



China Jishan Holdings Limited



ANNUAL REPORT
2016

CONTENTS

01

Corporate Profile

03

Financial Highlights

04

Chairman's Message

06

Board of Directors

08

Senior Management

09

Corporate Structure

10

Corporate Information

11

Corporate
Governance Report

27

Financial Contents

CORPORATE PROFILE

With 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, providing specialised dyeing and printing services, as well as the sale of print and dye finished products and garments.

Production Facilities

Our production facilities are strategically located within the Shaoxing Keqiao Economic Development Zone in China, widely known as the "China Light & Textile Industries City".

In a bid to diversify our business, in May 2009, we acquired a Zhejiang-based specialised textile company whose business focus is on the print and dye of textiles for home furnishing products. This acquisition not only enabled us to expand our customer base, but also boosted the scale of our operations and range of services.

Product Development

We set up our in-house research centre in 1996 to focus on product development and technology innovation, and it was named the "Provincial High-Tech Enterprise Research and Development Centre" by the Science and Technology Bureau of Zhejiang Province in July 2008. We have also been collaborating with the State Dyeing and Finishing Technology Development Centre and Zhejiang Engineering College, to keep ourselves abreast with the latest technological developments and industry trends in printing and dyeing. Supported by a team of highly professional and experienced research personnel, we have developed and commercialised dozens of new products over the years.

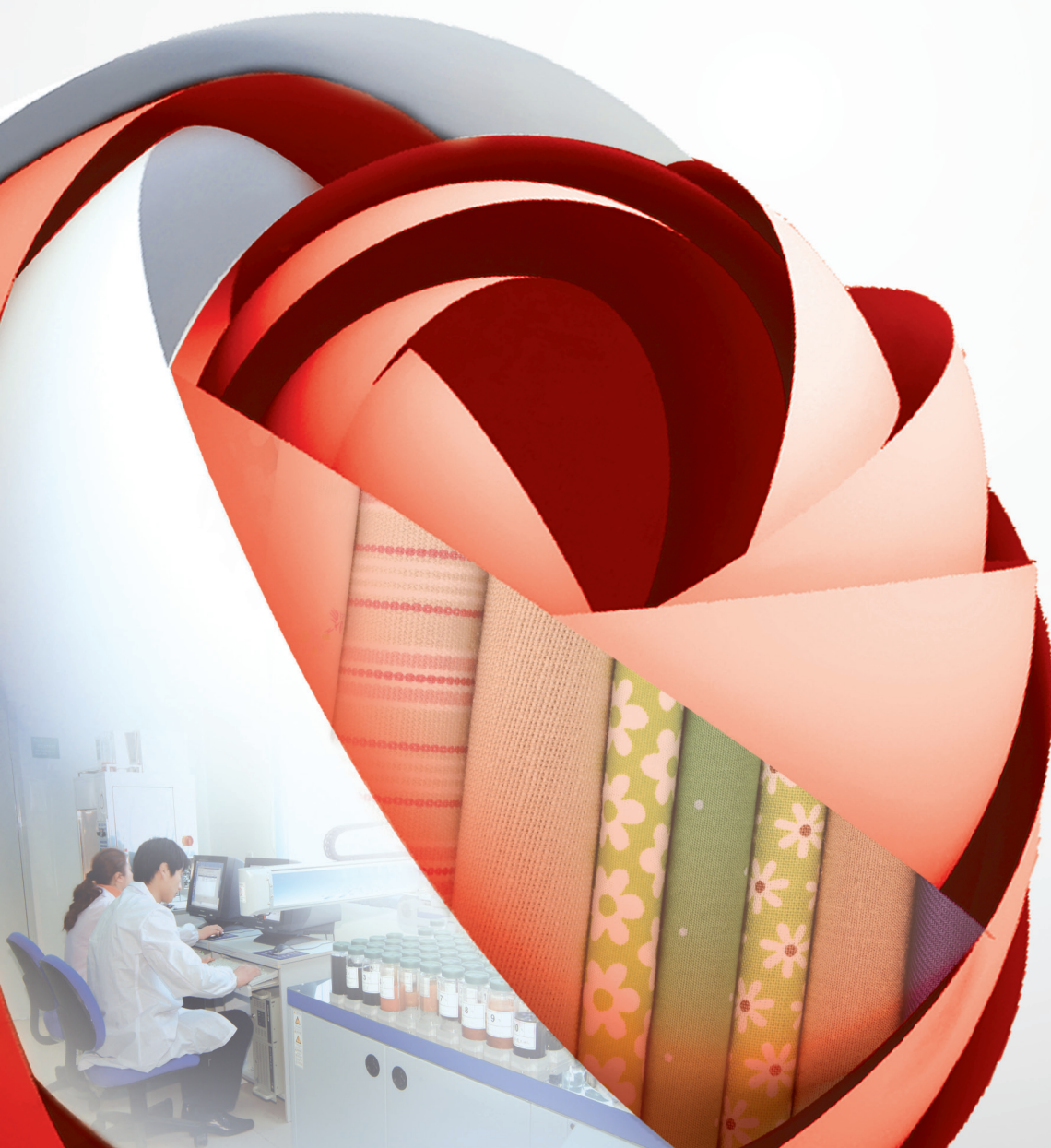
Awards & Accreditations

In recognition of our strong brand equity and service excellence, we have received numerous awards and accolades including the "Shaoxing City Famous Brand" by the Shaoxing Administration for Industry and Commerce in 2012, "Zhejiang Provincial Famous Brand" by the Zhejiang Administration for Industry and Commerce in 2010 and 2013, "China's Quality Print and Dye Fabric - Top Award" by the China Dyeing and Printing Association in 2013 and 2014 and the "2010 Model Enterprise Award for Labour Security and Integrity" by the Human Resources and Social Security Bureau of Shaoxing County.

We are also 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.

STAYING RESOLUTE

Moving into 2017, China Jishan remains committed in enhancing the productivity and manufacturing capabilities of its core print and dye business. In line with this integral strategy, we are determined to strengthen our fundamentals to ensure sustainability and reach maximum returns for our shareholders. Looking ahead, the Group will remain vigilant and resilient in the midst of a challenging operating environment within the textile industry through prudent and efficient business measures.



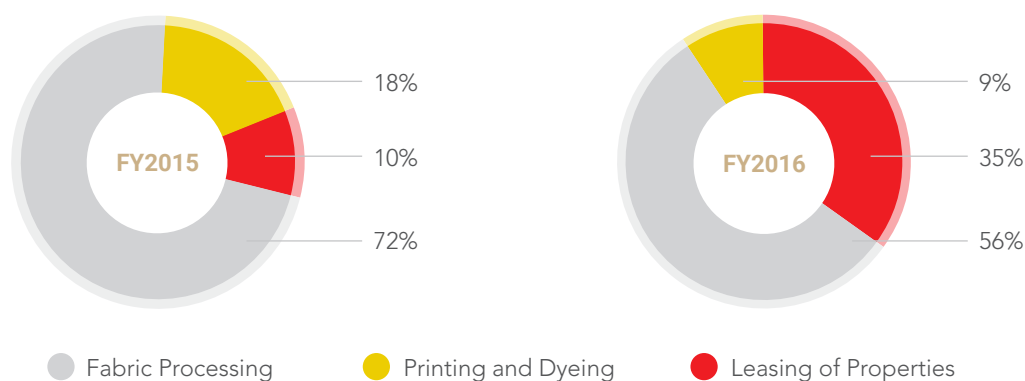
FINANCIAL HIGHLIGHTS

Key Financial Highlights (RMB Million)

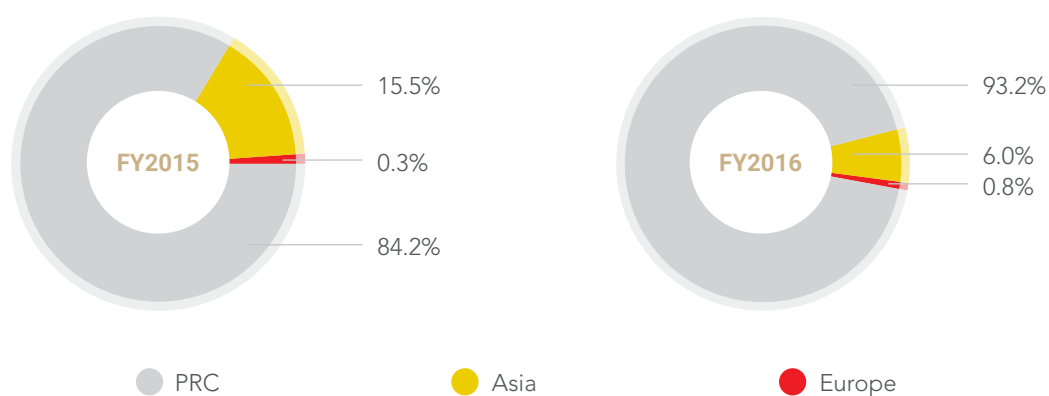
	FY2016	FY2015	Change (%)
Revenue	65.2	182.0	(64.2)
Gross Profit	24.6	35.1	(29.9)
Net Profit/ (Loss)	(10.4)	61.2	NM
Earnings/ (Loss) per share basic basis (RMB cents)	(3.44)	20.28	NM
Net Asset Value per share (RMB cents)	48.5	51.9	(6.6)

Note: EPS and NAV are based on 301,500,000 Ordinary Shares
NM: Not meaningful

Revenue Breakdown by Business Segment



Revenue Breakdown by Geographical Segment



CHAIRMAN'S MESSAGE

Dear Shareholders,

The year just passed had been fraught with global economic uncertainties and challenges as the operating climate in China's textile industry continues to be impacted by a combination of factors, principally rising labour and raw material costs and costlier environmental regulations. We also had to deal with softer domestic demand and declining textile exports amid an overall slowdown in the textile manufacturing industry and a sluggish economy in China during the year.

To mitigate our vulnerabilities to the changing business landscape, we have been focusing our efforts to strengthen the Group's resilience in order to ensure that the Company adapts and stays relevant in today's rapidly changing business landscape.

FY2016 Business Review

Facing a tougher operating environment in the financial year ended 31 December 2016 ("FY2016"), the Group posted a net attributable loss of RMB10.4 million as revenue declined 64.2% to RMB65.7 million from RMB182.0 million in the preceding financial year ("FY2015"). The decline in revenue was due to several key factors including the overall slowdown of China's textile manufacturing sector and the relocation of an existing factory to a new factory in Binhai during the period.

Revenue from the Group's key segment in Fabric Processing declined 72% to RMB36.3 million in FY2016 and accounted for 56% of total revenue during the year. The Printing and Dyeing segment saw its sales decrease 82% to RMB5.8 million, representing 9% of total revenue in FY2016. The Group also recorded RMB23.1 million in lease income which helped to partially offset the decrease in total revenue. This was derived from rentals of part of the factory space and plant and equipment during the year as part of our rationalisation strategy to boost profitability.

Although gross profit slipped 29.8% to RMB24.6 million in FY2016, the Group's gross profit margin improved significantly to 37.7% in FY2016 from 19.3% in FY2015.

Looking Ahead

We expect the business outlook of our textile print and dye business to remain challenging in the coming year in view of the economic slowdown in China as well as global economic uncertainties.

