



China Jishan Holdings Limited

STEADFAST AND STRONG

ANNUAL REPORT 2019



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CORPORATE PROFILE

With more than 30 years of established track record, China Jishan Holdings Limited (“**China Jishan**”, and together with our subsidiaries, the “**Group**”), has an illustrious track record in China’s textile industry.

The Group derives a stream of stable and recurring income from the lease of part of our factory space, and plant and equipment. This has enabled us to streamline our operations to more efficiently utilise our capacity. Our production facilities are strategically located within the Binhai Industrial Zone in China, a modern industrial district known as China’s Textile Hub.

KEEPING FOCUSED **AMIDST CHALLENGES**

For more than 30 years, we have consistently sought ways to operate efficiently and strive for top-line growth despite unforeseen economic conditions. With a relentless focus on opportunities and a prudent management upholding our values, the Group was able to adapt to a business environment heightened by unprecedented changes. Our commitment to operating responsibly and sustainably remains steadfast as we continue to monitor developments with respect to these changes. As we look to the future, we expect to build on our strengths while aligning with current economic trends to drive growth.

FINANCIAL HIGHLIGHTS

Key Financial Highlights (RMB Million)

	FY2019	FY2018	Change (%)
Revenue	37.7	37.7	-
Gross Profit	36.2	36.8	(1.7)
Net (Loss)/ Profit	(45.9)	18.3	NM
(Loss)/ Earnings per share basic basis (RMB cents)	(15.2)	6.1	NM
Net Asset Value per share (RMB cents)	59.6	84.7	(29.6)

Note: EPS and NAV are based on 301,500,000 Ordinary Shares

Cash Flow (RMB Million)

	FY2019	FY2018
Net cash (used in)/ generated from operating activities	(103.0)	54.9
Net cash used in investing activities	(42.7)	(14.0)
Net cash generated from/ (used in) financing activities	128.4	(54.4)
Cash and cash equivalents at the end of the year	8.0	25.4

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

FY2019 was a year fraught with macroeconomic challenges, with Sino-US trade tensions and concerns over Brexit weighing on economies around the world. Nonetheless, our rationalisation strategy to lease part of our unutilised factory space, and plant and equipment continued to pay dividends, as the Group recorded revenue of RMB 37.7 million for the year, unchanged from FY2018.

During the year, the Group posted gross profit of RMB 36.15 million and gross profit margin of 97.5%, consistent with our performance in the prior year. At the bottomline, the Group incurred a net loss of RMB 45.88 million compared to a net profit of RMB 18.26 million in FY2018, largely due to higher administrative expenses in FY2019.

A tax-exempt cash dividend of 1.93 Singapore cents was paid out to all shareholders on 30 September 2019 to thank our shareholders for their continued patience and faith in the Group.

LOOKING AHEAD

The outlook for the year ahead remains challenging, in view of the COVID-19 pandemic and the resulting demand and supply shocks to the global and domestic Chinese economies. China's economy suffered a historic contraction in the first quarter of 2020, with gross domestic product shrinking 6.8% from the same period a year ago. The International Monetary Fund's projected growth of 1.2% for the full-year¹ will represent China's slowest expansion in more than four decades. Reignition of Sino-U.S.-China trade tensions may also hamper economic growth in China.

Given the rapidly revolving situation, the Group is undertaking a more comprehensive assessment of the impact of the COVID-19 pandemic on China's print and dye market, and in turn on the Group's leasing operations.

The Group also intends to commence development of the Group's land assets located in Kebei Industrial Area, Shaoxing City into residential and commercial properties. We expect this to provide the Group with a new revenue stream.

Moving forward, we will make further announcements to keep Shareholders updated on any material developments as and when appropriate

IN APPRECIATION

As always, I am extremely grateful for the support and guidance of my fellow directors, as well as to our staff for their dedication and commitment to the Group. I would also like to express my sincerest appreciation to our business partners and bankers for their unwavering confidence and support of us throughout the years, even in these uncertain times.

Last but certainly not least, thank you to our valued shareholders for your continued trust in us. As always, we will continue our efforts to create even greater value for you in the year to come.

MR LIEN KAIT LONG

Non-Executive and Independent Chairman

¹ International Monetary Fund, World Economic Outlook, Chapter 1-The Great Lockdown, pg 7
<https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

主席致词

亲爱的各位股东：

2019 财年宏观经济挑战重重，中美间的贸易紧张态势和对英国脱欧的担忧更让世界经济雪上加霜。但是我们采取了出租部分未使用工厂用地、厂房和设备的明智策略，这让我们有充足的资金可以发放股息，集团全年营收为 3770 万元人民币，与 2018 财年持平。

本年度集团利润总额为 3615 万人民币，毛利率为 97.5%，与上一年度业绩水平相当。在盈利方面，集团净亏损 4588 万元人民币，而 2018 财年净利润为 1826 万元人民币，亏损在很大程度上归咎于 2019 财年管理费用的增长。

2019 年 9 月 30 日向全体股东发放了 1.93 分新加坡元的免税现金股息，以感谢全体股东长期以来对集团的支持和信任。

展望未来

由于新冠肺炎疫情以及疫情对全球各大经济体和中国国内供需的冲击，下一年度仍然充满挑战。中国经济在 2020 年第一季度出现了史上罕见的萎缩，国内生产总值同比下降 6.8%。国际货币基金组织预计全年增幅为 1.2%¹，这是中国在过去四十多年中的最低增幅。中美之间重现贸易紧张局势，这可能成为阻碍中国经济增长的因素。

面对快速变化的形势，集团正在对新冠肺炎疫情给中国印染市场和集团租赁业务造成的影响进行更为全面的评估。

集团还计划着手将集团位于绍兴市柯北工业区的土地开发为住宅和商业物业。我们预计此项目将为集团提供新的收入来源。

我们将在适当的时候发布进一步的声明，向股东通报实质性进展。

特别鸣谢

我非常感谢其他董事一如既往的支持和指导、各位员工对集团的奉献和忠诚。我还要对我们的商业伙伴和银行表达真挚的感谢，感谢你们多年来的坚定信心和坚强支持，即使在这个前途未卜的艰难时刻，你们也从未动摇。

最后，但当然也是同样重要的，感谢各位尊贵的股东一直以来对我们的信任。我们将在下一年度中继续努力为你们创造更高的价值，和我们以往做到的一样。

连克农先生

非执行董事和独立董事

¹ 国际货币基金组织，世界经济展望，第 1 章 - 大封锁，第 7 页
<https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

BOARD OF DIRECTORS

LIEN KAIT LONG

Non-Executive and Independent Chairman

Mr Lien Kait Long was appointed to the Board on 20 March 2004 and last re-elected as a Director on 27 April 2018. He was appointed Lead Independent Director on 13 March 2009 and re-designated as Non-Executive and Independent Chairman on 28 December 2017. He is also concurrently the Chairman of our Audit and Risk Committee, and sits on the Remuneration Committee and the 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 currently serves as an Independent Director on the boards of several Singapore and Chinese companies listed on the SGX-ST: Falcon Energy Group Limited, Tat Seng Packaging Group Ltd and China Real Estate Grp Ltd. He is also a Director of China Enterprises Limited, a company listed on the OTC Securities Market in the United States. In the past three years, he was an Independent Director of Renewable Energy Asia Group Limited, IPC Corporation Limited, Hanwell Holdings Limited and 8Telecom International Holdings Co., Ltd.

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.

JIN GUAN LIANG

Executive Director

Mr Jin Guan Liang was appointed as a Director of the Group on 23 December 2003, and was last re-elected on 30 April 2019. He sits on the Nominating Committee. Mr Jin does not hold any directorships in other listed companies currently or over the preceding three years.

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.

XIAO ZI LIANG

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. Mr Xiao does not hold any directorships in other listed companies currently or over the preceding three years. Mr Xiao's responsibilities include overseeing the Group's operations, general management, investment, business development and strategic planning.

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. 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 Director.

YU MING HAI

Executive Director

Mr Yu Ming Hai was appointed as Director of the Group on 16 February 2006 and last re-elected on 30 April 2019. Mr Yu does not hold any directorships in other listed companies currently or over the preceding three years. He is responsible for supervising and monitoring projects assigned to him from time to time, including providing strategic advice and dealing with government authorities.

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.

BOARD OF DIRECTORS

MAK YEN-CHEN ANDREW

Independent Non-Executive Director

Mr Mak Yen-Chen Andrew was appointed as an Independent Director of the Group on 28 December 2017 and last reelected as a Director on 30 April 2019. He is concurrently chairman of our Nominating Committee. Mr Mak also sits on the Audit and Risk Committee and the Remuneration Committee. He has more than 24 years of experience as a practising lawyer and is currently a Consultant with Fortis Law Corporation. Prior to his appointment at Fortis Law Corporation, Mr Mak was a partner with Loo & Partners LLP from 2014 to 2015 and a partner with Kelvin Chia Partnership from 2006 to 2013.

Mr Mak currently serves as an Independent Director of the following companies which are listed on the SGX-ST: Far East Group Limited, Falcon Energy Group Limited and Leader Environmental Technologies Limited. He is also a member of the advisory board of Executives' Global Network (Singapore). He was awarded the Public Service Medal (PBM) by the President of Singapore in the 2012 Singapore National Day honours list.

Mr Mak graduated from the National University of Singapore in 1994 with a Bachelor of Laws (Second Class Honours Upper Division).

CAI TIANCHEN

Independent Non-Executive Director

Ms Cai Tianchen was appointed as an Independent Non-Executive Director of the Group on 28 December 2017 and last re-elected as a Director on 27 April 2018. She is concurrently chairman of our Remuneration Committee. Ms Cai also sits on the Audit and Risk Committee.

Presently, she is an Independent and Non-Executive Director of Nanjing Sinolife United Company Limited, a company listed on the Hong Kong Stock Exchange. She is currently Senior Partner at RSM China CPA LLP. She has over 20 years of professional experience in international accounting firms. Prior to joining RSM, she worked in Grant Thornton, Deloitte Shanghai, Deloitte Hong Kong, Deloitte New York and Deloitte Singapore where she amassed extensive experience in IPOs, fund raising, mergers and acquisitions, and restructuring.

She holds memberships in the Institute of Singapore Chartered Accountants (Singapore CPA), the Hong Kong Institute of Certified Public Accountants (HK CPA) and the Chinese Institute of Certified Public Accountants (Chinese CPA). She is also a fellow member of the Association of Chartered Certified Accountants (FCCA) and a Chartered Financial Analyst (CFA). She has also completed the Executive Management Program at the Stanford Graduate School of Business in 2008 and the Capital Market Program at Cheung Kong Graduate School of Business in 2018.

YONG KOK HOON

Executive Director

Mr Yong was appointed as a Director of the Group on 28 December 2017. Mr Yong contributes to areas of investor relations, regulatory compliance and business strategies. He also undertakes duties and responsibilities as may from time to time assigned to him by or under the authority of the Board. He has more than 37 years of auditing, management and operation experiences from International Accounting firms and large listed conglomerates in SGX and SET. He recently retired as Independent Chairman of Sabana Shari'ah Compliant REIT after serving 9 years as Independent Director & Chairman from 2010 to 2019. Prior to this, he held various senior leadership roles in Innotek Group from 1999 to 2014. He was the Managing Director of Innotek Ltd (SGX), Chairman & CEO of Mansfield group (HK) and Executive Director of MPT Ltd (SET). From 1996 to 1999, he was the CFO of QAF Ltd. From 1981 to 1995, he was with International Accounting firms KPMG, Ernst and Young and last served as an Audit Partner in Moore Stephens. He was a member of the financial statements review committee and was also a member of the China Committee of the Institute of Singapore Chartered Accountants.

Mr Yong is a Chartered Accountant (Singapore) and a Fellow of the Association of Chartered Certified Accountants (UK). He also holds a Master of Business Administration degree from the International Management Centre, Europe. He attended the CEO program of Tsing Hua University and also the CEO program of the Singapore Institute of Management.

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.



China Jishan Holdings Limited



CORPORATE INFORMATION

BOARD OF DIRECTORS

Lien Kait Long
Non-Executive and Independent Chairman

Jin Guan Liang
Executive Director

Xiao Ziliang
Executive Director / Chief Executive Officer

Yu Ming Hai
Executive Director

Yong Kok Hoon
Executive Director

Mak Yen-Chen Andrew
Independent Non-Executive Director

Cai TianChen
Independent Non-Executive Director

AUDIT AND RISK COMMITTEE

Lien Kait Long (Chairman)
Mak Yen-Chen Andrew
Cai TianChen

NOMINATING COMMITTEE

Mak Yen-Chen Andrew (Chairman)
Jin Guan Liang
Lien Kait Long

REMUNERATION COMMITTEE

Cai TianChen (Chairman)
Lien Kait Long
Mak Yen-Chen Andrew

COMPANY SECRETARY

Chan Wai Teng Priscilla

REGISTERED OFFICE

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SHARE REGISTRAR

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AUDITORS

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Chartered Accountants of Singapore
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Audit Partner-in-Charge:
Ng Chiou Gee Willy
Date of Appointment:
With effect from financial year ended
31 December 2019

PRINCIPAL BANKERS

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The People's Republic of China

Agriculture Bank of China
Shaoxing City West Branch
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CORPORATE GOVERNANCE REPORT

The Board of Directors ("Board") of China Jishan Holdings Limited ("Company") is committed to maintain high standards of corporate governance and transparency within and throughout the Company and its subsidiaries ("Group") to enhance shareholder value, financial performance and long term sustainability of the Group.

As the Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company seeks to comply with the listing rules of the SGX-ST as prescribed in the Listing Manual of the SGX-ST and is guided in its corporate governance practices by the revised Code of Corporate Governance issued by the Monetary Authority of Singapore on 6 August 2018 ("Code").

The Board is pleased to outline in this report the Company's corporate governance practices and structures in the financial year ended 31 December 2019 ("FY2019"), with specific reference made to each of the principles set out in the Code. The Company has complied with the principles of the Code and any deviation from provisions of the Code is explained in this report.

1. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board comprises four Executive Directors and three Independent Non-Executive Directors, all having the right core competencies and diversity of background, skills, experience and knowledge which enable them to effectively contribute to the Group, and all Directors objectively take decisions in the interest of the Group.

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises executive management. To fulfil 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. The Board puts in place a code of conduct and ethics, sets an appropriate tone from the top, implements the desired organisational culture and ensures proper accountability within the Group.

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 Group to meet its objectives;
2. set the Group'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 Group's assets;
5. approve all appointments of Board and 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. Where a Director encounters any conflict of interests, he shall not participate in any discussions or decisions involving issues of conflict.

