2023. The timing for development and construction of Phase II of the Project will depend on the real estate market and economic situation in the PRC and the development progress of the Project. As at the date of this announcement, the Group has incurred development costs and expenses of approximately RMB 150 million in relation to the Proposed Development of the Land Assets.

SGX query 6

Please elaborate on the construction and development schedule and the milestones for generating revenue for the Company;

The Company's response to query 6

The construction of Phase I of the Project commenced on 17 July 2020 and it is estimated to complete on or around 30 June 2023. It is expected that the completion and delivery of Phase I of the Project would be on and around 30 June 2023. The timing for development and construction of Phase II of the Project will depend on the real estate market and economic situation in the PRC and the development progress of the Project.

SGX query 7

To elaborate on who will be financing the costs of construction, given that the Company's only business is collecting rental income and the costs of construction will exceed 100% of its rental income of RMB 17.5 million as at 30 Jun 2020 ("HY2020"). To disclose the terms of the financing such as the Principal, interest rate and any other terms that were agreed on with the financier;

The Company's response to query 7

At the current stage, the Group will use the proceeds received from the Pre-Sales to provide funds for the construction of the Project. Due to fact that this is Shaoxing Yue Sheng first foray into real estate development, and it is currently not qualified to apply for the qualification (Grade II) for the real estate development, coupled with the impact of the Covid19 pandemic, the Group is facing difficulties in trying to obtain loans for the Project. Notwithstanding the foregoing, the Group is still trying to actively look at seeking loans for the Project from various banks as well as other financing channels.

SGX query 8

The Company disclosed that "this is the Group's opportunistic and first foray into real estate development in the PRC and the Group does not have any track record or prior experience in real estate development." As the disposal will constitute a new business segment and/or diversification of the Company's main

business of leasing out factory spaces and will change the risk profile of the Company, please explain whether the Company intends to seek shareholders' approval for entry into this new business which will significantly change the risk profile of the Company;

The Company's response to query 8

The Company has been making full disclosures regarding the development of the 7 plots of land:

- i. In the circular dated 23 October 2009 in relation to the proposed bidding for the land at Anchang Town, Shaoxing City, Zhejiang Province, PRC, it was mentioned that the relevant local government required the Company to convert the land from industrial use to commercial and/or residential use.
- ii. The Company had disclosed in its annual report since the financial year ended 31 December 2010 ("FY2010") that the principal activities of Shaoxing Yue Sheng (which holds the land use rights and legal title for the Group properties) are property development and management for general commercial and residential buildings.
- iii. The Company has informed shareholders via SGXNET of its intention to develop the 7 plots of land and released updates in relation to the subsequent development of the Project (such as the obtaining of the Construction Planning Permit and the Pre-Sale Permit and update on the pre-sale).

Nevertheless, we note from the SGX query that the SGX-ST deems the Project as constituting a new business segment and/or diversification of the Company's main business of leasing out factory spaces and changing the risk profile of the Company. We further note the SGX-ST's guidance to seek shareholders' approval for entry into this new business.

As the Company has been disclosing the fact that the principal activity of Shaoxing Yue Sheng comprises property development and management of general commercial and residential buildings in the annual report since FY2010, the Company is of the view that property development and management of general commercial and residential buildings form part of the Group's principal activities since FY2010. As the relevant local government has indicated that the Company must commence construction of the commercial and/or residential properties on the said lands in the first half of FY2020 since the lands have been converted to commercial and/or residential use since FY2009, the Company has hired an experienced team for the management of the Project in order to ensure the smooth running of the development and operations of the Project.

Further, as it has been announced on 20 August 2020 that Tianlan Holding Pte. Ltd. is intending to acquire all the shares in the capital of the Company, the Group is now focusing its efforts on its responsibilities in relation to the general offer. The future listing status of the Company depends on the outcome of the offer by Tianlan Holding Pte. Ltd. The Company will then be in a clearer position to decide on its course of action in future.

SGX query 9

Please elaborate on the "internal market assessment" that the Group had performed, as announced on 31 July 2020, including details of the expert engaged to provide the market assessment, the scope of such market assessment and what factors were considered by the Group in deciding to "foray into real estate development in the PRC";

The Company's response to query 9

"Internal market assessment" refers to the internal feasibility studies conducted by the Group. The factors considered by the Group included details in relation to the property development in the vicinity, overall market situation, project SWOT, project positioning and project economics evaluation.

SGX query 10

In relation to the pre-sale contracts amounting to RMB 330.7million that the Group had secured, please elaborate on the factors that resulted in the significant value of pre-sales relatively quickly, within a month after obtaining the Pre-Sale Permit on 30 July 2020. Please also disclose when the pre-sale of the property units was officially launched. Please disclose the take-up rate of the project based on the pre-sale contracts of RMB 330.7 million.