Despite ongoing structural economic reforms by the government to drive domestic consumption, the textile industry continues to be beleaguered by rising labor costs and costs related to tighter environmental regulations.

To better address these challenges, we will place our focus strongly on prudent cost management and actively look to rent out more factory space and plant and equipment to increase our recurring income from leasing income and gradually reduce cost and improve the efficiency of our operations. At the same time, we will explore meaningful acquisitions and other business opportunities in order to seek new growth platforms for the Group.

In Appreciation

On behalf of the Board, I would like to express my heartfelt appreciation to Mr Xu Ping Wen who retired as a director from the Board in November 2016 after 12 years of illustrious service. Mr Xu had served as an Independent Director and also as Chairman of Remuneration Committee for the Group. The Group has benefited from his extensive business experience and guidance and we wish him the best in his future endeavours.

I would also like to congratulate Mr Xiao Ziliang who was appointed Chief Executive Officer and Executive Director on 11 May 2016. Mr Xiao has been with the Group since 1990 and with his years of experience and track record, we look forward to his leadership in managing the Company moving forward.

My sincere gratitude also goes to our management team and staff for their tireless dedication and contributions to the Company.

Last but not least, to our shareholders, I sincerely thank all of you for your continued support of China Jishan. We will continue to work hard to build sustainable value for all our stakeholders

Mr Jin Guan Liang
Executive Chairman

主席致词

尊敬的各位股东，

刚刚过去的一年，全球经济充满不确定性和挑战，中国纺织行业的经营环境继续受到多种因素的影响，尤其是劳动力和原材料成本上升，环保监管要求变得更加严格。除此之外，随着中国经济增长放缓，纺织行业整体不景气，国内需求疲软，出口量也出现下滑。

为了应对行业格局的快速变化，我们专注于加强集团的经营韧性，提升集团的适应能力，并积极弥补集团业务的短板。

2016财年业务回顾

截至2016年12月31日的财年，在严峻的经营环境下，集团录得可归属于股东的净亏损1040万元，总收入从2015财年的1.82亿元下降64.2%至6570万元。营收的下降主要几个原因包括中国纺织行业整体放缓和同期把一家工厂搬迁至滨海的新工厂。

2016财年，集团核心布料加工业务的收入下降72%至3630万元，占全年总收入的56%。印花与染色业务的销售额下降82%至580万元，占2016财年总收入的9%。集团还录得2310万元的租赁收入，部分抵消了总收入的降幅。年内，根据重整战略，为提高盈利能力，我们把部分工厂空间、厂房和设备租赁出去。

虽然2016财年的毛利润同比下降29.8%至2460万，中国稽山2016财年的毛利润率从2015财年的19.3%升至37.7%。

展望未来

考虑到中国经济放缓，全球经济充满不确定性，未来一年我们的印花和染色业务将继续面临挑战。

尽管政府正在推行经济结构性改革，推动国内消费增长，但劳动力成本上升以及环保监管规定收紧等因素依然困扰着纺织行业。

为了更好地应对这些挑战，我们继续专注于审慎地管理成本，积极寻求租出更多工厂空间、厂房和设备，从而提高持续性租金收入和帮助我们逐渐降低成本与提高运营效率。与此同时，我们也会探索合理的并购和其他业务机会，为集团创造新的增长平台。

致谢

2016年11月，在董事会辛勤服务12年的许凭文先生退休，我谨代表董事会向他表示衷心的感谢。许先生曾担任集团董事会独立董事以及薪酬委员会主席。他的丰富经验和睿智建议为集团做出了宝贵贡献。我们祝愿他未来一切顺利。

我要祝贺肖子良先生于2016年5月11日被任命为首席执行官兼执行董事。肖先生于1990年加入集团，拥有多年经验和出色往绩，期待他带领公司继续进步。

我也要衷心地感谢管理团队和员工的不懈努力和重要贡献。

最后，我要感谢全体股东对中国稽山一如继往的支持。我们将继续全力以赴，为所有利益相关方创造可持续价值。

金关良

执行董事长

BOARD OF DIRECTORS

JIN GUAN LIANG

Executive Chairman

Mr Jin Guan Liang was appointed as a director of the Group on 23 December 2003. Mr Jin 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. Currently, Mr Xiao is responsible for overseeing the group's overall operations, general management, investment, business development and strategic planning. 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 Chairman. 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 a director of the Group on 16 February 2006 and last re-elected on 29 April 2016. Mr Yu assists the General Manager of Zhejiang Jishan Printing & Dyeing Co., Ltd, one of the Group's major subsidiaries in the PRC, in its day-to-day operations. 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

LIEN KAIT LONG

Lead Independent Director

Mr Lien Kait Long was appointed to the Board on 20 March 2004 and last re-elected as a director on 30 April 2015. He was appointed as Lead Independent Director on 13 March 2009 and is also concurrently the Chairman of our Audit and Risk Committee and 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 listed companies on the Singapore Exchange: 8Telecom International Holdings Co. Ltd, Renewable Energy Asia Group Limited, Hanwell Holdings Limited, Falcon Energy Group Limited, Tat Seng Packaging Group Ltd and IPC Corporation Limited. He is also a Director of China Enterprises Limited, a company listed on the OTC Securities Market in the United States of America. In the past three years, he was an Independent Director of Intraco Limited, Youyue International Limited and Viking Offshore and Marine Ltd, and Non-Executive Director of Pacific Healthcare Holdings Ltd..

YIP WEI JEN

Independent Director

Mr Yip Wei Jen was appointed to the Board on 23 May 2008 and last re-elected as a director on 30 April 2015. He also sits on our Audit and Risk, Nominating and Remuneration Committees. Mr Yip has more than 20 years experience in the finance industry in Asia. He was Director, Project Finance Asia Pacific at BNP Paribas from 2001 to 2016, working on advisory and arranging of cross border financings throughout Asia and based in Singapore and Shanghai. Prior to BNP Paribas, Mr Yip was doing corporate finance at OCBC Bank from 2000 to June 2001. Before that, he was with Deloitte as an auditor from 1996 to 1999. Mr Yip holds a Bachelor of Accountancy (Honours) degree from Nanyang Technological University. He has been awarded the CFA Charter and is a member of the Institute of Singapore Chartered Accountants. He has also completed the Executive Management Programme at Stanford Graduate School of Business. Mr Yip does not hold any directorships in other listed companies currently or over the preceding three years.

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.

HE GUAN FU

Head of Sales & Marketing

Mr He Guan Fu is responsible for the sales and marketing of Zhejiang Jishan Printing & Dyeing Co., Ltd, one of the Group's major subsidiaries in the PRC. He has over 20 years of experience in sales and marketing. Before joining our Group in 1993, Mr He was previously an English teacher from 1981 to 1984 and from 1986 to 1992. Mr He completed an English course by Zhejiang Television Broadcasting University in 1981, and graduated in 1986 from Shangyu Teachers' College with a secondary teacher's training diploma.

YAN MING JU

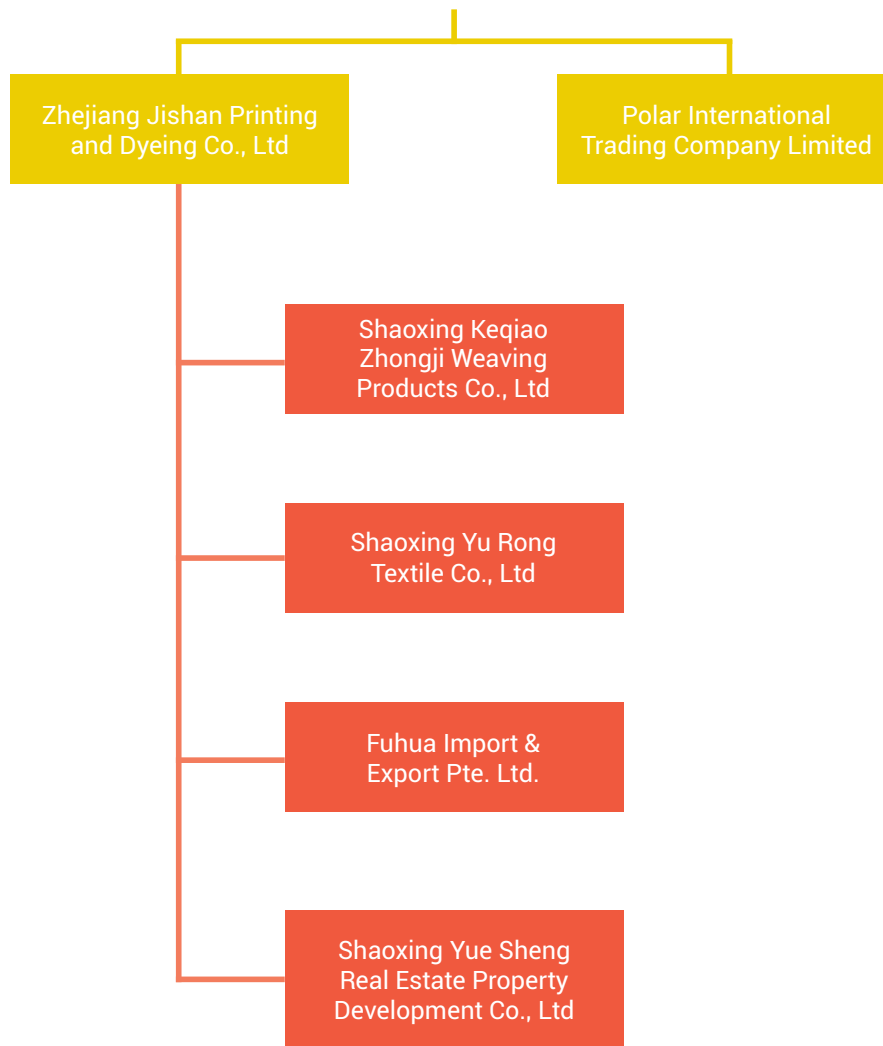
Factory Manager

Mr Yan Ming Ju is responsible for the Group's equipment management, production and development of new products. He first joined the Group on 10 July 2003 as an admin executive and worked his way up to personal assistant to the chairman before being promoted to his current role in 2010. Mr Yan graduated from Zhejiang Institute of Science and Technology (later renamed to Zhejiang Sci-Tech University) in 2003.

CORPORATE STRUCTURE



China Jishan Holdings Limited



CORPORATE INFORMATION

BOARD OF DIRECTORS

Jin Guan Liang
Executive Chairman

Xiao ZiLiang
Executive Director / Chief Executive Officer

Yu Ming Hai
Executive Director

Lien Kait Long
Lead Independent Director

Yip Wei Jen
Independent Director

AUDIT AND RISK COMMITTEE

Lien Kait Long (Chairman)
Yip Wei Jen

NOMINATING COMMITTEE

Lien Kait Long (Chairman)
Yip Wei Jen
Jin Guan Liang

REMUNERATION COMMITTEE

Lien Kait Long
Yip Wei Jen

COMPANY SECRETARY

Chan Wai Teng Priscilla

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77 Robinson Road #13-00
Robinson 77
Singapore 068896

AUDITORS

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Chartered Accountants of Singapore
10 Anson Road
#29-15 International Plaza
Singapore 079903

Audit Partner-in-Charge:
Ng Chiou Gee Willy
Date of Appointment:
22 November 2012

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Shaoxing City Branch
No. 180 Shengli East Road
Shaoxing City
The People's Republic of China

China CITIC Bank
No.16, Fanli Road
Yangguang Building
Shaoxing City
The People's Republic of China

Agriculture Bank of China
Shaoxing City West Branch
No. 459 Zhongxing South Road
Shaoxing City
The People's Republic of China

INVESTOR RELATIONS

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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 with specific reference to the principles 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 three Executive Directors and two 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 is actively looking for an additional Non-Executive Independent Director to replace Mr. Xu Ping Wen.