CORPORATE GOVERNANCE REPORT

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 written terms of reference and operating procedures setting out their compositions, authorities and duties, which are reviewed on a regular basis. They assist the Board operationally without the Board losing authority over major issues. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. The details of the Board Committees are set out below under principles 1, 4, 6 and 10 of the Corporate Governance Report.

The Board conducts regular scheduled meetings to deliberate on specific issues including material transactions, review the performance of the Group and approve the release of quarterly and full year results. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. In view that certain members of the Board do not reside in Singapore and to facilitate the execution of the Board's responsibilities, the constitution of the Company ("Constitution") also provides for tele-conference meetings.

The agenda for meetings is prepared in consultation with the 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 FY2019

The attendance of the Directors at meetings held by 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 Company has documented internal guidelines for matters that require the Board's approval 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 reports, interested person transactions of a material nature, and the declaration and proposal of dividends.

Board Orientation and Training

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; Company's constitutional document; SGX-ST Listing Manual, the Code 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.

Pursuant to Rule 210(5)(a) of the SGX-ST Listing Manual, new Directors with no prior experience as a director of a listed company will be encouraged to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors.

The Directors participate in seminars 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. The internal auditors updated the Board Members on the outcome of the comprehensive risk assessment activity in FY2019 as well as conducted the regular follow-up and reporting procedures. 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 Secretary informs the directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. The Company provides for Directors' participation at industry conferences and seminars, and subject to approval, to fund Directors' attendance at appropriate training programs in connection with their duties as Directors and Board Committees, for them to stay abreast of relevant business developments and the overall business outlook.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Presently, the Board comprises four Executive Directors and three 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
Lien Kait Long	20 March 2004	27 April 2018	Non-Executive and Independent Chairman	C	M	M
Jin Guan Liang	23 December 2003	30 April 2019	Executive Director			M
Xiao Ziliang	11 May 2016	-	CEO and Executive Director			
Yu Ming Hai	16 February 2006	30 April 2019	Executive Director			
Yong Kok Hoon	28 December 2017	27 April 2018	Executive Director			
Mak Yen-Chen Andrew	28 December 2017	30 April 2019	Independent Non-Executive Director	M	M	C
Cai TianChen	28 December 2017	27 April 2018	Independent Non-Executive Director	M	C	

C: chairman; M: member

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 multiple directorships and principal commitments. As a result of the NC's review, the NC is of the view that Mr Lien Kait Long, Mr Jin Guan Liang and Mr Mak Yen-Chen Andrew, all of whom sit on multiple boards, have and are able to more than adequately carry out their duties as Directors of the Board.

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 prior to meetings and on an on-going basis. Management provides the Board with detailed Board papers specifying relevant information and commercial rationale for each proposal for which Board approval is sought, as and when such proposals are made. The Non-Executive and Independent Chairman and the 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 usually 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 key management personnel are present at these meetings to address any queries which the Board may have.

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 are promptly furnished. The Audit and Risk Committee meets the external and internal Auditors separately at least once a year, without the presence of the CEO and Executive Directors and other Senior Management members, in order to have free and unfettered access to any information that it may gather or require.

CORPORATE GOVERNANCE REPORT

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 as a whole. The Company Secretary also advises the Board on corporate governance matters and is also a channel of communication between the Company and the SGX-ST.

The Management, in consultation with the Company's compliance adviser (Messrs Shook Lin & Bok LLP) 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 may select a professional advisor approved by the Board, to render the advice. The cost of such professional advice will be borne by the Company.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Board Independence

The Board adopts the definition of what constitutes an Independent Director under the Code and the negative definition of an Independent Director under the SGX-ST Listing Manual. The Board considers an "independent" director as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its Substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company, and whom does not fall within the circumstances described in Rule 210(5)(d) of the SGX-ST Listing Manual. The Directors will disclose to the Board any such relationship as and when it arises.

Taking into account the above, the independence of each Director is reviewed annually by the Nominating Committee ("NC"). The NC adopts the definition in the Code and provisions in the SGX-ST Listing Manual as to what constitutes an Independent Director in its review. The NC has reviewed the independence of Mr Lien Kait Long, Ms Cai TianChen and Mr Mak Yen-Chen Andrew.

Particular scrutiny is applied in assessing the continued independence of Mr Lien Kait Long as a Director, having served beyond nine years from the date of his first appointment, with attention to ensuring his allegiance remains clearly aligned with shareholders' interest. Mr Lien 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 Director 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 expressed individual viewpoints, debated issues and objectively scrutinised Management, as well as sought clarification and amplification as he deemed necessary. Further, having gained in-depth understanding of the business and operating environment of the Group, he provides the Company with much needed experience and knowledge of the industry. 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 an independent income source apart from the fixed fee received from the Company. He has no relationship with any substantial shareholder.

Mr Mak Yen-Chen Andrew and Ms Cai TianChen, Non-Executive Independent Directors, are considered by the NC and the Board to be independent. The NC and the Board are of the view that no individual or small group of individuals dominates the Board's decision making process. The 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.

The Non-Executive Independent Directors, led by the Independent Chairman or other Independent Director as appropriate, meet amongst themselves without the presence of Management where necessary. The chairperson of such meetings provide feedback to the Board and/or Chairman as appropriate.

CORPORATE GOVERNANCE REPORT

Board Composition and Size

The Board proactively seeks to maintain an appropriate balance in its composition and size. The Company's diverse Board includes and makes use of differences between the Directors in terms of functional and domain skills, knowledge, experience, cultural and educational background, gender, age, tenure, and other relevant aspects of diversity, to avoid groupthink and foster constructive debate and enable it to make decisions in the best interests of the Company. Our Directors' competencies range from banking, finance, accounting and legal; to relevant business, corporate management, corporate governance, corporate finance, customer-based and industry knowledge; to mergers and acquisitions, strategic planning, entrepreneurial and management experience; to familiarity with regulatory requirements, internal controls 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 Company has adopted a Board Diversity Policy which recognises the benefits of having an effective and diverse Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. The Company's Board Diversity Policy provides that in reviewing the Board composition and succession planning, the NC will consider the benefits of all aspects of diversity, including functional and domain skills, knowledge, experience, cultural and educational background, gender, age, tenure and other relevant aspects of diversity of perspectives appropriate to its business, so as to avoid groupthink, foster constructive debate, and enable the Board to make decisions in the best interests of the Company. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments will be based on merit, in the context of the skills, knowledge, experience and independence which the Board as a whole requires to be effective, having due regard for the benefits of diversity on the Board.

The composition of the Board is reviewed on an annual basis by the NC. The NC is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies, as laid out in its Board Diversity Policy, to lead and govern the Group effectively. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

The Board is of the view that the current board size of seven Directors is appropriate for the time being for facilitation of effective decision making on the part of the Board, taking into account the nature and scope of the Company's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

More than one-third of the Directors are considered independent by the Board (three Independent Directors, including the Non-Executive and Independent Chairman, out of a total of seven Directors).

Non-Executive Directors do not make up a majority of the Board (three Non-Executive Directors out of a total of seven Directors). The Board and NC are of the opinion that based on the Group's current size and operations, it is neither necessary nor cost-effective to have Non-Executive Directors making up majority of the Board. Further, the Board and NC are of the view that:

- 1) there is a strong independent element amongst the three Independent Directors;
- 2) no individual or small group of individuals dominate the Board's decision-making process;
- 3) having a Non-Executive and Independent Chairman which has a casting vote, ensures an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making; and
- 4) the Non-Executive and Independent Chairman is available to shareholders where they have concerns.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Group keeps the roles of the Chairman and the CEO separate, and the Chairman and the CEO are separate persons. The Board establishes in writing a clear division of responsibilities between the Chairman and the CEO, which ensures that there is an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making.

Mr Lien Kait Long is the Non-Executive and Independent 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. He has 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.

There is a sufficiently strong independent element on the Board to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board, taking into account factors such as the appointment of a Non-Executive and Independent Chairman, the number of Independent Non-Executive Directors making up 43% of the Board, 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 staff 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, the Company Secretary, the Chief Financial Officer and Board members, ensures 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 the CEO. The role of the Chairman and the CEO may change in line with developments affecting the Group.

The Board has not currently appointed a lead Independent Director, given that the Chairman and the CEO are not the same person and are not immediate family members, and the Chairman is not part of the Management team and is an Independent Director. The Non-Executive and Independent Chairman is available to shareholders where they have concerns.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nominating Committee ("NC")

The NC comprises three members, two of whom, including the chairman of the NC, are Independent Non-Executive Directors. The chairman of the NC is Mr Mak Yen-Chen Andrew, an Independent Non-Executive Director. He is not, nor does he have any relationship with, a Substantial Shareholder of the Company. The other two members are Mr Jin Guan Liang, an Executive Director, and Mr Lien Kait Long, the Non-Executive and Independent Chairman.

CORPORATE GOVERNANCE REPORT

The NC meets at least once a year and when necessary. It is guided by the Terms of Reference. Whenever necessary, the Non-Executive Directors will also meet privately without the presence of Management. The NC is responsible for the following:

- a. Review and make recommendations to the Board on the appointment and re-appointment of Directors (including Alternate Directors, if any) having regard to their contribution and performance.
- b. Review of the skills required by the Board, and the size of the Board.
- c. Ensuring that the Company adheres to the Board composition rules.
- d. Ensuring that new Directors are aware of their duties and obligations.
- e. Assessment of the independence of the Directors annually.
- f. Evaluation of 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.
- g. Review and make recommendations to the Board on the process and criteria for evaluating the performance of the Board, its Board Committees and Directors.
- h. Formal assessment of the effectiveness of the Board as a whole, its Board Committees and individual Directors.
- i. Review and make recommendations to the Board on the training and professional development programmes for the Board and its Directors.
- j. Review and make recommendations to the Board on the Board succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel.

The NC reviews and recommends to the Board the re-nomination of retiring Directors standing for re-election as well as the appointment of new Directors. The review ensures that the Directors to be re-nominated or appointed are committed, able to contribute to the ongoing effectiveness of the Board, have the ability to exercise sound business judgement, and have demonstrated leadership experience, high levels of professional skills and appropriate personal qualities (such as preparedness and candour).

Subject to Rule 720(5) of the SGX-ST Listing Manual, which requires all directors to submit themselves for re-nomination and re-appointment at least once every three years^[1]. Pursuant to the Constitution of the Company, new Directors must submit themselves for re-election at the next AGM of the Company immediately following their appointment, and one-third of the Board is required to retire by rotation at every AGM.

The Directors due for retirement under Regulation 89 of the Constitution at the forthcoming Annual General Meeting ("AGM") are Mr Lien Kait Long, Mr Yong Kok Hoon and Ms Cai TianChen. The NC recommends to the Board and shareholders, the re-nomination of the foregoing Directors after taking into account their experience, qualifications, contributions and performance. Shareholders may elect the Directors that are put up for re-election at the AGM individually and are provided with relevant information in the Annual Report on the Directors who are seeking re-election.

[1] Rule 720(5) of the Mainboard SGX-ST Listing Manual came into effect on and from 1 January 2019. Pursuant to Transitional Practice Note 3 (Transitional Arrangements Regarding Code of Corporate Governance 2018) of the SGX-ST Listing Manual relating to Rule 720(5) of the Mainboard SGX-ST Listing Manual, a director (including an executive director) appointed or re-appointed before 1 January 2019 is required to submit himself/ herself for re-nomination and re-appointment to the board at a general meeting no later than 31 December 2021. In addition, a director appointed or reappointed to the board on or after 1 January 2019 must submit himself/ herself for re-nomination and re-appointment to the board at a general meeting by the end of the calendar year of the third anniversary of his/ her appointment or re-appointment.

CORPORATE GOVERNANCE REPORT

The NC oversees a rigorous process for the appointment of Directors. Directors are selected not just for their experience and competencies but also for their fit with the Company. The NC regularly reviews the composition of the Board and Board Committees. The NC takes into account each Director's skills and experience, to identify the staffing needs of each Board Committee. Before a new Director is appointed, suitable candidates are identified from various sources. Thereafter, the NC conducts an assessment to review the candidate (including qualifications, attributes, capabilities, skills, age, past experience) to determine whether the candidate is fit and proper. The NC then interviews the short-listed candidates and makes 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.

The NC is charged with determining the independence of the Director, having regard to the definition in the Code and provisions in the SGX-ST Listing Manual as to what constitutes an Independent Director. The Directors are required to disclose their relationships with the Company, its related corporations, its Substantial Shareholders or its officers which may affect their independence. Annually, each Independent Director is required to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code. Mr Lien Kait Long, Mr Mak Yen-Chen Andrew and Ms Cai TianChen do not have any relationship with the Company, its related corporations, its Substantial Shareholders or its officers which may affect their independence. The Board, after taking into consideration the views of the NC, is of the view that Mr Lien Kait Long, Mr Mak Yen-Chen Andrew and Ms Cai TianChen are independent, and that no individual or small group of individual dominates the Board's decision making process.

The Company has no Alternate Directors on its Board.

The NC ensures that new Directors are aware of their duties and obligations.

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 multiple directorships and principal commitments. As a result of the NC's review, the NC is of the view that Mr Lien Kait Long, Mr Jin Guan Liang and Mr Mak Yen-Chen Andrew, all of whom 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 directorships 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.

Key information regarding the Directors is provided in the "Board of Directors" section of this Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.

The NC is responsible for recommending and implementing a process and objective performance criteria to assess the effectiveness of the Board and its Board Committees for the Board's approval, 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 by the NC/Board 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. Such criteria employed by the NC are comparable with industry peers and have not changed from year to year unless they are deemed necessary. 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. The NC reports to the Board on the results of the evaluation of the Board and Board Committees.

CORPORATE GOVERNANCE REPORT

Each individual Director is evaluated and assessed as to whether he continues to contribute effectively and demonstrate commitment to the role, including but not limited to commitment of time for Board and Board Committee meetings, attendance, adequacy of preparation, generation of construction discussion, independence, team spirit. The NC and the Board are of the view that the Board and its Board Committees operate effectively and the Chairman 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 Board's performance is undertaken annually by the NC. Following the review, if necessary, the Non-Executive and Independent Chairman will act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors. In addition, the 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. For FY2019, the NC has not sought external facilitators for the above assessments.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Remuneration Committee ("RC") ensures the appropriateness, transparency and accountability to shareholders on issues of remuneration of the Directors, key management personnel, and employees who are related to the Directors, the CEO and Substantial Shareholders.

The Board establishes a RC which comprises three members, all of whom are Independent Non-Executive Directors. The chairman of the RC is Ms Cai TianChen, and members are Mr Lien Kait Long and Mr Mak Yen-Chen Andrew. The RC is guided by the Terms of Reference adopted by the Committee.