The Company's response to query 10

We believe the main reason is due to the fact that the main type of housing for Blocks 93, 94 and 95 of the Project are relatively small at 89 square metres and 126 square metres with a relatively low total price. This probably attracted reasonable number of investment clients. As such, the sales rate (去化) is relatively good.

The official launch was on 1 August 2020. The total units of the Project are 3,014. During the Pre-Sales, 207 units were sold, and the sales rate is 6.9%.

SGX query 11

Please disclose whether the pre-sales amount of RMB 330.7 million was sold to a single or a small number of buyers and if so, please provide details of the background of these buyers. Please provide details of the trends relating to residential and commercial properties sales in the Kebei Industrial area and the supply and demand factors for residential use and commercial use respectively. To disclose what is the take-up rate for similar residential cum commercial projects and developments in Kebei Industrial area. Please also provided details to substantiate the basis for the Group's target to "achieve Pre-Sales of between RMB 0.5billion and RMB 1.0 billion in the second half of 2020", as announced on 31 July 2020;

The Company's response to query 11

The pre-sales contract amount of RMB 330.7 million of the property units was not sold to a single or a small number of buyers, but to mass buyers. In the second half of 2020, it is planned to sell 5 high-rise buildings (高楼) (including Blocks 93, 94 and 95 approved under the Pre-Sale Permit) and 11 terraced houses (排屋). The estimated total value of which is RMB 1.1 billion. The estimated sales rate is 45% to 90%, and the estimated sales amount are RMB 0.5 billion to 1 billion, subject to the obtaining of approval from the relevant government authority for the pre-sale.

In July 2020, the macro market of Keqiao is that the supply area increased by 90.67% year-on-year, 12.16% month-on-month, and the growth rate was stable; the turnover area decreased by 32.1% year-on-year, 1.56% month-on-month, and the sales rate (去化) increased slowly upon the end of the Covid19

pandemic. Keqiao District has a large land supply at present therefore creating potential competitiveness to the market players.

The Group does not have the information in relation to the take-up rate for similar residential cum commercial projects and developments in Kebei industrial area.

SGX query 12

To also disclose the number of employees the Company has to construct and develop the plots of land and whether the Company has sufficient resources to do so. Please also elaborate and substantiate the basis as to whether the Company has sufficient resources to be able to meet its construction schedule and resulting impact, if any, on the Company's Pre-Sales target;

The Company's response to query 12

The current number of employees of Shaoxing Yue Sheng is 55.

Zhejiang Qinye Construction Industry Group Co. Ltd. (浙江勤业建工集团有限公司) ("**Zhejiang Qinye**") is acting as the contractor of Phase I of the Project. Zhejiang Qinye has the qualification (Special Grade) to act as the main contractor for building engineering (建筑工程总承包特级资质), building engineering design qualification (Grade A) (建筑工程设计甲级资质), qualification (Grade I) as the main contractor for municipal utilities engineering (市政公用工程施工总承包一级资质) and various qualifications (Grade I) as contractors for scope of works including foundation support engineering (地基基础工程), building decoration and renovation engineering (建筑装饰装修工程) and steel structural engineering (钢结构工程). Zhejiang Qinye has sufficient resources to construct the Project. In addition, Shaoxing Yue Sheng employs a professional team to manage the development and sale of the Project. At the same time, Shaoxing Yue Sheng monitors the construction progress of the Project on a real time basis to ensure that the target of the Pre-Sales can be achieved.

SGX query 13

Please also provide an update on the Company's short terms debts and its gearing position and elaborate on the sources of funding for the development of the 7 plots of land;

The Company's response to query 13

As at the date of this announcement, the Group's short-term debts amount to RMB 412.8 million, of which RMB 332.8 million comprises bank loans and RMB 80 million comprises personal loans. The gearing position of the Company is 2.6 based on NTA as at 30 June 2020.

Due to reasons mentioned above, at the current stage, the Group will use the proceeds received from the Pre-Sales to provide funds for the construction of the Project.

SGX query 14

Please disclose a breakdown of the intended use of proceeds from the Pre-Sales.

The Company's response to query 14

The breakdown of the intended use of proceeds from the Pre-Sales is as follows:

- (i) to pay RMB 70 million as partial repayment of the loan from an individual lender (being an unrelated third party);
- (ii) to repay the loan of RMB 25 million from related parties;
- (iii) to pay the engineering costs of approximately RMB 175 million in relation to the Project in the latest 3 months;
- (iv) to pay the sales management expenses and costs of approximately RMB 11 million; and
- (v) to pay taxes of approximately 16 million.

BY ORDER OF THE BOARD

Xiao Ziliang
Executive Director/ Chief Executive Officer

26 August 2020