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 fulfill 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 recognise 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.

CORPORATE GOVERNANCE REPORT

The Board meets at least four times in a year. 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 Executive 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 2016

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 Board's approval is required for matters 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

There was one new Director appointed in FY2016. The Executive Director/Chief Executive Officer, Mr Xiao ZiLiang, was appointed on 11 May 2016. He was holding the position of General Manager prior to this appointment. 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 familiarise 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, training programmes 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. Annually, the Internal Auditors update the Board Members on the outcome of the risk assessment activity and the regular follow-ups. 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 Chairman's approval, to fund Directors' attendance at any course or training program in connection with their duties as Directors, if such participation or attendance is required.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

Presently the Board comprises three Executive Directors and two 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
Jin Guan Liang	23 December 2003	–	Executive Chairman			M
Xiao ZiLiang*	11 May 2016	–	CEO and Executive Director			
Yu Ming Hai	16 February 2006	29 April 2016	Executive Director			
Lien Kait Long	20 March 2004	30 April 2015	Lead Independent Non-Executive Director	C	M	C
Yip Wei Jen	23 May 2008	30 April 2015	Independent Non-Executive Director	M	M	M

C: chairman; M: member

* Xiao ZiLiang is the cousin of the Chairman.

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

As the Chairman is part of the management team and is not an independent director, the Company is now actively looking for an additional Non-Executive Independent Director to replace Mr. Xu Ping Wen so that the Independent Directors could make up at least half of the Board.

Board Independence

The independence of each Director is reviewed annually by the Nominating Committee ("NC"). The NC adopts the Code's definition of what constitutes an Independent Director in its review. The NC has reviewed the independence of Mr Lien Kait Long and Mr Yip Wei Jen.

Particular scrutiny is applied in assessing the continued independence of Director(s) having served beyond nine years from the date of his first appointment, with attention to ensuring their 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 Directors 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 has expressed individual viewpoints, debated issues and objectively scrutinised Management. He has sought clarification and amplification as he deemed necessary, including through direct access to the Management. Further, having gained in-depth understanding of business, operating environment and direction of the Group, he provides the Company with much needed experience and knowledge of the industry and offering valuable advice. 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 independent income source apart from the fixed fee received from the Company. He has no relationship with the substantial shareholder.

Mr Yip Wei Jen, a Non-Executive Independent Director, is 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.

CORPORATE GOVERNANCE REPORT

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, experience and knowledge of our Directors whose competencies range from banking, finance, accounting and legal; to relevant business, customer-based and industry knowledge; strategic planning, entrepreneurial and management experience; and familiarity with regulatory requirements 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 NC conducts annual review and is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively.

The Board is of the view that the current board size of five Directors (pending the recruitment of an additional Non-Executive Independent Director to replace Mr Xu Ping Wen) is appropriate, taking into account the nature and scope of the Company's operations. It provides sufficient diversity without interfering with efficient decision-making.

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 Jin Guan Liang is the Executive 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. His 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. He is the cousin of Mr Jin Guan Liang.

Mr Lien Kait Long was appointed as the Lead Independent Director on 13 March 2009. The Lead Independent Director is available to shareholders in circumstances where shareholders' concerns raised through normal channels to the Chairman, CEO or Chief Financial Officer has failed to resolve or where such contact is inappropriate.

There is a sufficiently strong independent element on the Board to enable independent exercise of objective judgment on affairs and operations of the Group by members of the Board, taking into account factors such as the appointment of a Lead Independent Director, the number of Independent Non-Executive Directors making up 40% of the Board (this will be raised to 50% upon the appointment of a replacement for Mr Xu Ping Wen), 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, Secretary, Chief Financial Officer and Board members ensure 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.

CORPORATE GOVERNANCE REPORT

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 Lien Kait Long, the Lead Independent Director. He is not, nor has any relationship with, a substantial shareholder of the Company. The other two members are Mr Jin Guan Liang, the Executive Chairman, and Mr Yip Wei Jen.

The NC meets at least once a year and when necessary. It is guided by the Terms of Reference adopted by the Committee on 11 November 2013, amended to be in line with the recommendations in the Code.

The NC is responsible for the following:

- a Review and recommend to the Board on the appointment and re-appointment of Directors (including Alternative 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 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 judgment, and has demonstrated leadership experience, high levels of professional skills and appropriate personal qualities (such as preparedness and candour).

When the need for a new Director is identified, either to replace a retiring Director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. The NC after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting the appropriate recommendation to the Board for approval.

Pursuant to Regulation 88 of the Constitution of the Company, new Directors must submit themselves for re-election at the next AGM of the Company immediately following their appointment. Regulation 89 requires one-third of the Board (other than those retiring under Regulation 88, the Executive Chairman and CEO) to retire by rotation at every AGM. The Directors due for retirement under Regulation 88 and Regulation 89 at the forthcoming Annual General Meeting are Mr Xiao ZiLiang and Mr Yip Wei Jen respectively. The NC recommends to the Board and shareholders, their re-nomination as Directors after taking into account their contributions and performance.

CORPORATE GOVERNANCE REPORT

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 has in place a selection and nomination process for the appointment of a new Director. The NC will first source for a list of suitable candidates (where applicable) and review their qualifications, experience, expertise and independence before making 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.

The Company has no alternate directors on its Board.

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 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. 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.

Based on NC's review, the Board and various 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 performance of the Board, Board Committees and Individual Director is undertaken annually by the NC. 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.

CORPORATE GOVERNANCE REPORT

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 Executive 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 Executive Chairman, CEO, 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 they are 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 two members (pending the appointment of an additional Non-Executive Independent Director to replace Mr Xu Ping Wen), all of whom are Independent Non-Executive Directors. The members are Mr Yip Wei Jen and Mr Lien Kait Long. It is guided by the Terms of Reference adopted by the Committee on 11 November 2013, amended to be in line with the recommendations in the Code.

CORPORATE GOVERNANCE REPORT

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.

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 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 Chairman, Jin Guan Liang and other 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 link 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 Directors. Notice periods in service contracts are set at a period between three 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 Annual General Meeting ("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 FY2017 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.

CORPORATE GOVERNANCE REPORT

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	–	75	25	–	–	100
Yu Ming Hai	–	100	–	–	–	100
Lien Kait Long	100	–	–	–	–	100
Yip Wei Jen	100	–	–	–	–	100

Fees are subject to the approval of Shareholders at the AGM to be held on 28 April 2017.

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.

At present, the Company does not have any employee share option scheme.

The Group's top 5 key executives are:

Mr Ling Wei Liang – Deputy General Manager
 Mr Chin Jong Yeat Michael – Chief Financial Officer of China Jishan Holdings Limited
 Mr Yan Ming Ju – Factory Manager
 Mr He Guan Fu – Head of Sales & Marketing
 Mr Hou Jiang Hui – Deputy Head of Integrated Department

CORPORATE GOVERNANCE REPORT

The remuneration paid to each of the top five key executives who are not Directors of the Company 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					
Yan Ming Ju	85	15	–	–	100
Ling Wei Liang	79	21	–	–	100
Chin Jong Yeat Michael	100	–	–	–	100
He Guan Fu	100	–	–	–	100
Hou Jiang Hui	93	7	–	–	100

The aggregate total remuneration paid to or accrued to the top five key executives (who are not Directors or CEO) amounted to RMB1,665,500 (S\$347,015).

One employee of the Group, Mdm Jin Yao Yun, is the wife of Mr Jin Guan Liang, Executive Chairman and substantial shareholder. Her remuneration is between S\$50,000 and S\$100,000 during FY2016.

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).

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

The ARC comprises our two Independent Non-Executive Directors, Mr Lien Kait Long and Mr Yip Wei Jen (pending the appointment of an additional Non-Executive Independent Director to replace Mr Xu Ping Wen). It is chaired by Mr Lien Kait Long. Both Mr Lien Kait Long and Mr Yip Wei Jen have many years of experience in the financial services industry and are certified public accountants. 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.

CORPORATE GOVERNANCE REPORT

Our ARC meet once every quarter and when necessary. It is guided by the Terms of Reference adopted by the Committee on 11 November 2013, amended to be 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 balance sheets 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 judgments 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 thereto 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 given reasonable resources to enable it to discharge its function properly.

For FY2016, the ARC met with the external auditors once without the presence of the management. This meeting enables the external auditors to raise issues encountered in the course of their work directly to the ARC.

CORPORATE GOVERNANCE REPORT

The ARC meets with the Group's Internal Auditors ("IA") as well as its executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group.

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 2016 is S\$130,000/-. 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 FY2016. 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.

In the review of Group's financial statements, the AC discussed with Management the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, the AC reviewed, amongst other matters, the key audit matters, as reported by external auditors for the financial year ended 31 December 2016.

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 a quarterly 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 that are relevant to the Group's preparation of its financial statements. 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 financial, operational, compliance and information technology controls, and risk management policies and systems established by the Management (collectively "Internal Controls") annually.

The Board, with the concurrence of the ARC, is of the opinion that the Group's system of Internal Controls that has been maintained by the Group's management throughout the financial year ended 31 December 2016 (including financial, operational, compliance and information technology controls, and risk management systems), are adequate and effective.

CORPORATE GOVERNANCE REPORT

The Board and ARC are of the opinion that, the Group's Internal Controls were adequate 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 risk management and internal control systems are effective.

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 a 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 and has appropriate standing within the Group, (ii) staffed with persons with relevant qualifications and experience and (iii) 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.

The Constitution of the Company allows all shareholders (members) to appoint up to two proxies to attend general meeting and vote on their behalf. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

CORPORATE GOVERNANCE REPORT

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 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 Group's website at www.jishangroup.com on which shareholders can access information relating to the Group.

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

In addition, 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 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 Chairmen of the Audit and Risk, Remuneration and Nominating Committees 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.

CORPORATE GOVERNANCE REPORT

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 in FY2016 as the Company is experiencing losses in FY2016 and 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 is no Interested Person Transaction ("IPT") for FY2016.

MATERIAL CONTRACTS

Save for 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 2016.

CORPORATE GOVERNANCE REPORT

Directors' Attendance at Board and Board Committee Meetings

Period covering January to December 2016

Name of directors	Board Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nominating Committee Meetings	
	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.
Jin Rong Hai	4	1*	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Yip Wei Jen	4	4	4	4	1	1	N.A.	N.A.
Lien Kait Long	4	4	4	4	1	1	1	1
Xu Ping Wen	4	3**	4	3**	1	1	1	1
Xiao ZiLiang	4	3***	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

N.A.: not applicable

* Mr Jin Rong Hai resigned as a member of the Board of Directors on 14 April 2016.

** Mr Xu Ping Wen resigned as member of the Board of Directors, Audit and Risk Committee and Nominating Committee, and Chairman of the Remuneration Committee on 3 November 2016.