The RC is responsible for the following:

- a reviewing and making recommendations to the Board on a framework of remuneration for the Board and key management personnel 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, if any;
- b to review the remuneration of key management personnel, and employees who are related to the Directors, the 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 and key management personnel 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. For FY2019, the RC has not sought external expert advice on remuneration matters.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The Company has adopted the spirit of the Code to determine the remuneration for Directors and key management personnel so as to ensure that the Company attracts, motivates and retains Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

The fixed component is in the form of a fixed monthly salary whereas the variable component, which includes allowances and a variable bonus, is linked to the performance of the Group and individual in the achievement of performance targets set at the beginning of the financial year, giving due regard to the financial and commercial health and business needs of the Group. Such performance-related remuneration aligns the Executive Directors' and key management personnel's interest with the interests of shareholders and other stakeholders and promotes the longer-term success of the Company.

In setting the 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 the Directors and key management personnel in other Singapore listed corporations relative to their sizes, work load and complexity.

The Executive Directors do not receive Director's fees.

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 Director. Notice periods in service contracts are set at a period between one to six months.

The RC is of the view that there is no need to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Executive Directors, as board directors, owe fiduciary duties to the Company. The Company is able to seek remedies against the Executive Directors in the event of such breach of fiduciary duties.

The Independent and Non-Executive Directors do not have any service agreements with the Company. Except for Director's fees, which have to be approved by shareholders at every 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 Director's fees for FY2020 is appropriate and that the Independent Directors receive Director's 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

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The aggregate remuneration (including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind, if any) of each individual Director is not more than S\$250,000. Provision 8.1(a) of the Code requires the disclosure of the amounts and breakdown of each individual Director and the CEO. Nonetheless, the Board does not propose to disclose the specific figures and breakdown of the remuneration of each individual Director and the CEO as the Board believes that would not be in the best interests of the Company and the employees due to the sensitive nature of such information, and as our industry is highly competitive in respect of the recruitment of experienced executives. As disclosed in the section relating to principle 7 above, the remuneration levels of the Directors are in line with industry practices and the variable bonuses for the Executive Directors are linked to the Company's and the individual's performance.

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	–	89	–	–	11	100
Xiao Ziliang	–	32	66	–	2	100
Yu Ming Hai	–	100	–	–	–	100
Lien Kait Long	100*	–	–	–	–	100
Yong Kok Hoon	–	92	–	–	8	100
Mak Yen-Chen Andrew	100*	–	–	–	–	100
Cai TianChen	100*	–	–	–	–	100

*Fees are subject to the approval of shareholders at the AGM to be held on 26 June 2020.

*Fees for FY2020 are approved for payment half-yearly in arrears.

As disclosed in the section relating to Principle 7 above, the Executive Directors do not receive any Director's fees. 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.

The details of the Group's top 5 key management personnel are as follows:

Mr Chin Jong Yeat Michael - Chief Financial Officer of China Jishan Holdings Limited
 Mr Yu Wen Ming - Finance Manager
 Mr Zhang Jian Yong - Vice President
 Mr Hou Jian Hui - Integrated Department Head
 Mr Tao Jian Ping - Administration Manager

CORPORATE GOVERNANCE REPORT

The remuneration (including but not limited to salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind, if any) paid to each of the top five key management personnel who are not Directors of the Company during FY2019 are 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					
Chin Jong Yeat Michael	100	–	–	–	100
Yu Wen Ming	45	50	–	5	100
Zhang Jian Yong	57	36	–	7	100
Hou Jian Hui	45	50	–	5	100
Tao Jian Ping	66	25	–	9	100

The aggregate total remuneration paid to or accrued to the top five key management personnel (who are not Directors or the CEO) amounted to RMB2,553,508 (S\$496,657).

One employee of the Group, Mdm Jin Yao Yun, is the wife of Mr Jin Guan Liang, an Executive Director and Substantial Shareholder. Her remuneration for FY2019 was between S\$50,000 and S\$100,000. There are no employees of the Company who are Substantial Shareholders of the Company, or who are immediate family members of a Director, the CEO or a Substantial Shareholder of the Company, and whose remuneration exceeds S\$100,000 for FY2019.

As disclosed in the section relating to Principle 7 above, no share-based incentives and awards were granted to the Directors and the CEO during FY2019. There is also currently no long-term incentive scheme in place for Directors (including the Executive Directors) and key management personnel. The Company does not currently have any employee share schemes.

The Remuneration Committee is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors, as board directors, owe fiduciary duty to the Company. The Company is able to seek remedies against the Executive Directors in the event of such breach of fiduciary duties.

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.

3. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risks and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board is responsible for the governance of risk and sets the direction for the Group in the way risks are managed in the Group's businesses.

CORPORATE GOVERNANCE REPORT

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls is in place to safeguard the interests of the Company and its shareholders. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems. In addition, the Board sets the appropriate risk tolerance limits for each risk by considering the relative importance of the objectives and determines the nature and extend of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

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 an annual 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 internal auditors 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 to the extent of their scope as laid out in the audit plan. 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 systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems established by the Management (collectively "Systems of Internal Controls and Risk Management") annually.

The Audit and Risk Committee ("ARC") advises the Board regarding the adequacy of the Group's Systems of Internal Controls and Risk Management.

The Board, with the concurrence of ARC, is of the opinion that the Group's Systems of Internal Controls and Risk Management that have been maintained by the Group's Management throughout FY2019 were adequate and effective to address risks which the Group considers relevant and material to its operations.

The Board and ARC are of the opinion that, the Group's Systems of Internal Controls and Risk Management were adequate and effective 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 both the CEO and the Chief Financial Officer that the Group's financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's operations and finances.

The Board has also received written assurance from the CEO and other key management personnel who are responsible, that the Group's Systems of Internal Controls and Risk Management in place were adequate and effective to address financial, operational, compliance and information technology controls and risk management in the context of the current scope of the Group's business operations.

CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 10: The Board has an Audit and Risk Committee (ARC) which discharges its duties objectively.

The ARC comprises three members: Mr Lien Kait Long, Non-Executive and Independent Chairman and Mr Mak Yen-Chen Andrew and Ms Cai TianChen, both Independent Non-Executive Directors. The chairman of the ARC is Mr Lien Kait Long. Both Mr Lien Kait Long and Ms Cai TianChen have many years of experience in the financial services industry and are certified public accountants. Mr Mak Yen-Chen Andrew, on the other hand, has many years of experience as a corporate lawyer. 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 two years or hold any financial interest in the external auditors.

The ARC meets once every quarter and when necessary. It is guided by the Terms of Reference adopted by the Committee.

The ARC is responsible for the following:

- (a) determining the Company's level of risk tolerance and risk policies, and overseeing 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) reviewing 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) reviewing the quarterly and annual announcements and the Statement of Financial Position and Statement of Comprehensive Income 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 judgements 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 adequacy, effectiveness, scope and results of the external audit, and the independence and objectivity of the external auditors; making recommendations 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 adequacy, effectiveness, independence, scope and results of the internal audit function and to ensure that it is adequately resourced and has appropriate standing within the Company;
- (j) being the primary reporting line of the internal audit function and deciding on the appointment, termination and remuneration of the head of the internal audit function;

CORPORATE GOVERNANCE REPORT

- (k) reviewing the policy and 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 safely raised and independently investigated, appropriately followed up on and to publicly disclose and clearly communicate to employees, the existence of a whistle-blowing policy and procedures for raising such concerns ("whistle blowing" procedures);
- (l) review transactions falling within the scope of Chapter 9 of the Listing Manual;
- (m) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- (n) undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings, from time to time, on matters arising and requiring the attention of our ARC; and
- (o) generally undertaking such other functions and duties as may be required by statutes or the Listing Manual, and by such amendments made there to 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 reasonable resources to enable it to discharge its functions properly.

For FY2019, the ARC met with (a) the internal auditors, and (b) the external auditors, in each case once without the presence of the Management. These meetings enabled the internal auditors and external auditors to raise issues encountered in the course of their work directly to the ARC.

The ARC also met with the Group's internal and external auditors together with its Executive Management to review accounting standards, accounting, auditing, financial reporting, and internal controls and risk management matters.

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 FY2019 is S\$120,000. 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 FY2019. The significant subsidiary companies and associate have no audit requirements in their country of incorporation. All the significant subsidiary companies and associate are audited/reviewed by Moore Stephens LLP, Singapore for the purposes of consolidation of the Group. 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 the financial statements for FY2019, the ARC has discussed with Management on the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and considered the clarity of key disclosure in the financial statements. The ARC reviewed, amongst other matters, the significant matters identified by external auditor and have been included in the Independent Auditor's Report to the shareholders of the Company under "Key Audit Matters". In assessing each Key Audit Matters ("KAM"), the ARC took into consideration the approach and methodology applied by Management in the valuation of assets and acquired business, as well as the reasonableness of the key assumptions and inputs used and the valuation outcomes. Views of subject matter experts such as independent valuers were consulted. The ARC also considered the report from the external auditors, including their findings and views on the key areas of audit focus. The ARC concluded that the Group's accounting treatment and estimates in each of the KAMs were appropriate.

Following the review, the ARC is satisfied that those matters have been properly addressed and recommended the Board to approve the audited financial statements of the Group for FY2019. The Board has on 3 June 2020 approved the FY2019 financial statements.

CORPORATE GOVERNANCE REPORT

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 improprieties in financial reporting, 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. Details of the whistle-blowing policies and arrangements have been made available to all employees. The ARC conducts annual review of the Whistle-Blowing Policy.

Internal Audit (“IA”)

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 an independent and suitably qualified public accounting firm. The IA Function reports primarily to the Chairman of the ARC and has unfettered access to all the Company’s documents, records, properties and personnel, including access to the ARC.

The ARC reviews and approves the internal audit plans, resources and reports, and the internal audit fees. It approves the appointment, termination, evaluation and the remuneration of the internal auditors.

An annual review of the internal audit function has been carried out. The ARC is satisfied that the internal audit function is (i) adequately resourced to perform its function effectively, (ii) has appropriate standing within the Group, (iii) staffed with persons with relevant qualifications and experience and (iv) 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.

4. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company’s shareholders are treated fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the Company.

The Company 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 Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company strongly encourages shareholder participation during its general meetings which will be held at a central location in Singapore. 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 the general meetings.

Pursuant to the provisions in the Constitution of the Company, shareholders who are not “relevant intermediaries” may appoint up to two proxies to attend, speak and vote on their behalf at the general meetings. Shareholders who are “relevant intermediaries”, as defined in Section 181 of the Companies Act Cap. 50, such as banks and capital markets service licence holders which provide nominee services and custodial services for securities respectively, and the Central Provident Board (“CPF”) which purchases shares on behalf of the CPF investors, are allowed to appoint more than two proxies. This is to facilitate indirect shareholders to participate in general meetings. Such indirect shareholders where so appointed as proxies, will have the same rights as direct shareholders to attend, speak and vote at the general meetings.

CORPORATE GOVERNANCE REPORT

Provision 11.4 of the 2018 Code provides that an issuer's Constitution should allow for absentia voting at general meetings of shareholders. The Company's Constitution does not currently allow for voting in absentia via mail, electronic mail or facsimile. The Company does not propose to amend its Constitution in this respect until issues of security, integrity, and authentication of the identity of shareholders through the web are resolved. 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.

The 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 the 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. Shareholders have opportunity to raise issues, either informally or formally, before, after or at the AGMs. The general meetings provide excellent opportunities for the Company to obtain shareholders' views. The Chairmen of the ARC, RC and NC or their representatives are available at the meetings 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. The Group Chairman, CEO, Directors, Group CFO and Company Secretary endeavor to attend all AGMs and extraordinary general meetings to take questions and feedback from shareholders. For FY2019, all Directors, except for Mr Jin Guan Liang and Mr Mak Yen-Chen Andrew had attended the AGM which was held on 30 April 2019. Mr Lien Kait Long and Mr Yong Kok Hoon had attended the sole EGM convened during FY2019 which was held on 18 September 2019.

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 general meeting, unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are bundled, the Company will explain the reasons and material implications in the notice of general meeting to enable shareholders to make an informed decision.

The Company Secretary prepares minutes of general meetings of shareholders that record the substantial and relevant comments or queries from shareholders relating to the agenda of the general meetings and responses from the Board and management. Provision 11.5 of the 2018 Code provides that an issuer should publish the minutes of general meetings of shareholders on its corporate website as soon as practicable after such meetings. The Company does not currently have a corporate website. Nonetheless, the Company is of the view that despite the deviation from provision 11.5, the Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights as the minutes of general meetings are available to shareholders upon their written request, with authentication of the shareholder's identity by the Company.

In line with Rule 730A of the SGX-ST Listing Manual, 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 via SGXNet.

Dividend Policy

The Company does not have a fixed dividend policy to declare dividends annually. 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.

An Interim Dividend was declared for FY2019 by the Company.

Any dividend pay-outs are clearly communicated to shareholders via announcements through SGXNet.

CORPORATE GOVERNANCE REPORT

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Board has in place an investor relations policy which seeks to engage in regular, effective and fair communication with shareholders as part of its organisational development to provide clear and fair disclosure of information about the Group's business developments and financial performance which would have a material impact on the share price or value of the Company.

All shareholders are treated fairly and equitably. Where there is inadvertent disclosure made to a select group, the Company shall make the same disclosure publicly via SGXNet as promptly as possible.

The Company communicates with shareholders through:

- a. AGMs and extraordinary general meetings.
- b. 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.
- c. Quarterly and full-year financial statements containing a summary of the financial information and affairs of the Group for the period.
- d. Notices of and explanatory memoranda for annual general meetings and extraordinary general meetings.
- e. Press and analyst briefings for the Group's interim and annual results as well as other briefings, as appropriate.
- f. Announcements and press releases on major developments of the Group or other material information relating to the Company, as appropriate, via SGXNet.
- g. Outside of the financial announcement periods, where necessary and appropriate, the Director(s) and CFO will meet shareholders, analysts and fund managers who like to seek a better understanding of the Group's operations. They also engage with local and foreign investors to solicit feedback from the investment community on a range of strategic and topical issues which should provide valuable insights to the Board on investors' views.

General meetings are the principal forum for dialogue with Shareholders and Shareholders are encouraged to participate in such meetings. During these meetings, Shareholders are able to engage with the Board and the Management in discussions on the Group's business activities, financial performance and other business-related matters. This enables the Company to solicit feedback from the investment community on a range of strategic and topical issues which provide valuable insights to the Group on investors' views.

The Company has appointed an investor relations firm, August Consulting Pte Ltd, to manage communication with its stakeholders and to ensure that their queries and concerns are promptly addressed by the relevant management personnel.

CORPORATE GOVERNANCE REPORT

5. MANAGING STAKEHOLDER RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company regularly engages its stakeholders through various media and channels to ensure that its business interests are aligned with those of its stakeholders, to understand and address their concerns so as to improve services and product standards, as well as to sustain business operations for long-term growth. Our stakeholders have been identified as those who are impacted by our business and operations and those who are similarly able to impact our business and operations. We have identified six stakeholder groups through an assessment of their significance to our operations. They are, namely, customers, employees, suppliers, shareholders, community, and government regulators.

The Company has identified its strategies and key areas of focus in relation to the management of stakeholder relationships. For details on the key areas of focus, please refer to the extract from the Sustainability Report at the end of this report.

The Company currently does not have a corporate website. The Company communicates and engages with stakeholders through emails. Stakeholders may contact the Company's Investor Relations Consultant and the Company's Chief Financial Officer (copied to the Company Secretary) at the following email addresses:-

Investor Relations Consultant, August Consulting Pte Ltd (Attention: Mr Xavier Ong) - xavierong@august.com.sg

Chief Financial Officer (Mr Michael Chin) - mchin@jishangroup.com

Company Secretary (Ms Priscilla Chan) - priscillachan@jishangroup.com

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.

CORPORATE GOVERNANCE REPORT

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 was no Interested Person Transaction ("IPT") for FY2019.

MATERIAL CONTRACTS

Save for the above mentioned in the paragraph "interested person transactions policy", as well as 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 2019.

Directors' Attendance at Board and Board Committee Meetings

Period covering January to December 2019

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.
Xiao Zi Liang	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Lien Kait Long	4	4	4	4	1	1	1	1
Yong Kok Hoon	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mak Yen-Chen Andrew	4	4	4	4	1	1	1	1
Cai TianChen	4	3	4	3	1	1	N.A.	N.A.

N.A.: not applicable

CORPORATE GOVERNANCE REPORT

Extract from Sustainability Report

STAKEHOLDERS

The Group takes an inclusive approach, considers and balances the needs and interests of important stakeholders, and takes them as part of its overall responsibility to ensure that its business interests are aligned with those of its stakeholders. In order to achieve this goal, we always adhere to the quality policy of “quality always leads” to ensure and improve customer satisfaction, protect employees’ rights and interests, health and safety, and establish strict supplier entry standards to better manage our supply chain, and continue to make further efforts to improve our natural environment and promote good relations with the community. In addition, we will communicate with major stakeholders regularly or from time to time, understand the demands of stakeholders, and take measures to give a reasonable response. We have identified six stakeholder groups through an assessment of their significance to our operations, the details of which are as follows:

Stakeholders	Key Topics	Ways of Participation	Frequency
Employees	Employee compensation and benefits Development and trainings Good working environment	Employee Handbook Performance appraisal Instant messaging apps	Per year/From time to time
Customers	Product quality and customer complaints Product and service compliance Customer privacy information protection	Group’s official website Instant messaging software and social platforms Customer service	From time to time
Suppliers	Contractor Management Purchase of raw materials Ethical standards maintenance Industry situation and policy	On-site investigation and inspection Interview	From time to time
Shareholders	Company performance Industry trends and policies Economic impacts Risk and crisis management	Exchange website Annual general meeting News and announcements Site investigation Investor Relations Consultant	Per year/From time to time
Community	Community development Charity and donations	Community activities Talks Instant messaging apps	From time to time
Government Regulators	Product and service compliance Service quality and customer complaints Compliance with laws and regulations	Site investigation Talks	From time to time

CORPORATE GOVERNANCE REPORT

Based on interactions with stakeholders, we identified the following important ESG elements that have an impact on our business:

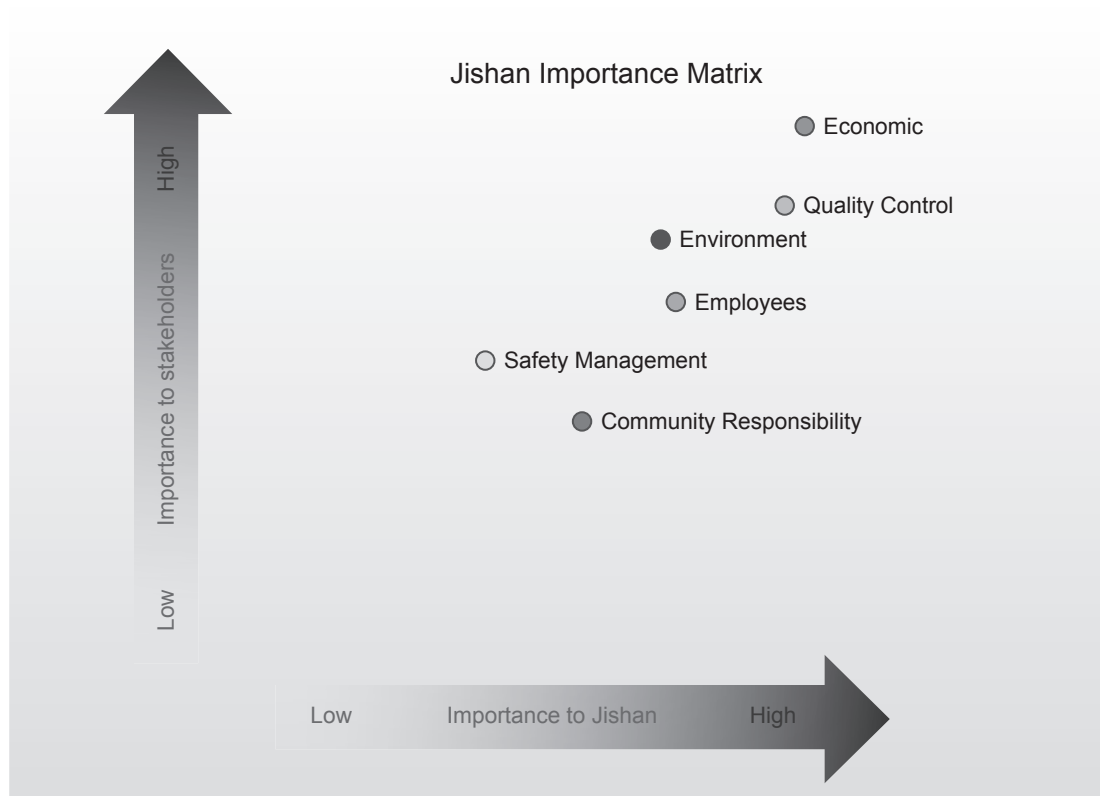
Primary Factor	Material Components	Performance Measures	2019 Performance
Economic	Economic Performance	Financial performance	Net Profit performance has decreased from RMB18.3 million in fiscal year 2018 to net loss of RMB45.9 million in fiscal year 2019. For detailed financial results, please refer to the following sections in our Annual Report 2019, Financial Highlights: page 3 Financial Statements: page 46.
	Anti-corruption	Zero tolerance towards fraud, corruption and unethical actions	No incident of corruption and fraud.
Environment	Water consumption	Water consumption (ten thousand tons)	The company has improved the production process and greatly increased the efficiency of resource utilization, thereby reducing the water consumption by 5.14% compared with 2018.
	Electricity consumption	Electricity consumption (million kWh)	Due to increased production in 2019, electricity consumption increased by 0.62% compared to 2018.
	Steam consumption	Steam consumption (ten thousand tons)	The company improved its production process, which reduced the kinetic energy consumed when producing the same amount of textiles, which in turn led to a reduction in steam consumption, so the steam consumption in 2019 was reduced by 5.00% compared to 2018.
	Sewage treatment	Water consumption (ten thousand tons)	The company has improved the production process and greatly increased the efficiency of resource utilization, so that the sewage treatment volume has been reduced by 6.80% compared with 2018.
Safety Management	Emission of greenhouse gases	Emissions (tons)	In 2019, carbon emissions decreased by 3.87% compared to 2018.
	Health and safety Training and education of employees	Fatal incident rate Training hours	No fatalities and workplace accidents reported. In fiscal year 2019, each office employee is 24 hours / year, and factory employees are 12 hours / year.
Employees	Staff stability	Employee turnover rate	Employee turnover rate increased from 20.10% in FY2018 to 29.18% in FY2019.
	Employee diversity	Ratio of male to female employees	The proportion of male and female employees remains the same in 2019 and 2018.
	Employee care	Organized activities	The company organized employee travel and May Fourth Youth Festival group building activities.

CORPORATE GOVERNANCE REPORT

Primary Factor	Material Components	Performance Measures	2019 Performance
Community Responsibility	Participate in local donations, educational programmes, build infrastructure for livable communities, and support sustainable community development	Participate in various community programmes	In 2019, the company actively participated in activities such as capital injection by the Poverty Alleviation Fund, joint development of scientific research centres, and charitable activities for the elderly.
Quality Control	Product quality and customer complaints Raw material procurement quality	Product quality problems and customer complaints Establish strict supplier management standards to ensure the quality of raw material procurement	No product quality problems and customer complaints occurred in 2019, and all the products meet the national production standards. Raw material suppliers did not have any non-compliance in 2019.

CORPORATE GOVERNANCE REPORT

We use a matrix to rank them, and draw an importance matrix according to their importance.



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DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited consolidated financial statements of China Jishan Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

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 are properly 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 2019 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, the financial statements have been prepared on a going concern basis after taking into consideration the factors as disclosed in Note 3(b) to the financial statements, and accordingly, 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.

1 Directors

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

Lien Kait Long	<i>(Non-Executive and Independent Chairman)</i>
Jin Guan Liang	<i>(Executive Director)</i>
Xiao Ziliang	<i>(Executive Director/Chief Executive Officer)</i>
Yu Ming Hai	<i>(Executive Director)</i>
Yong Kok Hoon	<i>(Executive Director)</i>
Mak Yen-Chen Andrew	<i>(Independent Non-Executive Director)</i>
Cai TianChen	<i>(Independent Non-Executive Director)</i>

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 objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body.

3 Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations except as follows:

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 1.1.19	At 31.12.19	At 1.1.19	At 31.12.19
The Company				
<i>No. of ordinary shares</i>				
Jin Guan Liang	16,649,500	16,649,500	220,623,000	220,623,000
Yong Kok Hoon	15,000	15,000	–	–

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

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		Holdings in which a director is deemed to have an interest	
	At 1.1.19	At 31.12.19	At 1.1.19	At 31.12.19
Ultimate Holding Company*				
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	–	–

* As at 31 December 2019, Jin Cheng International Holdings Limited held 73.18% (2018: 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 directors' interests between the end of the financial year and 21 January 2020.

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, and its related corporations, either at the beginning of the financial year or at the end of the financial year.

4 Share Options

Options Granted

During the financial year, there were no share options granted to subscribe for unissued shares of the Company or any corporation in the Group.

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 any corporation in the Group.

Options Outstanding

As at the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 Audit and Risk Committee

The Audit and Risk Committee ("ARC") comprises the following directors at the date of this statement:

Lien Kait Long (Chairman)
Mak Yen-Chen Andrew
Cai TianChen

The ARC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the Code of Corporate Governance and the SGX-ST Listing Manual and assists the Board of Directors (the "Board") in the execution of its corporate governance responsibilities within its established terms of reference.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

5 Audit and Risk Committee (cont'd)

The duties of the ARC, amongst other things, include:

- (a) review the audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Group's/Company's system of internal accounting controls and the assistance given by the Group's/Company's management to the external and internal auditors;
- (b) review the quarterly announcement of financial statements and annual financial statements and the auditors' report on the annual consolidated financial statements of the Company and its subsidiaries before their submission to the Board;
- (c) review the effectiveness of the Group's/Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditors;
- (d) meet with the external and internal auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARC;
- (e) review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- (f) review the cost effectiveness and the independence and objectivity of the external auditors;
- (g) review the nature and extent of non-audit services provided by the external auditors;
- (h) recommend to the Board the external auditors to be nominated, approve the compensation of the external auditors and review the scope and results of audit;
- (i) report actions and minutes of the ARC to the Board with such recommendations as the ARC considers appropriate;
- (j) review interested persons transactions in accordance with the requirements of the SGX-ST Listing Manual; and
- (k) undertake such other functions and duties as may be agreed to by the ARC and the Board.

The ARC has undertaken a review of the nature and extent of non-audit services provided by the external auditors, and is satisfied that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The ARC has recommended to the Board of Directors that the auditors, Moore Stephens LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Further details regarding the ARC are disclosed in the Report on Corporate Governance included in the Company's Annual Report.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

6 Independent Auditors

The auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

Xiao Ziliang
Director

Yu Ming Hai
Director

3 June 2020

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 subsidiaries (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 2019, 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2019 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 ("SSA"). 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 3(b) to the financial statements, which disclosed that during the financial year ended 31 December 2019, the Group incurred a net loss and total comprehensive loss of RMB45,877,000 (2018: a net profit and total comprehensive income of RMB18,263,000 (Restated)) and has net cash used in operating activities of RMB103,094,000 (2018: net cash generated from operating activities of RMB54,905,000). As at 31 December 2019, the Group and the Company have net current liabilities of RMB581,867,000 and RMB18,054,000 (2018: net current liabilities of RMB446,656,000 (Restated) and RMB30,795,000), respectively. As at that date, the Group's borrowings amounted to RMB503,790,000 (2018: RMB307,408,000) were classified as current liabilities as they will be due within the next twelve months from 31 December 2019.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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 2019 is appropriate after taking into the following considerations:

- (i) Management is of the view that the Group will have sufficient working capital for its operations for the next twelve months from 31 December 2019 and to meet its obligations as and when they fall due based on a cash flow forecast prepared;
- (ii) Management is of the view that the on-going measures to increase revenue and tighten cost controls over the Group's operating expenses will improve the financial performance and generate positive cash flows from the Group's operations;

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Material Uncertainty Related to Going Concern (cont'd)

- (iii) During the current financial year and as at the date of these financial statements, the Group has successfully repaid/renewed RMB204,500,000 of its outstanding non-renewal short-term loans that were brought forward from the previous financial year as disclosed in Note 26 to the financial statements. The Group has also obtained additional short-term loans totalling RMB44,000,000 with maturity periods ranging from 3 to 9 months subsequent to the financial year end;
- (iv) Management is of the view that the Group will continue to receive support from the third party lenders as the loans granted to the Group are secured on certain of the Group's development properties, amongst others, of which the fair value of these development properties is substantially higher than the outstanding borrowings (see Note 17 to the financial statements). Further, as disclosed in Note 26 to the financial statements, as at the date of these financial statements the Group is currently in discussion with the third party lenders to extend the relevant loans tenure and management is not aware of any adverse circumstances that might cause the third party lenders not to extend the loans tenure and call for the outstanding loans repayment from the Group; and
- (v) The Group intends to commence development of the Group's development properties into residential and commercial properties. Management expects this to be a new source of revenue for the Group in the foreseeable future.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their 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 and the Company 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.