*** Mr Xiao ZiLiang is appointed as member of the Board of Directors on 11 May 2016

CONTENTS

28

Directors'
Statement

32

Independent
Auditors' Report

37

Consolidated Statement of
Comprehensive Income

38

Statements of Financial
Position

39

Consolidated Statements
of Changes in Equity

40

Consolidated Statements
of Cash Flows

42

Notes to the Financial
Statements

88

Statistics of
Shareholders

90

Notice of Annual
General Meeting

Proxy Form

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

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 subsidiary companies (collectively the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

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, as set out on pages 36 to 87, are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 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, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due as disclosed in Note 2(b) to the financial statements.

1 Directors

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

Jin Guan Liang	(Executive Chairman)
Xiao Ziliang	(Executive Director/Chief Executive Officer) (Appointed on 11 May 2016)
Yu Ming Hai	(Executive Director)
Lien Kait Long	(Lead Independent Director)
Yip Wei Jen	(Independent 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:

Name of director and company in which interests are held	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 1.1.16/ At date of appointment, if later	At 31.12.16	At 1.1.16/ At date of appointment, if later	At 31.12.16
The Company				
<i>No. of ordinary shares</i>				
Jin Guan Liang	16,649,500	16,649,500	220,623,000	220,623,000

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

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 1.1.16	As at 31.12.16
Ultimate Holding Company⁽¹⁾		
Jin Cheng International Holding Limited		
<i>No. of ordinary shares of US\$1.00 each</i>		
Jin Guan Liang	1,208,240	1,208,240

(1) As at 31 December 2016, Jin Cheng International Holdings Limited held 73.18% (2015: 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 2017.

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.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

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)
Yip Wei Jen

The ARC has performed its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the Catalist Rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") 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 judgments 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);

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

5 Audit and Risk Committee (cont'd)

- (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 having reviewed the external auditors' non-audit services, 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 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

6 April 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of China Jishan Holdings Limited (the "Company") and its subsidiary companies (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 2016, 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 Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 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 (SSAs). 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 2(b) to the financial statements, which indicates that for the financial year ended 31 December 2016, the Group incurred a net loss of RMB10,382,000 (2015: a net profit of RMB61,154,000), and as of that date, the Group has net current liabilities of RMB534,838,000 excluding assets classified as held for sale, which are subject to the approval by the shareholders of the Company as disclosed in Note 16 to the financial statements (2015: net current liabilities of RMB400,826,000 excluding development properties held for sale, which are expected to be realised longer than twelve months). Further, the Group has bank borrowings of RMB379,000,000 (2015: RMB379,000,000) that are due within the next twelve months from 31 December 2016. As stated in Note 2(b) to the financial statements, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were 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 these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Key Audit Matters (cont'd)

Recognition of compensation received from government

We refer to Note 2(s), Note 3(a)(i), Note 5 and Note 25 to the financial statements.

Compensation received from government relating to the change of the Group's land use rights in 2010 required the Group to vacate and demolish its buildings on those lands before the end of 2017. During the financial year ended 31 December 2016, the Group has commenced its relocation from the existing premises.

Management has assessed the extent to which the Group has met the recognition criteria for the compensation received from government, based on the terms and conditions of the compensation agreement, and to a corresponding extent, recognised the compensation in profit and loss. Due to the significance and the level of management judgement involved, we considered the recognition of compensation received from government as a key focus for our audit.

Our response:

We assessed management's process over the determination of the recognition criteria for the various compensation received from the government. We reviewed the terms and conditions of the compensation agreement and evaluated the appropriateness of recognising those compensation in profit and loss during the current financial year with reference to the progress of the relocation and in accordance with the terms and conditions of the compensation agreement.

Our findings:

We found the Group has met the recognition criteria for certain of the compensation received from government based on the progress of the relocation and in accordance with the terms and conditions of the compensation agreement, and therefore it is appropriate to recognise compensation of RMB26,661,000 in profit or loss during the current financial year.

Valuation of property, plant and equipment ("PPE")

We refer to Note 2(i), Note 3(b)(ii) and Note 10 to the financial statements.

The carrying amount of the Group's PPE amounted to RMB78,446,000 as at 31 December 2016. Appropriate allowance for impairment loss is recognised in profit or loss when there are indicators that the Group's PPE may be impaired. If any such indicators exist, the recoverable amount (i.e. the higher of the fair value less cost of disposal and value in use) of the PPE is estimated to determine the amount of impairment loss.

Management applies the value in use calculations to determine the recoverable amount of the Group's PPE as at year end. The recoverable amount is determined based on estimates of forecasted revenue, growth rate, and discount rate. These estimates involve significant management judgement and we therefore considered the determination of the recoverable amount of the Group's PPE as a key focus area for our audit.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Key Audit Matters (cont'd)

Valuation of property, plant and equipment ("PPE") (cont'd)

Our response:

We assessed management's process over the determination of estimates for forecasted revenue, growth rate, and discount rate. We challenged management's estimates applied in the value in use calculations based on our knowledge of the Group's operations, and compared them against historical forecasts and performance, and industry benchmarks. This included an understanding of the Group's planned strategies for revenue growth and cost controls, and evaluating the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the key estimated growth rate and discount rate used in the value in use calculations.

Our findings:

We found the estimates applied by management in the value in use calculations to be reasonable and comparable to the historical information of the Group. We also found the disclosure made by management in describing the impairment assessment performed for the Group's PPE as at year end to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report on pages 1 to 31, 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 FRSs, 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

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.
- 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

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 Mr Ng Chiou Gee Willy.

Moore Stephens LLP

Public Accountants and
Chartered Accountants

Singapore

6 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	65,172	181,972
Cost of sales		(40,574)	(146,919)
Gross profit		24,598	35,053
Other operating income	5	29,290	9,417
Selling and distribution expenses		(1,588)	(5,080)
Administrative expenses		(34,746)	(27,459)
Other gains and losses	6	(11,014)	81,849
Share of profit of associate		881	384
Finance costs	7	(20,235)	(23,769)
(Loss)/Profit before income tax	8	(12,814)	70,395
Income tax	9	2,432	(9,241)
(Loss)/Profit for the year		(10,382)	61,154
Other comprehensive income		—	—
Total comprehensive (loss)/profit for the year attributable to owners of the Company		(10,382)	61,154
(Loss)/Profit per share (RMB cents)			
Basic and diluted	32	(3.44)	20.28

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

		Group		Company	
	Note	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	78,446	109,333	–	–
Investment properties	11	71,158	–	–	–
Investment in subsidiary companies	12	–	–	144,587	144,587
Investment in associate	13	27,666	26,785	–	–
Prepaid leases	14	23,535	24,182	–	–
Deferred tax assets	15	3,274	38,917	–	–
		204,079	199,217	144,587	144,587
Current assets					
Development properties held for sale	17	–	459,605	–	–
Inventories	18	3,978	15,484	–	–
Held-for-trading investments	19	2,898	3,326	–	–
Trade receivables	20	29,386	66,886	–	–
Prepaid leases	14	647	519	–	–
Other receivables and prepayments	21	11,136	9,511	4,498	4,334
Cash and bank balances	22	94,135	58,806	204	1,062
		142,180	614,137	4,702	5,396
Assets classified as held for sale	16	497,680	–	–	–
		639,860	614,137	4,702	5,396
Total assets		843,939	813,354	149,289	149,983
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23	125,808	125,808	125,808	125,808
Statutory reserve	24	21,678	21,678	–	–
(Accumulated losses)/Retained earnings		(1,382)	9,000	(5,595)	(2,210)
Total equity		146,104	156,486	120,213	123,598
Non-current liabilities					
Deferred tax liabilities	15	20,817	20,817	–	–
Deferred income	25	–	80,693	–	–
		20,817	101,510	–	–
Current liabilities					
Bank borrowings	26	379,000	379,000	–	–
Trade payables	27	23,789	91,104	–	–
Other payables	28	197,500	62,619	28,108	25,479
Loans from a related party	29	968	906	968	906
Deferred income	25	54,032	–	–	–
Income tax payable		21,729	21,729	–	–
		677,018	555,358	29,076	26,385
Total liabilities		697,835	656,868	29,076	26,385
Total equity and liabilities		843,939	813,354	149,289	149,983

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Share capital RMB'000	Statutory reserve RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Total RMB'000
Group				
Balance as at 1 January 2016	125,808	21,678	9,000	156,486
(Loss) for the year	–	–	(10,382)	(10,382)
Other comprehensive income	–	–	–	–
Total comprehensive (loss) for the year	–	–	(10,382)	(10,382)
Balance as at 31 December 2016	125,808	21,678	(1,382)	146,104
Balance as at 1 January 2015	125,808	24,854	(55,330)	95,332
Profit for the year	–	–	61,154	61,154
Other comprehensive income	–	–	–	–
Total comprehensive profit for the year	–	–	61,154	61,154
Disposal of subsidiary	–	(3,176)	3,176	–
Balance as at 31 December 2015	125,808	21,678	9,000	156,486

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Group	
	2016 RMB'000	2015 RMB'000
Cash Flows from Operating Activities		
(Loss)/Profit before income tax	(12,814)	70,395
Adjustments for:		
Impairment of trade and other receivables	1,856	2,560
Amortisation of prepaid lease	519	534
Depreciation of property, plant and equipment	19,908	26,092
Plant and equipment written off	5,580	–
Fair value loss/(gain) on held-for-trading investments	548	(2,294)
Gain on disposal of subsidiary	–	(85,235)
Loss on disposal of property, plant and equipment	8,137	5,680
Loss on disposal of inventories	2,329	–
Recognition of compensation amounts	(26,661)	–
Unrealised loss on foreign exchange	62	52
Interest income	(548)	(1,391)
Interest expense	20,235	23,769
Share of profit of associate	(881)	(384)
Operating cash flows before working capital changes	18,270	39,778
Changes in working capital:		
Trade receivables	35,644	2,734
Other receivables and prepayments	(1,625)	(1,624)
Inventories	9,177	16,717
Trade payables	(67,315)	(80,414)
Other payables	12,020	(2,067)
Cash generated from/(used in) operating activities	6,171	(24,876)
Income tax paid	–	(2,541)
Net cash generated from/(used in) operating activities	6,171	(27,417)
Cash Flows from Investing Activities		
Proceeds from disposal of held-for-trading investments	1,188	21,329
Proceeds from disposal of property, plant and equipment	11,691	7,682
Purchase of property, plant and equipment (Note A)	(7,240)	(3,244)
Purchase of investment property (Note B)	(34,956)	–
Purchase of held-for-trading investments	(1,308)	(19,187)
Net cash flow on disposal of subsidiary	–	72,244
Deposit received from proposed disposal of subsidiary	80,000	–
Deposit received for dismantle of building	5,150	–
Interest received	548	1,391
Net cash generated from investing activities	55,073	80,215

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the financial year ended 31 December 2016

	Group	
	2016 RMB'000	2015 RMB'000
Cash Flows from Financing Activities		
Proceeds from bank loans	520,000	566,000
Repayment of bank loans	(520,000)	(556,000)
Repayment of loans from former subsidiary	–	(75,567)
Decrease in pledged fixed deposits	38,145	33,184
Interest paid	(20,235)	(23,769)
Net cash generated from/(used in) financing activities	17,910	(56,152)
Net increase/(decrease) in cash and cash equivalents	79,154	(3,354)
Cash and cash equivalents at the beginning of the year	11,239	14,593
Cash and cash equivalents at the end of the year (Note 22)	90,393	11,239

(Note A)

Addition of property, plant and equipment

	Group	
	2016 RMB'000	2015 RMB'000
Addition of property, plant and equipment	(14,429)	(2,931)
Increase/(Decrease) in other payables for property, plant and equipment	7,189	(313)
Net cash for addition of property, plant and equipment	(7,240)	(3,244)

(Note B)

Addition of investment property

	Group	
	2016 RMB'000	2015 RMB'000
Addition of investment property	(71,158)	–
Increase in other payables for investment property	36,202	–
Net cash for addition of investment property	(34,956)	–

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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 1 Sophia Road, #05-03 Peace Centre, Singapore 228149 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 Virgins Islands. The ultimate controlling party is Mr Jin Guan Liang, the Executive Chairman 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 12.