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 matters 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.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of investment properties Refer to Notes 4(b)(iii), 12 and 38 to the financial statements. The Group has investment properties comprising factory buildings located in China that are leased to third party tenants to earn lease revenue. Investment properties represent about 24% of the Group's total assets as at 31 December 2019. These investment properties are stated at their fair values based on an independent professional valuation.	Our response We obtained an understanding of the Group's process for the selection of the independent professional valuers, the determination of the scope of work of the external valuers, and the review and acceptance of the valuation reported by the external valuers. We evaluated the competence, capabilities and objectivity of the external valuers. We also read the terms of engagement of the external valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of investment properties (cont'd) The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuation is highly sensitive to key assumptions applied and a small change in the assumptions can have a significant impact to the valuation. In relying on the valuation report, management has exercised judgement to ensure that the valuation method and estimates are reflective of current market conditions. Accordingly, we have considered this to be a key audit matter.	Our response (cont'd) We considered the valuation methodology used against those applied by other valuers for similar property types. We also considered other alternative valuation methods. We tested the integrity of inputs in the valuation to supporting leases and other documents. We challenged the key assumptions used in the valuation, which included capitalisation and terminal yield rates by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the external valuers. We also considered the adequacy of the disclosures in the financial statements about those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the fair value of the investment properties. Our findings We found the independent professional valuers to have the appropriate level of qualifications and experience, and that the valuation methodology used was in line with generally accepted market practices for similar properties. The key assumptions used were within reasonable range, taking into account historical rates and available industry data for comparable markets and properties. We also found that the related disclosures in the financial statements to be appropriate.
Impairment of property, plant and equipment ('PPE') Refer to Notes 4(b)(ii) and 11 to the financial statements. As at 31 December 2019, the carrying amount of the Group's PPE amounted to approximately RMB56,759,000. PPE are assessed for impairment whenever there is objective evidence that the assets may be impaired. If any such indication exists, an impairment assessment will be performed accordingly. The recoverable amount of the assets is assessed as the higher of fair value less cost to sell and value in use.	Our response We obtained an understanding of the Group's process for the selection of the independent professional valuers, the determination of the scope of work of the external valuers, and the review and acceptance of the valuation reported by the external valuers. We evaluated the competence, capabilities and objectivity of the external valuers. We also read the terms of engagement of the external valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment ('PPE') (cont'd) At the end of the reporting period, management has carried out an impairment review of the Group's PPE. The Group has engaged a firm of independent professional valuers to assist in determining the fair value of the Group's major PPE assets as at 31 December 2019. Management concluded that no allowance for impairment loss is required in respect of the Group's PPE as at 31 December 2019. The valuation process involves significant judgement in determining the appropriate valuation method to be used, and in estimating the key underlying assumptions to be applied. Accordingly, we have considered this as a key audit matter.	Our response (cont'd) We considered the valuation methodology used and assessed the reasonableness of the key assumptions such as similar assets, adjusted for age and cost of disposal by evaluating the underlying data. We have independently verified samples of the external sourced data used in estimating the recoverable amounts, such as estimate of the market value for the existing use of the PPE, plus the current cost of replacement less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. We also considered the adequacy of the related disclosures in the financial statements. Our findings We found the independent professional valuers to have the appropriate level of qualifications and experience, and that the valuation methodology used to determine fair value less cost to sell of the Group's major PPE assets was in line with generally accepted market practices. The key assumptions used were within the range of market data. We also found that the related disclosures in the financial statements to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

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 SFRS(I)s, 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.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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.

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 corporation 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

3 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

		Group	
	Note	2019 RMB'000	2018 RMB'000 (Restated)
Revenue	5	37,721	37,721
Cost of sales		(1,571)	(957)
Gross profit		36,150	36,764
Other operating income	6	35,636	30,118
Administrative expenses		(58,354)	(28,007)
Reversal of allowance for impairment loss on trade receivables	21	–	776
Allowance for impairment loss on other receivables	22	(2,000)	(531)
Other gains, net	7	2,183	2,269
Share of profit of associate		1,145	1,071
Finance costs	8	(76,328)	(18,895)
(Loss)/Profit before income tax	9	(61,568)	23,565
Income tax	10	15,691	(5,302)
(Loss)/Profit for the year		(45,877)	18,263
Other comprehensive income		–	–
Total comprehensive (loss)/profit for the year attributable to owners of the Company		(45,877)	18,263
(Loss)/Earnings per share (RMB cents)			
Basic and diluted	36	(15.22)	6.05

The accompanying notes form integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		Group			Company		
	Note	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000
		(Restated)		(Restated)			
ASSETS							
Non-current assets							
Property, plant and equipment	11	56,759	26,161	28,086	-	-	-
Investment properties	12	203,515	198,393	195,670	-	-	-
Investment in subsidiary companies	13	-	-	-	144,587	144,587	144,587
Investment in associate	14	29,832	28,687	28,723	-	-	-
Prepaid leases	15	9,981	10,215	10,322	-	-	-
Deferred tax assets	16	68,933	45,662	842	-	-	-
Development properties held for sale	17	459,605	459,605	-	-	-	-
		828,625	768,723	263,643	144,587	144,587	144,587
Current assets							
Inventories	19	483	483	479	-	-	-
Prepaid leases	15	234	234	362	-	-	-
Other financial assets	20	2,652	2,235	1,709	-	-	-
Trade receivables	21	-	-	9,316	-	-	-
Other receivables and prepayments	22	9,469	9,394	9,386	19,513	4,471	4,349
Cash and bank balances	23	7,961	25,415	38,994	1,447	253	1,084
		20,799	37,761	60,246	20,960	4,724	5,433
Assets classified as held for sale	18	-	-	497,680	-	-	-
		20,799	37,761	557,926	20,960	4,724	5,433
Total assets		849,424	806,484	821,569	165,547	149,311	150,020
EQUITY AND LIABILITIES							
Equity attributable to owners of the Company							
Share capital	24	125,808	125,808	125,808	125,808	125,808	125,808
Statutory reserve	25	21,678	21,678	21,678	-	-	-
Retained earnings/ (Accumulated losses)		32,148	107,908	90,752	725	(12,016)	(8,477)
Total equity		179,634	255,394	238,238	126,533	113,792	117,331
Non-current liabilities							
Deferred tax liabilities	16	67,124	66,673	65,993	-	-	-
		67,124	66,673	65,993	-	-	-
Current liabilities							
Borrowings	26	503,790	307,408	342,890	-	-	-
Trade payables	27	10,036	9,931	11,285	-	-	-
Other payables	28	63,207	145,514	152,881	38,183	34,647	31,793
Loans from a related party	29	831	872	896	831	872	896
Income tax payable		24,802	20,692	9,386	-	-	-
		602,666	484,417	517,338	39,014	35,519	32,689
Total liabilities		669,790	551,090	583,331	39,014	35,519	32,689
Total equity and liabilities		849,424	806,484	821,569	165,547	149,311	150,020

The accompanying notes form integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital RMB'000	Statutory reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
Group				
Balance at 1 January 2019 (Restated)	125,808	21,678	107,908	255,394
(Loss) for the year	–	–	(45,877)	(45,877)
Other comprehensive income	–	–	–	–
Total comprehensive (loss) for the year	–	–	(45,877)	(45,877)
Dividends (Note 34)	–	–	(29,883)	(29,883)
Balance at 31 December 2019	125,808	21,678	32,148	179,634
Balance at 1 January 2018 (Restated)	125,808	21,678	89,645	237,131
Profit for the year	–	–	18,263	18,263
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	18,263	18,263
Balance at 31 December 2018 (Restated)	125,808	21,678	107,908	255,394

The accompanying notes form integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Group	
	2019 RMB'000	2018 RMB'000 (Restated)
Cash Flows from Operating Activities		
(Loss)/Profit before income tax	(61,568)	23,565
Adjustments for:		
Impairment of other receivables	2,000	531
Write back of impairment of trade receivables	–	(776)
Write back of other payables	(2,371)	–
Amortisation of prepaid leases	234	235
Bad debts written-off	774	–
Depreciation of property, plant and equipment	2,984	3,800
Fair value gain on investment properties	(1,803)	(2,723)
Fair value (gain)/loss on other financial assets	(486)	494
Gain on disposal of other financial assets	(104)	(43)
(Gain)/Loss on disposal of property, plant and equipment	(9)	296
Unrealised (gain)/loss on foreign exchange	(14)	44
Interest expense	76,328	18,895
Share of profit of associate	(1,145)	(1,071)
Operating cash flows before working capital changes	14,820	43,247
Changes in working capital:		
Trade receivables	–	10,092
Other receivables and prepayments	(2,849)	(539)
Inventories	–	(4)
Trade payables	105	(1,354)
Other payables	(75,458)	3,524
Cash (used in)/generated from operating activities	(63,382)	54,966
Settlement interest paid (Note 8)	(36,693)	–
Income tax paid	(3,019)	(61)
Net cash (used in)/generated from operating activities	(103,094)	54,905
Cash Flows from Investing Activities		
Proceeds from disposal of other financial assets	2,900	1,986
Proceeds from disposal of property, plant and equipment	9	87
Additions in property, plant and equipment (Note A)	(34,265)	(5,012)
Additions in investment properties (Note B)	(8,637)	(8,137)
Additions in other financial assets	(2,727)	(2,963)
Net cash used in investing activities	(42,720)	(14,039)

The accompanying notes form integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Group	
	2019 RMB'000	2018 RMB'000 (Restated)
Cash Flows from Financing Activities		
Draw down of borrowings	353,800	102,900
Repayment of borrowings	(157,418)	(138,382)
Repayment of loans from a related party	(27)	(68)
Dividend paid (Note 34)	(29,883)	–
Interest paid	(38,112)	(18,895)
Net cash generated from/(used in) financing activities	128,360	(54,445)
Net decrease in cash and cash equivalents	(17,454)	(13,579)
Cash and cash equivalents at the beginning of the year	25,415	38,994
Cash and cash equivalents at the end of the year (Note 23)	7,961	25,415

(Note A)

Additions in property, plant and equipment

	Group	
	2019 RMB'000	2018 RMB'000
Additions in property, plant and equipment	(33,851)	(2,258)
Decrease in other payables for property, plant and equipment	(414)	(2,754)
Net cash for additions in property, plant and equipment	(34,265)	(5,012)

(Note B)

Additions in investment properties

	Group	
	2019 RMB'000	2018 RMB'000
Additions in investment properties	(3,050)	–
Decrease in other payables for investment properties	(5,587)	(8,137)
Net cash for additions in investment properties	(8,637)	(8,137)

The accompanying notes form integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

These notes form an integral part of and should be read in conjunction with the consolidated financial statements:

1 General

China Jishan Holdings Limited (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's registered address is 112 Robinson Road #05-01 Singapore 068902 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 Virgin Islands. The ultimate controlling party is Mr Jin Guan Liang, a Director 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 13.

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")

(a) Application of New and Revised Standards and Interpretations

In the current financial year, the Group has adopted all the new and revised standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019.

Description

SFRS(I) 16 *Leases*

Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*

Amendments to SFRS(I) 1-28 *Long Term Interests in Associates and Joint Ventures*

Improvements to SFRS(I) 3 *Business Combinations*

Amendments to SFRS(I) 1-12 *Income Taxes*

Amendments to SFRS(I) 1-23 *Borrowing Costs*

Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement*

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Except for SFRS(I) 16 *Leases*, the adoption of the other new and revised standards above did not have any material effect on the financial performance of the Group or financial positions of the Group and the Company.

SFRS(I) 16 *Leases*

SFRS(I) 16 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*; and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 requires lessees to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The ROU asset is depreciated and interest expense is recognised on the lease liability. Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the ROU assets and lease liabilities. ROU assets are tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets*. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(a) Application of New and Revised Standards and Interpretations (cont'd)

SFRS(I) 16 Leases (cont'd)

On 1 January 2019, the Group has applied modified retrospective approach that does not restate comparative information, but recognised the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening retained earnings on 1 January 2019. Under the modified retrospective approach, the Group has elected to apply the following practical expedients under SFRS(I) 16:

- (i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4, the Group is exempted from having to reassess whether pre-existing contracts contain a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to leases entered or modified before 1 January 2019.
- (ii) The Group has, on a lease-by-lease basis:
 - applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- (iii) The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact on lessee accounting

For leases previously classified as operating leases, the Group recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics. Recognition of ROU assets and lease liabilities will be the same. Comparative information is not restated.

For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

Impact on lessor accounting

There are no significant changes to the accounting by the Group as a lessor.

Financial impact of adoption of SFRS(I) 16

The adoption of this standard has had no material financial impact on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (cont'd)

(b) New and Revised Standards Issued but Not Yet Effective

At the date of authorisation of these financial statements, the Group has not adopted the following new and revised standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3: <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its associate or Joint Venture</i>	Date to be determined

Except for the amendments to SFRS(I) 3, the Group expects that the adoption of the other new and revised standards above will have no material impact on the financial statements in the period of initial application.

Amendments to SFRS(I) 3: *Definition of a Business*

The amendments confirm that a business must include inputs and a process. The amendments also clarify that the process must be substantive, and the inputs and process must significantly contribute to creating outputs. The revised definition of a business focuses on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs. A new optional test is available to assess whether a business has been acquired, when the value of the assets acquired is concentrated in a single asset or group of similar assets.

These amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted.

The Group does not expect any significant impact arising from applying these amendments.

3 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 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

(b) Going Concern Assumption

During the financial year ended 31 December 2019, the Group incurred a net loss and total comprehensive loss of RMB45,877,000 (2018: a net profit and total comprehensive income of RMB18,263,000 (Restated)) and has net cash used in operating activities of RMB103,094,000 (2018: net cash generated from operating activities of RMB54,905,000). As at 31 December 2019, the Group and the Company have net current liabilities of RMB581,867,000 and RMB18,054,000 (2018: net current liabilities of RMB446,656,000 (Restated) and RMB30,795,000), respectively. As at that date, the Group's borrowings amounted to RMB503,790,000 (2018: RMB307,408,000) were classified as current liabilities as they will be due within the next twelve months from 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(b) Going Concern Assumption (cont'd)

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal 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 2019 is appropriate after taking into the following considerations:

- (i) Management is of the view that the Group will have sufficient working capital for its operations for the next twelve months from 31 December 2019 and to meet its obligations as and when they fall due based on a cash flow forecast prepared;
- (ii) Management is of the view that the on-going measures to increase revenue and tighten cost controls over the Group's operating expenses will improve the financial performance and generate positive cash flows from the Group's operations;
- (iii) During the current financial year and as at the date of these financial statements, the Group has successfully repaid/renewed RMB204,500,000 of its outstanding non-renewal short-term loans that were brought forward from the previous financial year as disclosed in Note 26. The Group has also obtained additional short-term loans totalling RMB44,000,000 with maturity periods ranging from 3 to 9 months subsequent to the financial year end;
- (iv) Management is of the view that the Group will continue to receive support from the third party lenders as the loans granted to the Group are secured on certain of the Group's development properties, amongst others, of which the fair value of these development properties is substantially higher than the outstanding borrowings (see Note 17). Further, as disclosed in Note 26, as at the date of these financial statements the Group is currently in discussion with the third party lenders to extend the relevant loans tenure and management is not aware of any adverse circumstances that might cause the third party lenders not to extend the loans tenure and call for the outstanding loans repayment from the Group; and
- (v) The Group intends to commence development of the Group's development properties into residential and commercial properties. Management expects this to be a new source of revenue for the Group in the foreseeable future.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their 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 and the Company 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) Group Accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(c) Group Accounting (cont'd)

Subsidiaries (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.

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Gains and losses on the disposal of subsidiaries, include the carrying amount of goodwill relating to the entity sold.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(c) Group Accounting (cont'd)

Subsidiaries (cont'd)

When the Group loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest (including any components of other comprehensive income attributable to them);
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained in the former subsidiary at its fair value;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate; and
- recognises any resulting difference as a gain or loss in profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Goodwill on acquisition of associates represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates is included in the carrying amount of the investments. Gains and losses on the disposal of associates include the carrying amounts of goodwill relating to the entity sold.

Investments in associates are accounted for using the equity method of accounting less impairment losses, if any. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

When the Group reduces its ownership interest in an associate but the Group continues to apply 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 if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(c) Group Accounting (cont'd)

Associates (cont'd)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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) 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. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

When the criteria set out above are no longer met, the Group will cease to classify the asset (or disposal group) as held for sale. The Group will measure the non-current asset (or disposal group) that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluation that would have been recognised had the asset (or disposal group) not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell or distribute.

(f) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(f) Revenue Recognition (cont'd)

Leasing income

Revenue from operating lease is recognised over time on a straight-line method based on the lease term as set out in the specific lease agreements.

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.

(g) Property, Plant and Equipment

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation

Depreciation is recognised 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	-	5%
Leasehold improvements	-	10%
Plant and machinery	-	10%
Motor vehicles	-	20%
Fixtures and equipment	-	20%

Depreciation of assets in the course of construction, 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 residual value, useful life and depreciation method are reviewed at each financial year and adjusted as appropriate, with the effect of any changes in the estimates accounted on a prospective basis. The effect of any revision is recognised in profit or loss when the changes arise.

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

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(g) 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 recognised in profit or loss.

(h) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation are measured initially at its cost, including transaction costs.

Change from cost model to fair value model

With effect from 1 January 2019, the Group has elected to change the accounting policy for investment properties from the cost model to the fair value model. This change is regarded as a change in accounting policy and has been applied retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. Details of the effects on the change in the accounting policy are disclosed in Note 42.

Subsequent to initial recognition, investment properties are measured at fair value, determined annually by independent professional valuers on the highest-and-best use basis. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss. When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(i) Prepaid Leases

Prepaid leases, which represent land use rights, is stated at cost less accumulated amortisation and accumulated impairment losses. The prepaid land leases are amortised on a straight-line method over the term of the land lease of 50 years. The amortisation period and method are reviewed at each financial year and adjusted as appropriate, with the effect of any changes in the estimates accounted for on a prospective basis. The effect of any revision is recognised in profit or loss when the changes arise.

(j) 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.

(k) 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.

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.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount where the revaluation was previously taken to other comprehensive income. In this case, such impairment loss of revalued asset is treated as a revaluation decrease.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(l) Financial Assets

Classification

i. Debt instruments

Financial assets that are debt instruments comprise mainly cash and bank balances, trade and other receivables (excluding prepayments and advances for purchases). The Group classifies these assets into categories based on the Group's business model for managing them and their contractual cash flow characteristics.

- Financial Assets measured at Amortised Cost (AC) comprise of assets that are held within a business model whose objective is to hold those assets for collection of contractual cash flows, and those contractual cash flows represent solely payments of principal and interest.
- Financial Assets measured at Fair Value through Other Comprehensive Income (FVOCI) comprise of assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling those assets, and those contractual cash flows represent solely payments of principal and interest.
- Financial Assets measured at Fair Value through Profit or loss (FVPL) comprise of assets that do not qualify for AC and FVOCI. Assets that would otherwise qualify for AC or FVOCI may also be designated as FVPL upon initial recognition, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that arises from measuring assets and liabilities on an inconsistent basis.

ii. Equity instruments

Financial assets that are equity instruments comprise mainly investments in equity securities. The Group classifies these assets as FVPL, except for those that the Group has designated as FVOCI. The FVOCI designation is irrevocable, and is not permitted for held-for-trading financial assets and financial assets that represent contingent consideration in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Initial measurement

Trade receivables that do not contain a significant financing component are initially recognised at their transaction price. Other financial assets are initially recognised at fair value, plus, for financial assets that are not at FVPL, transaction costs that are directly attributable to their acquisition. Transaction costs of financial assets at FVPL are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(l) Financial Assets (cont'd)

Subsequent measurement

i. Debt instruments

AC

These assets are subsequently measured at amortised cost using the effective interest method unless they are part of a designated hedging relationship. Impairment losses and reversals, interest income, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit or loss. Interest income is based on the effective interest method which allocates interest income over the life of the financial asset based on an effective interest rate that discounts estimated future cash receipts to its gross carrying amount.

FVOCI

These assets are subsequently measured at fair value. Impairment losses and reversals, interest income based on the effective interest method, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit or loss. Any remaining fair value movements are recorded in OCI.

FVPL

These assets are subsequently measured at fair value. All fair value movements are recorded in profit or loss.

ii. Equity instruments

Subsequent to initial recognition, all equity investments are measured at fair value. Changes in the fair value of FVPL equity investments are recognised in profit or loss, while changes in the fair value of FVOCI equity investments are recognised in other comprehensive income. All dividend income is recognised in profit or loss, except for dividends from FVOCI equity investments that clearly represent a recovery of the cost of investment.

Impairment

At each reporting date, the Group assesses expected credit losses (ECL) on the following financial instruments:

- Financial assets that are debt instruments measured at AC and FVOCI;
- Contract assets; and
- Financial guarantee contracts.

ECL is a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all shortfalls between the cash flows due to the Group in accordance with contractual terms, and the cash flows that the Group actually expects to receive. ECL is discounted at the effective interest rate of the financial asset. The Group records allowances on financial assets based on either the:

- 12-month ECL – representing the ECL that results from default events that are possible within the 12 months after the reporting date (or the expected life of the instrument if shorter); or
- Lifetime ECL – representing the ECL that results from all possible default events over the expected life of the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(l) Financial Assets (cont'd)

Impairment (cont'd)

Simplified approach – Trade receivables

For all trade receivables, the Group adopts a simplified approach whereby an allowance for lifetime ECL is assessed upon initial recognition. The Group estimates lifetime ECL using a provision matrix based on historical credit loss experience, adjusted for various factors including debtor-specific factors, forward-looking information such as industry and economic forecasts, and others as appropriate.

General approach – All other financial instruments on which ECL assessment is required

For all other financial instruments on which ECL is assessed, an allowance for 12-month ECL is recorded upon initial recognition. The allowance is increased to lifetime ECL if the credit risk at each reporting date has increased significantly as compared to the credit risk at initial recognition. In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group considers all reasonable and supportable information that is relevant and available without undue cost or effort including both historical credit experience and forward-looking information.

The Group regards the following as events of default:

- Events that make it unlikely for the borrower to repay in full unless the Group undertakes actions to recover the asset (e.g. by exercising rights over collaterals or other credit enhancements); or
- The financial instrument has become more than 1 year past due.

Credit-impaired financial instruments

At each reporting date, the Group assesses whether a financial instrument on which ECL assessment is required has become credit-impaired. This is the case when one or more events have occurred that are considered to be detrimental to the estimated future cash flows of the instrument. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract such as a default or past due event (e.g. being more than 90 days past due);
- other lenders granting concessions (such as loan restructurings) to the borrower due to economic or contractual reasons, that would not have been considered in the absence of the borrower's financial difficulty;
- increasing likelihood that the borrower will enter bankruptcy or other financial re-organisation; and
- the disappearance of an active market for the borrower's securities due to financial difficulties.

For credit-impaired financial assets, interest income is determined by applying the effective interest rate to the net carrying amount of the financial asset (after deduction of the ECL allowance).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(l) Financial Assets (cont'd)

Impairment (cont'd)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, such as when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes a party to its contractual provisions. All regular way purchases and sales of financial assets are recognised on trade-date, which is 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 asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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. 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 that is a debt instrument, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, for a financial asset that is a debt instrument at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is reclassified to profit or loss.

On derecognition of an equity investment at FVPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. For equity investments at FVOCI, this difference is instead recognised directly in equity as part of retained earnings. Cumulative gains and losses previously accumulated in equity are also transferred directly to retained earnings upon derecognition of FVOCI equity investments.

(m) Financial Liabilities

Financial liabilities

The Group recognises financial liabilities on its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instruments.

Financial liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(m) Financial Liabilities (cont'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they have expired. The difference between the carrying amount of a financial liability that has been derecognised and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(n) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(o) Financial Guarantees

Financial guarantees in the separate financial statements

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the impairment of financial assets policy set out above; and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy set out above.

(p) 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.

(q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(r) 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.

(s) Dividends to Company's Shareholders

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved for payment by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(t) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached 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.

(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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings of funds.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Leases – accounting policies applicable from 1 January 2019

When the Group is a lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities. The Group presents its right-of-use assets in "Right of use assets" and lease liabilities in "Lease liabilities" in the statement of financial position.

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(v) Leases – accounting policies applicable from 1 January 2019 (cont'd)

When the Group is a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

Lease liabilities are measured at amortised cost, and are remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- There is a modification to the lease term.

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

When the Group is a lessor

Each lease in which the Group acts as a lessor is classified as either an operating or a finance lease at lease inception. Leases that transfer substantially all of the risks and rewards incidental to ownership of the underlying assets are classified as finance leases. Other leases are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

- (v) Leases – accounting policies applicable from 1 January 2019 (cont'd)

When the Group is a lessor (cont'd)

Lessor – operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned.

- (w) Leases – accounting policies applicable prior to 1 January 2019

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.

- (x) 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

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(y) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current 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

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.

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(y) Income Tax (cont'd)

Deferred tax (cont'd)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

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.

(z) Foreign Currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Company's functional currency is Renminbi ("RMB"), which reflects the economic substance of the underlying events and circumstances of the Company.

For the purposes of the consolidated financial statements, the results and financial position of each entity in the Group are expressed in RMB, which is the presentation currency for the consolidated financial statements. All values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

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.

(aa) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Significant Accounting Policies (cont'd)

(bb) Related Parties

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 (referred to as the "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.
- (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 venture 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); or
 - 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.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements and the application of the Group's accounting policies, which are set out in Note 3 above, requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(a) Critical Judgements in Applying Accounting Policies

In addition to the going concern assumption disclosed in Note 3(b), the following are the significant judgements made in applying the Group's accounting estimates and policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(i) Allowance for expected credit losses (ECL) of other receivables

The Group applies the general approach to provide for ECL on all other receivables, which requires the loss allowance to be measured at an amount equal to 12-month ECL at initial recognition. At each reporting date, the Group assesses whether the credit risk of the other receivables has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This comprises both quantitative and qualitative information, which include the Group's historical experience and forward-looking information that is available.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Management have assessed and considered the other receivables to have low credit risk as there has been no significant increase in the risk of default on the receivables since initial recognition except for certain other receivables. The information about the ECL on the Group's other receivables is disclosed in Notes 22 and 37(a).

(ii) Impairment of investments in subsidiary companies and associates

Management assesses at each reporting date whether there is any objective evidence that the investments in subsidiary companies and associate may be impaired. To determine whether there is objective evidence of impairment, the management exercises their judgement to consider factors such as the decline in business or financial performance and financial position, and the overall economic environment.

Management concluded that no allowance for impairment loss is required in respect of the investments in subsidiary companies and associate as at 31 December 2019. The carrying amount of the Company's investment in subsidiary companies and the Group's investment in associate are disclosed in Note 13 and Note 14, respectively.

(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, are depreciated on a straight-line method over the assets' estimated useful lives less residual values, if any.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(b) Key Sources of Estimation Uncertainty (cont'd)

(i) Estimated useful lives of property, plant and equipment (cont'd)

Management estimates the useful lives of 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 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 0.6% (2018: 2.0%) variance in the Group's results for the financial year.

(ii) Impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment whenever there is objective evidence that the assets may be impaired. If any such indication exists, an impairment assessment will be performed accordingly. The recoverable amount of the assets is assessed as the higher of fair value less cost to sell and value in use.

Management concluded that no allowance for impairment loss is required in respect of the property, plant and equipment as at 31 December 2019. The details of the impairment assessment and the carrying amount of the Group's property, plant and equipment is disclosed in Note 11.

(iii) Valuation of investment properties

The Group has adopted the fair value model to measure its investment properties. The fair values are estimated with reference to an independent professional valuation. In determining the fair value, the external valuers have used valuation methods which involve certain estimates. The key assumptions used to estimate the fair value of investment properties involve market-corroborated capitalisation and terminal yield rates. In relying on the valuation report, management has reviewed the key valuation parameters and underlying data, and exercised judgement to ensure that the valuation method and estimates are reflective of the current market conditions.

The information about the valuation method and estimates used in determining the fair value of the investment properties are disclosed in Notes 12 and 38.

5 Revenue from Contracts with Customers

	Group	
	2019	2018
	RMB'000	RMB'000
<u>Over time</u>		
Leasing revenue - PRC	37,721	37,721

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

6 Other Operating Income

	Group	
	2019	2018
	RMB'000	RMB'000
Government grants	3,052	-
Net gain on foreign exchange	-	498
Write back of other payables*	2,371	-
Others		
- Sewage costs recharged to lessees (net)	18,292	17,932
- Factory overheads recharged to lessees (net)	11,921	11,600
- Miscellaneous	-	88
	<u>35,636</u>	<u>30,118</u>

* These relate to amounts due to various third party creditors which have been brought forward for ten years or more. Due to the inaction by the relevant creditors and the long period of inactivity, the Group deemed the amounts to be no longer payable and hence the amounts have been written back to profit or loss in the current financial year.