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors’ Statement.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”). These financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

Application of New/Revised FRS that are effective

The accounting policies adopted are consistent with those of the previous financial year except that, in the current financial year, the Group has applied the following issued new/revised FRS that are mandatorily effective for the said year and relevant to the Group:

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments clarify that an entity need not provide a specific disclosure required by a FRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirement in FRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

In addition, the amendments clarify that an entity’s share of the other comprehensive income of associates accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items, that in accordance with other FRSs (i) will not be reclassified subsequently to profit or loss and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Application of New/Revised FRS that are effective (cont'd)

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative* (cont'd)

As regards the structure of the financial statements, the amendment provides examples of systematic ordering or grouping of the notes.

The application of these amendments has not resulted in any impact on the financial performance of the Group or financial positions of the Group and the Company.

Amendments to FRS 27 *Equity Method in Separate Financial Statements*

FRS 27 requires an entity to account for its investments in subsidiaries, joint ventures and associates either at cost or in accordance with FRS 39 (or FRS 109 when effective). The amendments allow an additional option for an entity to account for these investees in its separate financial statements using the equity method as described in FRS 28. The accounting option must be applied by category of investments.

The application of these amendments has not resulted in any impact on the financial performance of the Group or financial positions of the Group and the Company.

Amendments to FRS 107 *Financial Instruments: Disclosures*

The amendments provides additional guidance to clarify whether a servicing contract results in continuing involvement in a transferred asset for the purpose of determining the disclosures required.

The application of these amendments has not resulted in any impact on the financial performance of the Group or financial positions of the Group and the Company.

New/Revised FRS in issue but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group have been issued but are not yet effective:

Description		Effective for annual periods beginning on or after
Amendments to FRS 7	<i>Statement of Cash Flow</i>	1 January 2017
Amendments to FRS 12	<i>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 112	<i>Disclosure of Interest in Other Entities</i>	1 January 2017
FRS 28	<i>Investments in Associates and Joint Ventures</i>	1 January 2018
FRS 109	<i>Financial Instruments</i>	1 January 2018
FRS 115	<i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116	<i>Leases</i>	1 January 2019

Except for FRS 109, FRS 115 and FRS 116 described below, management anticipates that the adoption of the other new/revised FRS above in future periods will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRS in issue but not yet effective (cont'd)

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is generally required, except that hedge accounting requirements are, with limited exemptions, applied prospectively. Comparative information need not be restated.

The Group is currently evaluating the new standard and assessing the impact of the application of FRS 109 on the financial statements. The Group plans to apply the new standard on the required effective date.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue standards, FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers*, and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, 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 principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues to consider include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The Group is currently evaluating the new standard and assessing the impact of the application of FRS 115 on the financial statements. The Group plans to apply the new standard on the required effective date.

FRS 116 *Leases*

FRS 116 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 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. FRS 116 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116.

The Group is currently evaluating the new standard and assessing the impact of the application of FRS 116 on the financial statements. The Group plans to apply the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(b) Going Concern Assumption

For the financial year ended 31 December 2016, the Group incurred a net loss of RMB10,382,000 (2015: a net profit of RMB61,154,000), and as of that date, the Group has net current liabilities of RMB534,838,000 excluding assets classified as held for sale, which are subject to the approval by the shareholders of the Company as disclosed in Note 16 (2015: net current liabilities of RMB400,826,000 excluding development properties held for sale, which are expected to be realised longer than twelve months). Further, the Group has bank borrowings of RMB379,000,000 (2015: RMB379,000,000) that are due within the next twelve months from 31 December 2016. These conditions indicate a material uncertainty exists that may cast significant doubt on the ability of the Group to continue as a going concern and to realise its assets and discharge its liabilities in the ordinary course of business.

Notwithstanding the above, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2016 is appropriate after taking into consideration the following factors:

- (i) Management will continue to monitor the costs of the Group closely and seek to improve the operating performance and generate positive cash flows from its various business activities. Management has also prepared a cash flow projection that shows the Group will have adequate working capital for its operations for the next twelve months from 31 December 2016 and to meet its obligations as and when they fall due.
- (ii) The Group continues to maintain its credit facilities with the financial institutions and, subject to the financial institutions' approval, to renew or roll over its short-term borrowings when they fall due and/or the extension of additional credit facilities. In this regard, the Group has been maintaining and renewing the short-term bank borrowings when they fall due and management is not aware of any adverse circumstances that might cause the financial institutions to withdraw their credit facilities granted to the Group.
- (iii) Management is presently evaluating various strategies to diversify the Group's business activities so as to provide new sources of revenue and to generate positive cash flows for the Group. These strategies include, *inter alia*, obtaining alternative sources of funds and the Proposed Disposal as further described in Note 16.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(c) Consolidation (cont'd)

Subsidiary companies (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(c) Consolidation (cont'd)

Business combination (cont'd)

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.

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 FRS). 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 FRS 39, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(c) Consolidation (cont'd)

Associates (cont'd)

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 FRS 39. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(e) Foreign Currencies (cont'd)

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.

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	-	4.2%
Leasehold improvements	-	10%
Plant and machinery	-	10% to 20%
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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

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

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.

(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 41 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(i) Impairment of Non-financial Assets (cont'd)

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) 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.

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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(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

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 ("FVTPL")

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(m) Financial Assets (cont'd)

Recognition and derecognition (cont'd)

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.

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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(o) 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.

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.

(p) 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.

(q) Dividends to Company's Shareholders

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

(r) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(r) Revenue Recognition (cont'd)

Sale of goods

Revenue on the sale of printing and dyeing goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rendering of services

Revenue from fabric processing is recognised when the services are delivered and acceptance by the customer of the services rendered.

Leasing income

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

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.

(s) Government Grants

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

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.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(u) 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.

(v) 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.

(w) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

2 Summary of Significant Accounting Policies (cont'd)

(w) Income Tax (cont'd)

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.

(x) Financial Guarantees

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.

(y) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2 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.

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 Judgments in Applying Accounting Policies

In addition to the going concern assumption disclosed in Note 2(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) Recognition of compensation received from government

Compensation received from government relating to the change of the Group's land use rights in 2010 required the Group to vacate and demolish its buildings on those lands before the end of 2017. During the financial year ended 31 December 2016, the Group has commenced its relocation from the existing premises.

Management has assessed the extent to which the Group has met the recognition criteria for the compensation received from government, based on the terms and conditions of the compensation agreement, and to a corresponding extent, recognised the compensation in profit and loss.

Management has determined that the Group has met the recognition criteria for certain of the compensation received from government based on the progress of the relocation and in accordance with the terms and conditions of the compensation agreement. Accordingly, compensation of RMB26,661,000 (2015: Nil) was recognised in profit and loss during the current financial year. The balance of compensation received from government amounting to RMB54,032,000 is deferred until the Group's relocation from the existing premises has been fully completed and its buildings demolished (Note 25).

(ii) Valuation of trade and other receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is an objective evidence of impairment, the recoverable amount are estimated based on historical loss experience for assets with similar credit risk characteristics.

During the financial year ended 31 December 2016, an allowance for impairment loss of RMB1,856,000 (2015: RMB1,812,000) and Nil (2015: RMB748,000) was recognised for trade and other receivables, respectively. The carrying amounts of the Group's trade and other receivables as at 31 December 2016 and the movements in the respective allowances for impairment losses are disclosed in Notes 20 and 21.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

3 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*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment, other than construction-in-progress, is depreciated on a straight-line basis over the property, plant and equipment's 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. 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 7.8% (2015: 1.8%) variance in the Group's (loss)/profit before income tax.

(ii) *Valuation of property, plant and equipment*

Appropriate allowance for impairment loss is recognised in profit or loss when there is objective evidence that the property, plant and equipment is impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost of disposal and value in use) of the assets is estimated to determine the amount of impairment loss.

Management applies the value in use calculations to determine the recoverable amount of the property, plant and equipment. The discounted cash flow used in the value in use calculations is prepared based on the approved financial budget of the Group and involves estimates of forecasted revenue, growth rate and discount rate.

Based on management's assessment of the recoverable amount of the Group's property, plant and equipment, no allowance for impairment loss is required as at 31 December 2016 (2015: Nil).

Management has also assessed the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the key estimated growth rate and discount rate used in the value in use calculations. Based on management's sensitivity analyses, the recoverable amount of the Group's property, plant and equipment is still in excess of the carrying amount.

4 Revenue

	Group	
	2016 RMB'000	2015 RMB'000
Printing and dyeing	5,834	32,543
Fabric processing	36,254	130,470
Leasing revenue	23,084	18,959
	<u>65,172</u>	<u>181,972</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

5 Other Operating Income

	Group	
	2016 RMB'000	2015 RMB'000
Interest income	548	1,391
Government grants		
- Recognition of compensation amounts (Note 25)	26,661	—
- Others	1,915	1,886
Net gain on foreign exchange	31	400
Sale of pollution quota	—	4,980
Others	135	760
	<u>29,290</u>	<u>9,417</u>

During the financial year ended 31 December 2015, sale of pollution quota was recognised when the significant risks and rewards of ownership of the pollution quota had been transferred to the buyer and duly approved by the relevant government authorities.

6 Other Gains and Losses

	Group	
	2016 RMB'000	2015 RMB'000
Fair value (loss)/gain on held-for-trading investments	(548)	2,294
Gain on disposal of subsidiary (Note 12)	—	85,235
Loss on disposal of property, plant and equipment	(8,137)	(5,680)
Loss on disposal of inventories	(2,329)	—
	<u>(11,014)</u>	<u>81,849</u>

7 Finance Costs

	Group	
	2016 RMB'000	2015 RMB'000
Interest expense on:		
- Bank loans	<u>20,235</u>	<u>23,769</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

8 (Loss)/Profit before Income Tax

	Group	
	2016 RMB'000	2015 RMB'000
(Loss)/Profit before income tax has been arrived at after charging:		
<u>Allowance for impairment loss (included in administrative expenses):</u>		
Impairment loss on trade receivables	1,856	1,812
Impairment loss on other receivables	–	748
	1,856	2,560
<u>Depreciation and amortisation:</u>		
Amortisation of prepaid leases (included in administrative expenses)	519	534
Depreciation of property, plant and equipment (included in administrative expenses)	8,387	561
Depreciation of property, plant and equipment (included in cost of sales)	11,521	25,531
	19,908	26,092
Plant and equipment written off	5,580	–
<u>Employee benefits:</u>		
- defined contribution plans	664	2,217
- salaries and benefits	13,849	28,999
Total employee benefits*	14,513	31,216
Directors' fees	498	478
Staff accommodation under operating lease	367	630
Cost of inventories recognised as expense (included in cost of sales)	21,695	81,675
<u>Audit fees:</u>		
- paid/payable to auditors of the Company	670	589
- paid/payable to other auditors	–	–
Non-audit fees paid/payable to auditors of the Company	–	–

* Total employee benefits amounted to approximately RMB14,513,000 (2015: RMB31,216,000) were included in cost of sales, selling and distribution expenses and administrative expenses of RMB5,795,000 (2015: RMB18,272,000), RMB900,000 (2015: RMB1,850,000) and RMB7,818,000 (2015: RMB11,094,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9 Income Tax

	Group	
	2016 RMB'000	2015 RMB'000
Income tax		
Current	–	9,658
	–	9,658
Deferred tax		
Current	(2,432)	(417)
	(2,432)	9,241

PRC income tax is calculated at 25% (2015: 25%) of the estimated assessable (loss)/profit for the year. Taxation for operations in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax (credit)/charge for the financial year can be reconciled to the accounting (loss)/profit before income tax as follows:

	Group	
	2016 RMB'000	2015 RMB'000
(Loss)/Profit before income tax	(12,814)	70,395
Income tax (credit)/charge at applicable tax rates	(3,203)	17,599
Tax effect of non-deductible expenses/(income)	771	(6,750)
Utilisation of deferred tax benefits previously not recognised	–	(1,608)
	(2,432)	9,241

The applicable tax rate used for the reconciliation above is the PRC income tax rate of 25% (2015: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

10 Property, Plant and Equipment

	Construction- in-progress 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							
<u>2016</u>							
<u>Cost</u>							
Balance at 1 January	4,978	25,740	7,595	221,586	3,738	5,867	269,504
Additions	13,433	–	–	666	330	–	14,429
Transfer from CIP	(14,100)	13,031	–	398	–	671	–
Disposals	–	–	–	(35,717)	(289)	–	(36,006)
Write off	–	–	–	(7,679)	–	–	(7,679)
Balance at 31 December	4,311	38,771	7,595	179,254	3,779	6,538	240,248
<u>Accumulated depreciation</u>							
Balance at 1 January	–	25,740	4,142	113,300	3,457	4,842	151,481
Depreciation for the year	–	–	–	19,537	202	169	19,908
Disposals	–	–	–	(15,830)	(259)	–	(16,089)
Write off	–	–	–	(2,099)	–	–	(2,099)
Balance at 31 December	–	25,740	4,142	114,908	3,400	5,011	153,201
<u>Impairment</u>							
Balance at 1 January	–	–	3,453	4,631	182	424	8,690
Disposals	–	–	–	(48)	(41)	–	(89)
Balance at 31 December	–	–	3,453	4,583	141	424	8,601
<u>Carrying amount</u>							
Balance at 31 December	4,311	13,031	–	59,763	238	1,103	78,446
<u>2015</u>							
<u>Cost</u>							
Balance at 1 January	2,574	25,740	7,595	295,218	3,910	5,938	340,975
Additions	2,404	–	–	514	–	13	2,931
Disposals	–	–	–	(74,146)	(172)	(84)	(74,402)
Balance at 31 December	4,978	25,740	7,595	221,586	3,738	5,867	269,504
<u>Accumulated depreciation</u>							
Balance at 1 January	–	22,282	4,142	151,334	3,038	4,905	185,701
Depreciation for the year	–	3,458	–	22,049	573	12	26,092
Disposals	–	–	–	(60,083)	(154)	(75)	(60,312)
Balance at 31 December	–	25,740	4,142	113,300	3,457	4,842	151,481
<u>Impairment</u>							
Balance at 1 January	–	–	3,453	5,359	182	424	9,418
Disposals	–	–	–	(728)	–	–	(728)
Balance at 31 December	–	–	3,453	4,631	182	424	8,690
<u>Carrying amount</u>							
Balance at 31 December	4,978	–	–	103,655	99	601	109,333

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

10 Property, Plant and Equipment (cont'd)

During the financial year ended 31 December 2015, certain of the Group's factory buildings were leased to third parties to earn lease revenue. These factory buildings had not been reclassified to investment properties as the assets had been fully depreciated as at 31 December 2015. In August 2016, the lessees have vacated the existing premises and relocated to the Group's new factory buildings in November 2016 (see Note 11).

Leasing revenue related to the Group's factory buildings leased amounted to RMB20,391,000 for the financial year ended 31 December 2016 (2015: RMB18,959,000). Direct operating expenses (excluding depreciation) arising from the Group's factory buildings leased that generated the leasing revenue during the financial year ended 31 December 2016 and 2015 were considered not material.

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 2016, the carrying amount of these plant and machinery leased amounted to RMB18,980,000 (2015: RMB29,344,000)

11 Investment Properties

	Group 2016 RMB'000
<u>Cost</u>	
Balance at 1 January	–
Additions	71,158
Balance at 31 December	71,158
<u>Accumulated depreciation</u>	
Balance at 1 January	–
Depreciation for the year	–
Balance at 31 December	–
<u>Carrying amount</u>	
Balance at 31 December	71,158

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

Leasing revenue related to the investment properties amounted to RMB2,693,000 for the financial year ended 31 December 2016. Direct operating expenses arising from the investment properties that generated the leasing revenue during the financial year were considered not material.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11 Investment Properties (cont'd)

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

As at 31 December 2016, the directors of the Company are of the view that the fair value of the Group's investment properties approximates the carrying amount of the investment properties as at the statement of financial position date, as these investment properties are newly constructed by the Group during the financial year. The fair value measurement under the fair value hierarchy is Level 3 as disclosed in Note 35(b).

12 Investment in Subsidiary Companies

	Company	
	2016 RMB'000	2015 RMB'000
Unquoted equity shares, at cost	144,741	144,741
Less: Allowance for impairment loss	(154)	(154)
	<u>144,587</u>	<u>144,587</u>

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	
		2016	2015
		%	%
<u>Held by Company</u>			
Zhejiang Jishan Printing and Dyeing Co., Ltd	Printing and dyeing of fabric and sales of garments (People's Republic of China)	100	100
Polar International Trading Company Limited	Intended: Import and export of textile products. Presently dormant (Hong Kong)	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

12 Investment in Subsidiary Companies (cont'd)

Name of subsidiary	Principal activities/Country of incorporation and operation	Equity interest attributable to the Group	
		2016	2015
		%	%
<u>Held by Zhejiang Jishan Printing and Dyeing Co., Ltd</u>			
Fuhua Import & Export Pte Ltd	Intended: Import and export of textile products. Presently dormant (Singapore)	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
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
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	–

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

Incorporation of a subsidiary company

During the financial year ended 31 December 2016, the Group's wholly owned subsidiary company, Zhejiang Jishan Printing & Dyeing Co., Ltd, incorporated a wholly owned subsidiary company, Shaoxing Keqiao Zhongji Weaving Products Co., Ltd ("Zhongji") in the PRC, with an initial paid-up capital RMB500,000. Zhongji is presently dormant.

Disposal of a subsidiary company

During the financial year ended 31 December 2015, the Group had completed the disposal of its 100% interest in Zhejiang Jishan Extra Width Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

12 Investment in Subsidiary Companies (cont'd)

	Group 2015 RMB'000
<i>Analysis of identifiable assets and liabilities of subsidiary disposed</i>	
<u>Assets</u>	
Plant and equipment	288
Prepaid lease	18,802
Other receivables, deposits and prepayments	75,567
Cash and bank balances	1,964
	<u>96,621</u>
<u>Liabilities</u>	
Other payables and accruals	5,287
Bank borrowing	42,000
	<u>47,287</u>
Net identifiable assets disposed of	<u>49,334</u>
<i>Gain on disposal of subsidiary</i>	
Consideration for the disposal	134,569
Net identifiable assets disposed of (as above)	(49,334)
Gain on disposal of subsidiary (Note 6)	<u>85,235</u>
<i>Net cash flow on disposal of subsidiary</i>	
Consideration for the disposal	134,569
Less: Sales consideration received in previous year	(62,325)
Net cash inflow on disposal of subsidiary	<u>72,244</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

13 Investment in Associate

Name of associate	Principal activities/Country of incorporation and operation	Equity interest attributable to the Group	
		2016	2015
		%	%
<u>Held by Zhejiang Jishan Printing & Dyeing Co., Ltd ("ZJPD")</u>			
Shaoxing Kegiao District Jishan Uni-Power Private Capital Management Co., Ltd. ("Shaoxing Uni-Power")	Provision of financial services (People's Republic of China)	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 FRS.

	Group	
	2016 RMB'000	2015 RMB'000
Current assets	107,336	103,490
Non-current assets	303	403
Current liabilities	(1,230)	(876)
Revenue	5,351	4,919
Profit/Total comprehensive income for the year	3,391	1,477

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	
	2016 RMB'000	2015 RMB'000
Net assets of the associate	106,409	103,017
Proportion of the Group's ownership in Shaoxing Uni-Power	26%	26%
Carrying amount of the Group's interest in Shaoxing Uni-Power	27,666	26,785

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 million (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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

14 Prepaid Leases

	Group	
	2016 RMB'000	2015 RMB'000
<u>Cost</u>		
Balance at 1 January and 31 December	25,956	25,956
<u>Accumulated amortisation</u>		
Balance at 1 January	1,255	721
Amortisation for the year	519	534
Balance at 31 December	1,774	1,255
<u>Carrying amount</u>		
Balance at 31 December	24,182	24,701
Presented as:		
Current	647	519
Non-current	23,535	24,182
	24,182	24,701

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

15 Deferred Tax Assets/(Liabilities)

Deferred tax assets

	Allowances RMB'000	Tax losses RMB'000	Total RMB'000
Group			
Balance at 1 January 2016	842	38,075	38,917
Credited to profit or loss	–	2,432	2,432
Classified to assets classified as held for sale (Note 16)	–	(38,075)	(38,075)
Balance at 31 December 2016	842	2,432	3,274
Balance at 1 January 2015	842	37,658	38,500
Credited to profit or loss	–	417	417
Balance at 31 December 2015	842	38,075	38,917

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

15 Deferred Tax Assets/(Liabilities) (cont'd)

As at 31 December 2016, the Group has unutilised tax losses of approximately RMB163.5 million (2015: RMB152.3 million) 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. Deferred tax asset arising from these unutilised tax losses carry forward have not been recognised except that the Group has recognised deferred tax assets on certain unutilised tax losses of approximately RMB41,349,000 (2015: RMB38,917,000), because management believes it is more likely than not that such tax losses can be utilised against future taxable profits based on the Group's internal projection. Should future taxable profits not be sufficient to utilise the tax losses, an adjustment to the deferred tax assets on tax losses would have an impact to the Group's results in the period where such determination is made. The tax losses arising from the entities in the Group operating in the PRC has an expiry of 5 years.