7 Other Gains, Net

	Group	
	2019	2018
	RMB'000	RMB'000
		(Restated)
Fair value gain/(loss) on other financial assets	481	(496)
Gain on disposal of other financial assets	104	43
Gain/(Loss) on disposal of property, plant and equipment	9	(296)
Gain on disposal of inventories	-	429
Fair value gain on investment properties (Note 12)	1,803	2,723
Other losses	(214)	(134)
	<u>2,183</u>	<u>2,269</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8 Finance Costs

	Group	
	2019	2018
	RMB'000	RMB'000
Interest expense on:		
- Short-term bank loans	22,121	18,895
- Other borrowings from third party lenders*	17,514	-
- Settlement**	36,693	-
	<u>76,328</u>	<u>18,895</u>

* Includes service fees of RMB3,600,000 (Note 26).

** The interest expense on settlement relates to the interest paid in connection with the Legal Claim (Note 40).

9 (Loss)/Profit before Income Tax

	Group	
	2019	2018
	RMB'000	RMB'000
		(Restated)
(Loss)/Profit before income tax is arrived at after charging/(crediting):		
<u>Included in administrative expenses</u>		
Audit fees paid/payable to:		
- auditors of the Company	800	600
- other auditors	-	-
Non-audit fees paid/payable to auditors of the Company	-	-
Reversal of allowance for impairment loss of trade receivables	-	(776)
Allowance for impairment loss on other receivables (Note 22)	2,000	531
Bad debts written-off (non-trade) (Note 37(a))	774	-
Amortisation of prepaid leases	234	235
Depreciation of property, plant and equipment	2,984	3,800
Staff costs		
- Salaries and benefits	5,446	5,214
- Defined contribution plans	403	434
- Directors' fees	828	808
- Staff welfare	2,123	962
	<u>8,800</u>	<u>7,418</u>
Professional fees*	<u>34,379</u>	<u>6,446</u>

* Professional fees relate the legal fees incurred in connection with the Legal Claim (Note 40).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10 Income Tax

	Group	
	2019 RMB'000	2018 RMB'000 (Restated)
Income tax:		
Current year	4,631	11,367
Deferred tax:		
Origination and reversal of temporary differences (Note 16)	(22,820)	(6,065)
Withholding tax:		
Current year	2,500	-
	<u>(15,691)</u>	<u>5,302</u>

PRC income tax is calculated at 25% (2018: 25%) of the estimated assessable profit for the year. In the current financial year, a subsidiary of the Group, Zhejiang Jishan Printing and Dyeing Co., Ltd, was granted a preferential tax rate of 15% for a period of 3 years as it has qualified as a high-tech business. Taxation for operations in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Group	
	2019 RMB'000	2018 RMB'000 (Restated)
(Loss)/Profit before income tax	(61,567)	23,565
Income tax charge at applicable tax rate	(15,392)	5,891
Tax effect of non-deductible expenses/(income)	788	(589)
Impact of the different tax rate	(3,587)	-
Withholding tax	2,500	-
	<u>(15,691)</u>	<u>5,302</u>

The applicable tax rate used for the reconciliation above is the PRC income tax rate of 25% (2018: 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.

The withholding tax arose on the interim dividends declared and paid by a wholly owned subsidiary to the Company during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11 Property, Plant and Equipment

	Construction- in-progress "CIP" RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Fixtures and equipment RMB'000	Total RMB'000
Group						
2019						
<u>Cost</u>						
At 1 January	2,620	11,092	40,397	4,173	2,121	60,403
Additions	33,534	–	310	–	7	33,851
Disposals	–	–	–	(649)	–	(649)
Transferred from CIP	(552)	–	518	–	34	–
Transferred to investment properties	–	(269)	–	–	–	(269)
At 31 December	35,602	10,823	41,225	3,524	2,162	93,336
<u>Accumulated depreciation</u>						
At 1 January	–	680	29,458	2,249	1,491	33,878
Depreciation for the year	–	578	1,700	547	159	2,984
Disposals	–	–	–	(584)	–	(584)
At 31 December	–	1,258	31,159	2,211	1,650	36,278
<u>Impairment</u>						
At 1 January	–	–	119	109	136	364
Disposals	–	–	–	(65)	–	(65)
At 31 December	–	–	119	44	136	299
<u>Carrying amount</u>						
At 31 December	35,602	9,565	9,947	1,269	376	56,759
2018						
<u>Cost</u>						
At 1 January	2,014	11,052	41,568	2,651	2,067	59,352
Additions	606	40	36	1,522	54	2,258
Disposals	–	–	(1,207)	–	–	(1,207)
At 31 December	2,620	11,092	40,397	4,173	2,121	60,403
<u>Accumulated depreciation</u>						
At 1 January	–	286	27,214	2,032	1,334	30,866
Depreciation for the year	–	394	3,032	217	157	3,800
Disposals	–	–	(788)	–	–	(788)
At 31 December	–	680	29,458	2,249	1,491	33,878
<u>Impairment</u>						
At 1 January	–	–	155	109	136	400
Disposals	–	–	(36)	–	–	(36)
At 31 December	–	–	119	109	136	364
<u>Carrying amount</u>						
At 31 December	2,620	10,412	10,820	1,815	494	26,161
At 1 January	2,014	10,766	14,199	510	597	28,086

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11 Property, Plant and Equipment (cont'd)

The Group's property, plant and equipment are located at Binhai Industrial Zone Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC.

Certain of the Group's plant and machinery are included as part of the leases of the Group's investment properties. As at 31 December 2019, the carrying amount of these plant and machinery leased amounted to RMB6,092,000 (2018: RMB7,207,000; 1 January 2018: RMB9,901,000).

The Group's buildings are pledged as security for borrowings of the Group (Note 26).

At the end of the reporting period, management carried out an impairment review of the Group's property, plant and equipment ("PPE").

The Group has engaged a firm of independent valuers to determine the fair value of the Group's major PPE as at 31 December 2019. The fair values were determined using the Replacement Cost Approach, which is based on an estimate of the market value for the existing use of the property, plant and equipment, plus the current cost of replacement less deduction for physical deterioration and all relevant forms of obsolescence and optimisation.

As for the remaining PPE which relate mostly to CIP, management has exercised judgement and assessed that the recoverable amount of the CIP approximates the carrying amount since the Group has only commenced active construction during the current financial year.

Based on the above, the recoverable amounts of the Group's PPE were determined to be higher or approximate the carrying amounts, and accordingly, management concluded that no allowance for impairment loss is required in respect of the Group's PPE at the reporting date.

12 Investment Properties

	2019 RMB'000	Group 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
<u>At fair value:</u>			
At 1 January	198,393	195,670	85,395
Additions through subsequent expenditure	3,050	–	20,075
Transferred from property, plant and equipment (Note 11)	269	–	2,805
Gain from fair value adjustments recognised in profit or loss	1,803	2,723	87,395
At 31 December	203,515	198,393	195,670

The Group's investment properties are located at Binhai Industrial Zone Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC.

The Group's investment properties which relate to factory buildings are leased to third party tenants to earn lease revenue.

Leasing revenue relating to the Group's investment properties leased amounted to RMB37,721,000 for the financial year ended 31 December 2019 (2018: RMB37,721,000). Direct operating expenses arising from the Group's investment properties leased that generated the leasing revenue during the financial year mainly consists of land use tax and property tax amounted to RMB1,711,000 (2018: RMB957,000).

The Group's investment properties are pledged as security for borrowings of the Group (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12 Investment Properties (cont'd)

Details of the Group's investment properties (including land use rights) are as follows:

Description and location	Existing use	Site/Land area (sqm)
Block 1, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	11,214
Block 2, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	11,214
Block 3, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	12,202
Block 4, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	31,029
Block 5, Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Factory	12,000
2 plots of leasehold land use rights (50 years tenure) Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	Industrial use	46,075

As disclosed in Note 3(h), with effect from 1 January 2019, the Group has elected to change the accounting policy for investment properties from the cost model to the fair value model under SFRS(I) 1-40 *Investment Property*. The directors of the Company believe that this change will better reflect the value of its investment properties and therefore provides more relevant information to shareholders and users of the Group's financial statements.

The Group's investment properties are stated at fair value based on the valuation performed by the independent professional valuers, International United Consulting & Appraisal Limited, who have the appropriate recognised professional qualifications and experiences in the type of property being valued. In determining the fair value, the valuers have used the Capitalisation Approach which involve certain estimates, whereby the estimated gross leasing income, after considering vacancy rate, is adjusted to reflect anticipated operating costs to produce an adjusted net lease income. The adjusted net lease income is capitalised over the remaining terms of the relevant leasehold lands from the valuation date at an appropriate capitalisation rate.

In relying on the independent valuation report, management reviews the key valuation parameters and underlying data, including capitalisation and terminal yield rates adopted by the valuers and is of the view that the valuation method and estimates are reflective of the current market conditions.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value measurement of the investment properties is categorised as Level 3 under the Fair Value Hierarchy as disclosed in Note 38. Details of the valuation method and key assumptions used to estimate the fair values of the investment properties are also set out in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13 Investment in Subsidiary Companies

	2019 RMB'000	Company 2018 RMB'000	1 January 2018 RMB'000
Unquoted equity shares, at cost	144,741	144,741	144,741
Less: Allowance for impairment loss	(154)	(154)	(154)
	144,587	144,587	144,587

The Company had made an allowance for impairment loss on its investment in a dormant subsidiary company in prior years. At the reporting date, the management has exercised their judgement that no additional allowance is required in respect of the Company's investment in subsidiary companies based on their assessment of the financial performance and/or financial position of the relevant subsidiaries.

Details of the Group's subsidiary companies are as follows:

Name of subsidiary (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group		
		2019 %	2018 %	1 January 2018 %
<u>Held by the Company</u>				
Zhejiang Jishan Printing and Dyeing Co., Ltd People's Republic of China	Printing and dyeing of fabric and sales of garments, and leasing of property and equipment	100	100	100
Polar International Trading Company Limited Hong Kong	Intended: Import and export of textile products Presently dormant	100	100	100
<u>Held by Zhejiang Jishan Printing and Dyeing Co., Ltd</u>				
Fuhua Import & Export Pte Ltd Singapore	Intended: Import and export of textile products Presently dormant	100	100	100
Shaoxing Yu Rong Textile Co., Ltd People's Republic of China	Intended: Wholesale and retail of textile and garments and related products Presently dormant	100	100	100
Shaoxing Yue Sheng Real Estate Property Development Co., Ltd People's Republic of China	Property development and management for general commercial and residential buildings	100	100	100
Shaoxing Keqiao Zhongji Weaving Products Co., Ltd People's Republic of China	Intended: Wholesale and retail of textile and garments and related products Presently dormant	100	100	100

All the subsidiary companies have no audit requirements in their country of incorporation and they are audited/reviewed by Moore Stephens LLP, Singapore for group consolidation purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14 Investment in Associate

	2019 RMB'000	Group 2018 RMB'000	1 January 2018 RMB'000
Unquoted equity shares, at cost	26,000	26,000	26,000
Share of post-acquisition reserves	3,832	2,687	2,723
	<u>29,832</u>	<u>28,687</u>	<u>28,723</u>

At the reporting date, the management has exercised their judgement that no allowance is required in respect of the Group's investment in associate based on their assessment of the financial performance and/or financial position of the associate.

Details of the Group's associate is as follows:

Name of associate (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group		
		2019	2018	1 January 2018
		%	%	%
<u>Held by Zhejiang Jishan Printing & Dyeing Co., Ltd ("ZJPD")</u>				
Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd. ("Shaoxing Uni-Power") People's Republic of China	Provision of financial services	26	26	26

The associate has no audit requirement in their country of incorporation and is reviewed by Moore Stephens LLP, Singapore for group consolidation purposes.

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 SFRS(I) adjusted by the Group for equity accounting purposes.

	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000
Current assets	115,770	111,578	113,009
Non-current assets	1,364	1,523	204
Current liabilities	(2,398)	(2,767)	(2,740)
Revenue	5,661	5,659	5,562
Profit/Total comprehensive income for the year	<u>4,401</u>	<u>4,119</u>	<u>4,062</u>

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:

	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000
Net assets of the associate	114,736	110,334	110,473
Proportion of the Group's ownership in Shaoxing Uni-Power	<u>26%</u>	<u>26%</u>	<u>26%</u>
Carrying amount of the Group's interest in Shaoxing Uni-Power	<u>29,832</u>	<u>28,687</u>	<u>28,723</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14 Investment in Associate (cont'd)

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 RMB25,000,000 (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 had been 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, the aforesaid Proposed Acquisition has not been completed and there is no expiry to the SPA.

15 Prepaid Leases

	2019 RMB'000	Group 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
<u>Cost</u>			
At 1 January/31 December	11,719	11,719	11,719
<u>Accumulated amortisation</u>			
At 1 January	1,270	1,035	801
Amortisation for the year	234	235	234
At 31 December	1,504	1,270	1,035
<u>Carrying amount</u>			
At 31 December	10,215	10,449	10,684
Presented as:			
Current	234	234	362
Non-current	9,981	10,215	10,322
	10,215	10,449	10,684

Details of the Group's prepaid leases are as follows:

Description and location	Land area (sqm)	Tenure
2 plots of leasehold land use rights for industrial use - Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC	37,925	50 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16 Deferred Tax Assets/(Liabilities)

	At 1 January RMB'000	Recognised in profit or loss RMB'000	Others RMB'000	At 31 December RMB'000
	(Restated)			
Group				
<u>2019</u>				
<u>Deferred tax assets:</u>				
Allowances	610	(26)	–	584
Tax losses	45,052	23,297	–	68,349
Total	45,662	23,271	–	68,933
<u>Deferred tax liabilities:</u>				
Undistributed profits	(554)	–	–	(554)
Fair value differences on investment properties	(45,708)	(451)	–	(46,159)
Accelerated tax depreciation	(3,269)	–	–	(3,269)
Paid land conversion fee capitalised	(17,142)	–	–	(17,142)
Total	(66,673)	(451)	–	(67,124)
<u>2018</u>				
<u>Deferred tax assets:</u>				
Allowances	842	(232)	–	610
Tax losses	–	6,977	38,075 ⁽¹⁾	45,052
Total	842	6,745	38,075	45,662
<u>Deferred tax liabilities:</u>				
Undistributed profits	(554)	–	–	(554)
Fair value differences on investment properties	(45,028)	(680)	–	(45,708)
Accelerated tax depreciation	(3,269)	–	–	(3,269)
Paid land conversion fee capitalised	(17,142)	–	–	(17,142)
Total	(65,993)	(680)	–	(66,673)

(1) Refer to Note 18.