Deferred tax liabilities

	Undistributed profits RMB'000	Gain on disposal of prepaid lease RMB'000	Total RMB'000
Group			
Balance at 1 January and 31 December 2016	(554)	(20,263)	(20,817)
Balance at 1 January and 31 December 2015	(554)	(20,263)	(20,817)

Management had evaluated the tax regulations in the PRC and understood that no income tax is required to be paid for the compensation received from the government relating to the change in the Group's land use rights in 2010. Accordingly, management believed that no deferred tax is to be recognised on the compensation received except for the deferred tax liability amounted to RMB20,263,000 for the gain on disposal of prepaid lease recognised then.

As at 31 December 2016 and 2015, 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 RMB106.8 million (2015: RMB114.8 million). The deferred tax liability is estimated to be RMB5,340,000 (2015: RMB5,740,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

16 Assets Classified as Held for Sale

	Group	
	2016 RMB'000	2015 RMB'000
Assets classified as held for sale	497,680	–

As at 24 December 2016, the Group entered into a conditional share transfer 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 RMB785.8 million (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 RMB459.6 million (Note 17); and
- (ii) Deferred tax assets totalling RMB38.1 million (Note 15).

As at 28 December 2016, the Group has received an upfront deposit amounted to RMB80.0 million from the Purchaser (Note 28). The Proposed Disposal is subject to the approval by the shareholders of the Company at an Extraordinary General Meeting to be convened.

On 5 April 2017, the Group entered into a supplemental agreement in which the Sale Consideration, amongst others, has been adjusted from RMB785.8 million to RMB1,183.2 million.

17 Development Properties Held for Sale

	Group	
	2016 RMB'000	2015 RMB'000
Balance at 1 January	459,605	459,605
Classified to assets classified as held for sale (Note 16)	(459,605)	–
Balance at 31 December	–	459,605

Since the financial year ended 31 December 2014, there was no interest capitalised in the cost of development properties as management had suspended the Group's property development activities so as to focus resources on the other Group's segments, namely printing and dyeing, and fabric processing.

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

The details of the Group's development properties were as follows:

	Interest held by Group	Land area (sqm)	Tenure
<u>Development Properties</u>			
7 plots of lands for commercial and residential development			
- No 426, Feng Lin Road,			
Kebei Industrial Area,			
Shaoxing City,			
Zhejiang Province, the PRC	100%	146,650	40 and 70 years

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

18 Inventories

	Group	
	2016	2015
	RMB'000	RMB'000
<i>At cost:</i>		
Raw materials	2,371	9,059
Work in progress	117	3,889
Finished goods	1,490	2,536
	<u>3,978</u>	<u>15,484</u>

19 Held-for-Trading Investments

	Group	
	2016	2015
	RMB'000	RMB'000
Quoted equity shares, at fair value	<u>2,898</u>	<u>3,326</u>

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 as disclosed in Note 35(b).

20 Trade Receivables

	Group	
	2016	2015
	RMB'000	RMB'000
Third parties	35,661	71,305
Less: Allowance for impairment loss	(6,275)	(4,419)
	<u>29,386</u>	<u>66,886</u>

Trade receivables are non-interest bearing and are usually due within 30-60 days.

Movement in the allowance for impairment loss:

	Group	
	2016	2015
	RMB'000	RMB'000
Balance at 1 January	4,419	2,607
Impairment loss recognised during the year	1,856	1,812
Balance at 31 December	<u>6,275</u>	<u>4,419</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

21 Other Receivables and Prepayments

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Advances for purchases	3,676	3,344	–	–
Less: Allowance for impairment loss	(1,508)	(1,508)	–	–
	2,168	1,836	–	–
Security deposit for land development	2,520	2,520	–	–
Due from a subsidiary ⁽ⁱ⁾	–	–	4,498	4,334
Advances to staff ⁽ⁱⁱ⁾	179	229	–	–
Due from a related party ⁽ⁱⁱⁱ⁾	3,335	3,335	–	–
Recoverable expenses from lessees	2,934	1,591	–	–
	11,136	9,511	4,498	4,334

Movement in the allowance for impairment loss:

	Group	
	2016 RMB'000	2015 RMB'000
Balance at 1 January	1,508	760
Impairment loss recognised during the year	–	748
Balance at 31 December	1,508	1,508

Notes:

- (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.

22 Cash and Bank Balances

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Cash and bank balances	90,393	11,239	204	1,062
Fixed deposits	2,854	40,999	–	–
Cash at bank held in trust for third parties	888	6,568	–	–
	94,135	58,806	204	1,062

Fixed deposits have a maturity of six months or less and bear interest at an average rate of 2% (2015: 2%) per annum. Fixed deposits are pledged as security for note payables of the Group (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

22 Cash and Bank Balances (cont'd)

Cash at bank held in trust for third parties pertains to balances in the bank accounts opened on behalf of the lessees, and correspondingly, accounted under other payables as disclosed in Note 28.

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	
	2016 RMB'000	2015 RMB'000
Cash and bank balances	90,393	11,239
Fixed deposits	2,854	40,999
Cash at bank held in trust for third parties	888	6,568
	94,135	58,806
Less: Restricted fixed deposits	(2,854)	(40,999)
Less: Restricted cash at bank held in trust for third parties	(888)	(6,568)
Cash and cash equivalents as per the consolidated statement of cash flows	90,393	11,239

23 Share Capital

	Group and Company			
	2016		2015	
	Number of ordinary shares	Share capital RMB'000	Number of ordinary shares	Share capital RMB'000
<i>Issued and paid-up:</i>				
Balance at 1 January and 31 December	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 when declared by the Company.

24 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

25 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 is required to vacate and demolish its buildings on those lands before the end of 2017.

During the financial year ended 31 December 2016, the Group has commenced its relocation from the existing premises and recognised RMB26.7 million (2015: Nil) (Note 5) of the compensation in profit and loss based on the progress of the relocation and in accordance with the terms and conditions of the compensation agreement. The balance of compensation of RMB54.0 million (2015: RMB80.7 million) received from the government is deferred until the Group's relocation from the existing premises has been fully completed and its buildings demolished.

26 Bank Borrowings

	Group	
	2016 RMB'000	2015 RMB'000
Short term bank loans	379,000	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 and development properties held for sale (Note 17).

The average effective interest rates incurred on the bank loans is 5.2% (2015: 6.0%) per annum.

27 Trade Payables

	Group	
	2016 RMB'000	2015 RMB'000
Third parties	20,935	50,105
Notes payables	2,854	40,999
	23,789	91,104

Trade payables are non-interest bearing and are usually settled within 30-90 days.

The notes payables are interest-free and secured on the Group's fixed deposits (Note 22). The notes payable are repayable within the next twelve months from the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

28 Other Payables

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	6,327	13,693	1,451	887
Due to subsidiaries (i)	–	–	26,657	24,592
Interest payable	578	663	–	–
Payable for property, plant and equipment	9,076	1,887	–	–
Payable for investment properties	36,202	–	–	–
Payable for land conversion fee and other related taxes	27,523	27,523	–	–
VAT payable	3,453	1,213	–	–
Cash at bank held in trust for third parties (Note 22)	888	6,568	–	–
Lease deposits held from lessees	14,000	11,000	–	–
Advances collected from lessees	14,303	72	–	–
Deposit for Proposed Disposal (Note 16)	80,000	–	–	–
Deposit for dismantle of building	5,150	–	–	–
	197,500	62,619	28,108	25,479

Note:

- (i) 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 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 ("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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

30 Related Party Transactions (cont'd)

- (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 ventures 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;
 - (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	
	2016 RMB'000	2015 RMB'000
Transactions with companies in which a director has interests		
Guarantees provided by related parties to banks for credit facilities granted to the Group	340,000	243,000

Key management compensation

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

	Group	
	2016 RMB'000	2015 RMB'000
Directors' fees	498	478
Salaries and benefits	2,874	2,647
Defined contribution plans	93	144
	3,465	3,269
Comprised amounts paid/payable to:		
Directors of the Company	1,499	1,174
Other key management personnel	1,966	2,095
	3,465	3,269

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

31 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) printing and dyeing;
- (ii) fabric processing;
- (iii) leasing of property; and
- (iv) property development.

Accordingly, the above are the Group's reportable segments under FRS 108. 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.

Segment revenue and results

	Revenue		Net (loss)/profit	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Printing and dyeing	5,834	32,543	(3,669)	(1,467)
Fabric processing	36,254	130,470	(22,804)	(5,882)
Leasing of property	23,084	18,959	18,780	13,253
Property development	–	–	(18,933)	(21,487)
	<u>65,172</u>	<u>181,972</u>	<u>(26,626)</u>	<u>(15,583)</u>
Other operating income			29,290	9,417
Central administration costs			(2,534)	(1,723)
Other gains and losses			(11,014)	81,849
Share of profit of associate			881	384
Finance costs			(2,811)	(3,949)
(Loss)/Profit before income tax			<u>(12,814)</u>	<u>70,395</u>
Income tax			2,432	(9,241)
Consolidated (loss)/profit for the year			<u>(10,382)</u>	<u>61,154</u>

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 2. Segment (loss)/profit represents (loss)/profit earned by each segment without allocation of central administration costs, other operating income, other gains and losses, finance costs, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

31 Segment Information (cont'd)

Segment assets

	2016 RMB'000	2015 RMB'000
Printing and dyeing	12,867	32,412
Fabric processing	79,964	129,946
Leasing of property	90,138	29,344
Property development	–	459,605
Total segment assets	182,969	651,307
Unallocated assets	660,970	162,047
Consolidated total assets	843,939	813,354

Unallocated assets comprised primarily other receivables and prepayments, deferred taxes, held-for-trading investments, cash and bank balances, investment in associate and other assets which are used jointly by reportable segments and are not allocated.

Segment liabilities

	2016 RMB'000	2015 RMB'000
Printing and dyeing	3,297	18,188
Fabric processing	20,492	72,917
Property development	401,334	399,629
Total segment liabilities	425,123	490,734
Unallocated liabilities	272,711	166,134
Consolidated total liabilities	697,834	656,868

Unallocated liabilities comprised primarily deferred income, other payables, deferred/income taxes 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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Printing and dyeing	2,163	4,069	2,000	585
Fabric processing	13,442	16,317	12,429	2,346
Leasing of property	4,303	5,706	–	–
	19,908	26,092	14,429	2,931

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

31 Segment Information (cont'd)

Geographical information

The Group operates in three principal geographical areas - the PRC (country of domicile), Asia and Europe.

The Group's revenue from external customers by geographical location are detailed below:

	2016 RMB'000	2015 RMB'000
PRC	60,729	153,214
Asia (excluding PRC)	3,916	28,248
Europe	527	510
	<u>65,172</u>	<u>181,972</u>

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

None of the Group's customers individually contributed more than 10% of the Group's revenues.

32 (Loss)/Profit Per Share

The basic (loss)/profit per share is calculated on the Group's loss for the year of RMB10,382,000 (2015: profit for the year of RMB61,154,000) divided by the number of ordinary shares of 301,500,000 (2015: 301,500,000) in issue during the financial year.

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

33 Operating Lease Arrangements

The Group as lessor

Leasing arrangements

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	
	2016 RMB'000	2015 RMB'000
Not later than 1 year	32,321	21,125
Later than 1 year but not later than 5 years	86,406	64,624
	<u>118,727</u>	<u>85,749</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

33 Operating Lease Arrangements (cont'd)

The Group as lessee

Leasing arrangements

The Group had entered into leases for staff accommodation. These leases had average tenure of between 1 to 2 years. There was no renewal option.

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

	Group	
	2016 RMB'000	2015 RMB'000
Within one year	–	53

34 Capital Commitments

During the financial year ended 31 December 2015, the Group had entered into various construction contracts to build the new factory buildings located at Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC. The outstanding capital commitment as at the end of the reporting period was as follows:

	Group	
	2016 RMB'000	2015 RMB'000
Contracted	–	80,616
Not contracted	–	52,584
	–	133,200

35 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

35 Financial Risk Management (cont'd)

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

Credit risk

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 and the Company have adopted a policy of only dealing with creditworthy counterparties and obtaining collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The trade and other receivables that are neither past due nor impaired relate to customers that the Group and the Company has assessed to be creditworthy, based on the credit evaluation process performed by management.

Significant concentration of credit risk

The Group's and the Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the statement of financial position are net of allowance for impairment loss, if any, made by the Group's management based on prior experience and the current economic environment. 21% (2015: 35%) of the Group's trade receivables are due from three (2015: four) customers. Management has assessed the creditworthiness of these customers and is satisfied that the debts are recoverable and no allowance for impairment is necessary.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired as at the statement of financial position date are substantially creditworthy companies or individuals with a good collection record with the Group. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings.

As at 31 December 2016, trade and other receivables which are neither past due nor impaired amounted to RMB30,373,000 (2015: RMB35,814,000).

Financial assets that are past due but not impaired

There is no other class of the Group's financial assets that is past due but not impaired except for trade receivables as set out below. These trade receivables are unsecured and the analysis of their aging as at the statement of financial position date is as follow:

	Group	
	2016 RMB'000	2015 RMB'000
Past due but not impaired:		
- 61 to 120 days	2,039	5,635
- 121 to 180 days	1,746	3,962
- > 180 days	4,196	29,150
	<u>7,981</u>	<u>38,747</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

35 Financial Risk Management (cont'd)

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

Credit risk (cont'd)

Financial assets that are past due but not impaired (cont'd)

Trade receivables which are past due as at the statement of financial position date but against which the Group has not recognised an allowance for impairment loss is because there have not been significant changes in credit quality and the customers are still paying progressively and/or having ongoing transactions with the Group. These are long time customers of the Group and the Group is regularly in close contact with them.

Financial assets that are past due and/or impaired

There is no other material class of financial assets that is past due and/or impaired except for trade receivables and other receivables as set out below. The Group's trade receivables and other receivables that are determined to be individually impaired as at the statement of financial position date are as follow:

	Group	
	2016	2015
	RMB'000	RMB'000
Trade receivables	6,275	4,419
Less: Allowance for impairment loss	(6,275)	(4,419)
	<u>–</u>	<u>–</u>
Other receivables		
- Advances for purchases	1,508	1,508
Less: Allowance for impairment loss	(1,508)	(1,508)
	<u>–</u>	<u>–</u>

The movements in the respective allowances respective for impairment losses of trade receivables and other receivables are set out in Notes 20 and 21.

Trade receivables which are impaired as at the statement of financial position date relate to debtors that are in significant financial difficulties and/or have defaulted in payments. These trade receivables are not secured by any collateral.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

35 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				
<u>2016</u>				
<u>Financial assets</u>				
Cash and bank balances	93,800	118	217	94,135
Trade and other receivables	15,063	22,332	959	38,354
Held-for-trading investments	2,898	–	–	2,898
	<u>111,761</u>	<u>22,450</u>	<u>1,176</u>	<u>135,387</u>
<u>Financial liabilities</u>				
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)
	<u>(568,985)</u>	<u>(23,723)</u>	<u>(5,096)</u>	<u>(597,804)</u>
Net financial liabilities	<u>(457,224)</u>	<u>(1,273)</u>	<u>(3,920)</u>	<u>(462,417)</u>
<u>2015</u>				
<u>Financial assets</u>				
Cash and bank balances	57,551	1,000	255	58,806
Trade and other receivables	71,919	–	2,642	74,561
Held-for-trading investments	3,326	–	–	3,326
	<u>132,796</u>	<u>1,000</u>	<u>2,897</u>	<u>136,693</u>
<u>Financial liabilities</u>				
Trade and other payables	(151,683)	(827)	–	(152,510)
Bank borrowings	(379,000)	–	–	(379,000)
Loans from a related party	–	–	(906)	(906)
	<u>(530,683)</u>	<u>(827)</u>	<u>(906)</u>	<u>(532,416)</u>
Net financial (liabilities)/assets	<u>(397,887)</u>	<u>173</u>	<u>1,991</u>	<u>(395,723)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

35 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 increase the Group's (loss)/profit before income tax by the amounts shown below. This analysis assumes that all other variables, including income tax, remain constant.

	(Loss) before tax 2016 RMB'000	Profit before tax 2015 RMB'000
SGD	127	17
USD	392	199

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.

The Company's exposure to foreign currency risk is considered not significant and therefore no sensitivity analysis is disclosed in these financial statements.

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. As at the statement of financial position date, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

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 in Note 2(b).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

35 Financial Risk Management (cont'd)

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

Liquidity risk (cont'd)

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.

	Carrying amount RMB'000	Contractual cash flows RMB'000	Cash flows		
			Within 1 year RMB'000	Within 2 to 5 years RMB'000	After 5 years RMB'000
Group					
<u>2016</u>					
Trade and other payables	217,836	217,836	217,836	—	—
Bank borrowings (Note 26)	379,000	386,641	386,641	—	—
Loans from a related party	968	968	968	—	—
	597,804	605,445	605,445	—	—
<u>2015</u>					
Trade and other payables	152,510	152,510	152,510	—	—
Bank borrowings (Note 26)	379,000	387,083	387,083	—	—
Loans from a related party	906	906	906	—	—
	532,416	540,499	540,499	—	—
Company					
<u>2016</u>					
Other payables	28,108	28,108	28,108	—	—
Loans from a related party	968	968	968	—	—
	29,076	29,076	29,076	—	—
<u>2015</u>					
Other payables	25,479	25,479	25,479	—	—
Loans from a related party	906	906	906	—	—
	26,385	26,385	26,385	—	—

Price risk

The Group is exposed to equity price risks arising from equity investments classified as held-for-trading. The held-for-trading 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 held-for-trading equity investments, if equity prices had been 10% higher/lower as at the statement of financial position date, the Group's (loss)/profit before income tax would decrease/increase by RMB290,000 (2015: RMB333,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

35 Financial Risk Management (cont'd)

(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 significance 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 11) and held-for-trading investments (Note 19) is classified as Level 3 and Level 1, respectively under the fair value hierarchy.

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.

36 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 2015.

The capital structure of the Group consists of net debts (total liabilities excluding deferred income and income taxes, 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 2016 and 2015, other than the statutory reserve requirements of the Group's subsidiaries in the PRC as disclosed in Note 24.

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	
	2016 RMB'000	2015 RMB'000
Total debts	622,074	554,446
Less: Cash and bank balances (Note 22)	(94,135)	(58,806)
Net debt	527,939	495,640
Total equity	146,104	156,486
Net debt-to-equity ratio	3.6	3.2

STATISTICS OF SHAREHOLDERS

As at 17 March 2017

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	0.06%	2	0.00%
100 - 1,000	38	2.47%	38,000	0.01%
1,001 - 10,000	1,001	65.00%	6,613,000	2.19%
10,001 - 1,000,000	491	31.88%	28,929,650	9.60%
1,000,001 and above	9	0.59%	265,919,348	88.20%
	1,540	100%	301,500,000	100%

Based on information available to the Company as at 17 March 2017, approximately 21.3027% 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 17 March 2017

S/No.	Name	No. of Shares	Percentage
1	DBS NOMINEES PTE LTD	220,330,800	73.08%
2	JIN GUAN LIANG	16,649,500	5.52%
3	TEO CHENG TUAN DONALD	6,663,000	2.21%
4	MAYBANK KIM ENG SECURITIES PTE LTD	6,460,000	2.14%
5	OCBC SECURITIES PRIVATE LTD	5,924,048	1.96%
6	JIN CHENG INTERNATIONAL HOLDINGS LIMITED	3,800,000	1.26%
7	CHEN GANG	2,652,000	0.88%
8	TAN AH CHYE	2,250,000	0.75%
9	YANG JINKUI	1,190,000	0.39%
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LTD	950,000	0.31%
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	553,100	0.18%
12	LAM YAT HOONG	540,000	0.18%
13	LEE KUM YOKE	495,000	0.16%
14	QIAN YUECHAO	395,000	0.13%
15	YEOH POH LENG	383,000	0.13%
16	GOH WOON KEAT	350,000	0.12%
17	YEO LAY CHU JANET	350,000	0.12%
18	SHARON CHOO HOWE SEONG	348,000	0.12%
19	TEE POI TENG	327,000	0.11%
20	ZHANG HUA	325,000	0.11%
		270,935,448	89.86%

STATISTICS OF SHAREHOLDERS

As at 17 March 2017

Substantial Shareholders

As shown in the Register of Substantial Shareholders

Name of Shareholders	No of Shares	
	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 216,823,000 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 Thirteenth 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 Friday, 28 April 2017 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 2016 together with the Auditors’ Report thereon. **[Resolution 1]**
2. To approve Directors’ Fees of RMB431,955 (2016: RMB472,875) to be paid half-yearly in arrears for the financial year ending 31 December 2017. **[Resolution 2]**
3. To re-elect the following Directors retiring pursuant to the Company’s Constitution:-
 - a) Mr Xiao ZiLiang [retiring pursuant to Regulation 88] **[Resolution 3(a)]**
 - b) Mr Yip Wei Jen [retiring pursuant to Regulation 89] **[Resolution 3(b)]**
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, 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, 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 2017

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 1 Sophia Road #05-03 Peace Centre Singapore 228149 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.

Note to items no. 3(a) & 3(b):-

The Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Messrs Mr Xiao ZiLiang and Mr Yip Wei Jen.

Mr Yip Wei Jen is an Independent Director and member of the Audit and Risk Committee, Nominating 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, with a sub-limit of 20 per centum of the total number of issued shares excluding treasury shares 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 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).

NOTICE OF ANNUAL GENERAL MEETING

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.

CHINA JISHAN HOLDINGS LIMITED

(Company Registration No.: 200310591E)

PROXY FORM

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.

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 (%)

as my/our proxy/proxies to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Furama RiverFront Singapore, Jupiter III (Level 3), 405 Havelock Road, Singapore 169633 on Friday, 28 April 2017 at 10 a.m. and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

Resolution No.		For	Against
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 together with the Auditors' Report thereon.		
2.	To approve payment of Directors' Fees for the financial year ending 31 December 2017.		
3(a).	To re-elect Mr Xiao ZiLiang as a Director [pursuant to Regulation 88 of the Constitution of the Company].		
3(b).	To re-elect Mr Yip Wei Jen 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 _____ 2017

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 Shareholder

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 Annual General Meeting. 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 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.
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, 1 Sophia Road #05-03 Peace Centre Singapore 228149 not less than 72 hours before the time appointed for holding the Annual General Meeting.
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 Annual General Meeting 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 Annual General Meeting dated 12 April 2017.



China Jishan Holdings Limited

No. 276 Zhongxing Middle Road,
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Shaoxing City, Zhejiang, PRC 312000