As at 31 December 2019, the Group has recognised the unutilised tax losses of a subsidiary, Shaoxing Yue Sheng Real Estate Property Development Co., Ltd, of approximately RMB273,400,000 (2018: RMB180,200,000; 1 January 2018: RMB152,300,000) which can be carried forward and used to offset against future taxable income of the entity in which the tax losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the jurisdiction in which the entity operates.

There was no deferred tax assets recognised on unutilised tax losses of approximately RMB24,700,000 (2018: RMB24,700,000; 1 January 2018: RMB24,700,000) due to the uncertainty of its future utilisation. These tax losses arising from the entities in the Group operating in the PRC have an expiry of 5 years.

As at the reporting date, no deferred tax liability has been recognised for taxes that would be payable on the undistributed profits of a subsidiary, Zhejiang Jishan Printing and Dyeing Co., Ltd, in the PRC as management has determined that these undistributed earnings will not be distributable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

The aggregate amount of temporary differences associated with these undistributed profits for which no deferred tax liabilities have been recognised amounted to approximately RMB219,900,000 (2018: RMB237,800,000; 1 January 2018: RMB234,100,000). The deferred tax liability is estimated to be approximately RMB10,995,000 (2018: RMB11,890,000; 1 January 2018: RMB9,980,000).

17 Development Properties Held for Sale

	Group	
	2019 RMB'000	2018 RMB'000
At 1 January	459,605	–
Reclassified from assets classified as held for sale (Note 18)	–	459,605
At 31 December	459,605	459,605

Development properties are stated at lower of cost or net realisable value ("NRV"). NRV is assessed by the management's estimation, with reference to an independent professional valuation report for one of the plot of land, of the fair value of the 7 plots of leasehold lands for commercial and residential development which valued the development properties at RMB2,040,000,000 (2018: RMB1,597,000,000) at the reporting date.

Details of the Group's development properties held for sale are as follows:

Description and location	Tenure	Land area (sqm)
Leasehold lands for development:		
No 426, Feng Lin Road, Kebei Industrial Area, Shaoxing City, Zhejiang Province, PRC		
- Plot #14-22 ⁽¹⁾	40 years (commercial) or 70 years (residential)	49,239
- Plot #14-23 ⁽³⁾	40 years (commercial) or 70 years (residential)	20,000
- Plot #14-24 ⁽²⁾	40 years (commercial) or 70 years (residential)	28,644
- Plot #14-25 ⁽³⁾	40 years (commercial) or 70 years (residential)	10,000
- Plot #14-26 ⁽¹⁾	40 years (commercial) or 70 years (residential)	10,000
- Plot #14-27 ⁽¹⁾	40 years (commercial) or 70 years (residential)	18,767
- Plot #14-28 ⁽³⁾	40 years (commercial) or 70 years (residential)	10,000

(1) These plot of lands are mortgaged to secure the Group's short-term bank loans (Note 26).

(2) This plot of land is mortgaged to secure the Group's other borrowings from a corporate lender (Note 26).

(3) These plot of lands are mortgaged to secure the Group's other borrowings from an individual lender (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18 Assets Classified as Held for Sale

	Group	
	2019 RMB'000	2018 RMB'000
At 1 January	-	497,680
Reclassified to development properties held for sale (Note 17)	-	(459,605)
Reclassified to deferred tax assets (Note 16)	-	(38,075)
At 31 December	-	-

On 24 December 2016, the Group had 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"), to a third party (the "Proposed Disposal").

On disposal, Yue Sheng shall primarily have the following assets (the "Assets Held for Sale"):

- (i) Land use rights for 7 plots of leasehold lands with a carrying amount of RMB459,605,000; and
- (ii) Deferred tax assets totalling RMB38,075,000 arising from the recognised unutilised tax losses of Yue Sheng in prior years.

During the previous financial year ended 31 December 2018, the Proposed Disposal had been terminated pursuant to the Legal Claim (Note 40). The Group had accordingly ceased to classify the aforesaid assets as "Assets Held for Sale" and reclassified the assets back to their respective accounts for development properties held for sale and deferred tax.

19 Inventories

	2019 RMB'000	Group 2018 RMB'000	1 January 2018 RMB'000
<u>At cost:</u>			
Raw materials	483	483	479

20 Other Financial Assets

	2019 RMB'000	Group 2018 RMB'000	1 January 2018 RMB'000
<u>Financial assets carried at fair value through profit or loss:</u>			
- Held for trading	-	-	1,709
<u>Equity investments mandatorily measured at fair value through profit or loss:</u>			
- Quoted equity shares	2,652	2,235	-
	2,652	2,235	1,709

The fair values of the quoted equity shares are based on the quoted closing market prices on the last market day of the financial year. The fair value measurement of the quoted equity shares is categorised as Level 1 under the Fair Value Hierarchy as disclosed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21 Trade Receivables

	2019 RMB'000	Group 2018 RMB'000	1 January 2018 RMB'000
Third parties	-	-	13,459
Less: Allowance for impairment loss	-	-	(4,143)
	-	-	9,316

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

Movements in the expected credit loss of trade receivables during the financial year were as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	-	4,143
Reversal of allowance for impairment loss	-	(776)
Receivables written off as uncollectible	-	(3,367)
At 31 December	-	-

22 Other Receivables and Prepayments

	Group			Company		
	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000
Advances for purchases	712	2,299	2,276	-	-	-
Less: Allowance for impairment loss	-	(2,039)	(1,508)	-	-	-
	712	260	768	-	-	-
Loan to a third party ⁽ⁱ⁾	2,000	2,000	-	-	-	-
Less: Allowance for impairment loss	(2,000)	-	-	-	-	-
	-	-	-	-	-	-
Due from a subsidiary ⁽ⁱⁱ⁾	-	-	-	19,513	4,471	4,349
Advances to staff ⁽ⁱⁱⁱ⁾	-	179	179	-	-	-
Due from a related party ^(iv)	3,335	3,335	3,335	-	-	-
Recoverable expenses from lessees	3,664	2,792	3,428	-	-	-
Prepayment for legal expenses	-	-	1,000	-	-	-
Others	1,758	828	676	-	-	-
	9,469	9,394	9,386	19,513	4,471	4,349

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22 Other Receivables and Prepayments (cont'd)

- (i) Loan to a third party relates to a short-term advance made to one of the shareholders in the Group's associate, Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd, in the previous financial year which is unsecured and interest-free. During the current financial year, the Group assessed the amount will be unrecoverable, and accordingly, an allowance for impairment loss has been recognised for the full outstanding amount at the end of the reporting period.
- (ii) Amount due from a subsidiary is non-trade, unsecured, interest-free and repayable on demand in cash. Included in the amount due from a subsidiary is dividends receivable of RMB15,000,000 (2018: RMB nil).
- (iii) Advances to staff were unsecured, interest-free and repayable on demand in cash.
- (iv) Amount due from a related party (controlled by a Director of the Company) is non-trade, unsecured, interest-free and repayable on demand in cash. The Director of the Company has undertaken to provide payment to the Group in the event that the amount is not recoverable from the related party.

For the purpose of impairment assessment for other receivables (excluding prepayments and advances for purchases), the loss allowance is measured at an amount equal to 12-month ECL which reflects the low credit risk of the exposures except as disclosed below. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

Movements in the expected credit loss for other receivables during the financial year are as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
At 1 January	-	-
Impairment loss recognised during the year (see (i) above)	2,000	-
At 31 December	2,000	-

Movements in the allowance for impairment loss for non-financial assets (advances for purchases) during the financial year are as follows:

	2019	2018
	RMB'000	RMB'000
At 1 January	2,039	1,508
Impairment loss recognised during the year	-	531
Receivables written off as uncollectible	(2,039)	-
At 31 December	-	2,039

23 Cash and Bank Balances

	Group			Company		
	2019	2018	1 January	2019	2018	1 January
	RMB'000	RMB'000	2018	RMB'000	RMB'000	2018
			RMB'000			RMB'000
Cash and cash equivalents per consolidated statement of cash flows						
Cash and bank balances	7,961	25,415	38,994	1,447	253	1,084

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For the financial year ended 31 December 2019

24 Share Capital

	2019		Group and Company 2018		1 January 2018	
	Number of ordinary shares	Share capital RMB'000	Number of ordinary shares	Share capital RMB'000	Number of ordinary shares	Share capital RMB'000
<u>Issued and paid-up:</u>						
Balance at 1 January and 31 December	301,500,000	125,808	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 as and when declared by the Company.

25 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.

26 Borrowings

	2019 RMB'000	Group 2018 RMB'000	1 January 2018 RMB'000
<u>Current:</u>			
Short-term bank loans	293,790	307,408	342,890
Other borrowings from third party lenders	210,000	–	–
	<u>503,790</u>	<u>307,408</u>	<u>342,890</u>

Short-term bank loans

The short-term bank loans are arranged at fixed interest rates and the weighted average effective interest rate incurred is 7.0% (2018: 7.4%; 1 January 2018: 5.4%) per annum. The short-term bank loans with maturity periods ranging between 9 to 12 months (2018: 9 to 12 months) are due within the next twelve months from the end of the reporting period.

As at the end of the previous financial year ended 31 December 2018, the Group had been unable to obtain a renewal of certain short-term bank loans that were secured on the land use rights of 3 plots of leasehold lands of the Group's development properties held for sale pursuant to the Legal Claim (Note 40). While these outstanding loans were still subsisting, the banks had been charging the Group higher interest rates on the said loans during the financial year. As at 31 December 2018, such outstanding non-renewal short-term loans amounted to RMB204,500,000.

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For the financial year ended 31 December 2019

26 Borrowings (cont'd)

Short-term bank loans (cont'd)

During the current financial year ended 31 December 2019, consequent to the settlement of the Legal Claim, the Group has fully repaid RMB44,530,000 and successfully renewed RMB27,980,000, of the abovementioned outstanding loans. The remaining balance of RMB131,990,000 was renewed subsequent to the financial year end. These renewed loans have renewed maturity periods that are due within the next twelve months from 31 December 2019.

The short-term bank loans of the Group are secured on the following:

- Personal guarantees by a director of the Company;
- Personal guarantees by a related party (controlled by the Director of the Company);
- Corporate guarantee by the Company and certain subsidiaries;
- Pollution discharge quota of a subsidiary;
- Legal mortgage over the Group's investment properties (Note 12) and the buildings in property, plant and equipment (Note 11); and
- Legal mortgage over the land use rights of 3 plots of leasehold lands of the Group's development properties (Note 17).

Other borrowings from third party lenders

	Group 2019 RMB'000
Corporate lender ⁽ⁱ⁾	60,000
Individual lender ⁽ⁱⁱ⁾	150,000
	<u>210,000</u>

- (i) The loan from the corporate lender is arranged at a fixed interest rate of 14.4% per annum plus a service fee of 14.4% per annum payable on a monthly basis. The loan is secured on the Group's land use rights of 1 plot of leasehold land of the Group's development properties held for sale (Note 17) and guaranteed by a Director of the Company, his spouse and a corporate guarantee by a subsidiary of the Group.

The loan tenure has expired in November 2019 and the corporate lender has not called for the loan repayment from the Group at the reporting date. At the date of these financial statements, the Group is currently in discussion with the corporate lender to extend the loan tenure.

- (ii) The loan from the individual lender is arranged at a fixed interest rate of 20% per annum payable on a monthly basis. The loan is secured on the Group's land use rights of 3 plots of leasehold lands of the Group's development properties held for sale (Note 17) and guaranteed by a Director of the Company and a related party (controlled by the Director of the Company).

The loan tenure expires in March 2020. At the date of these financial statements, the loan tenure has expired and the individual lender has not called for the loan repayment from the Group. The Group is currently in discussion with the individual lender to extend the loan tenure.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27 Trade Payables

	2019 RMB'000	Group 2018 RMB'000	1 January 2018 RMB'000
Third parties	10,036	9,931	11,285

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

28 Other Payables

	Group			Company		
	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000
Accrued expenses	3,198	4,515	6,211	1,093	626	1,200
Due to subsidiaries	-	-	-	36,340	34,021	30,593
Interest payable	2,181	658	536	-	-	-
Payable for property, plant and equipment	1,555	1,969	4,723	-	-	-
Payable for investment properties	-	5,587	13,724	-	-	-
Payable for land conversion fee	22,701	22,701	22,701	-	-	-
VAT payable	2,201	-	-	-	-	-
Withholding tax payable	750	-	-	750	-	-
Other taxes payable	1,466	733	-	-	-	-
Lease deposits held from lessees	17,000	17,000	17,000	-	-	-
Advances collected from lessees	4,825	11,051	7,986	-	-	-
Accrued legal fees for Legal Claim	7,330	1,300	-	-	-	-
Deposit for Proposed Disposal	-	80,000	80,000	-	-	-
	63,207	145,514	152,881	38,183	34,647	31,793

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 (controlled by a Director of the Company) are unsecured, interest-free and repayable on demand in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30 Changes in Liabilities Arising from Financial Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below.

		← Cash flows →		Non cash changes Other changes*	
	1 January RMB'000	Proceeds RMB'000	Repayments RMB'000	RMB'000	31 December RMB'000
Group					
<u>2019</u>					
Borrowings	307,408	353,800	(157,418)	–	503,790
Loans from a related party	872	–	(27)	(14)	831
	<u>308,280</u>	<u>353,800</u>	<u>(157,445)</u>	<u>(14)</u>	<u>504,621</u>
<u>2018</u>					
Borrowings	342,890	102,900	(138,382)	–	307,408
Loans from a related party	896	–	(68)	44	872
	<u>343,786</u>	<u>102,900</u>	<u>(138,450)</u>	<u>44</u>	<u>308,280</u>

* Represents foreign exchange translation differences.

31 Operating Lease Commitments

The Group as Lessor

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. The terms of the leases also require the lessees to pay a security deposit.

The future minimum lease receivables under non-cancellable operating leases contracted at the end of the reporting period are as follows:

	Group RMB'000
<u>2019 - Operating leases under SFRS(I) 16:</u>	
Less than one year	34,818
One to two years	29,118
Two to three years	16,200
Three to four years	13,950
Four to five year	10,800
More than five years	5,942
	<u>110,828</u>

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For the financial year ended 31 December 2019

31 Operating Lease Commitments (cont'd)

The Group as Lessor (cont'd)

	Group RMB'000
<u>2018 - Operating leases under SFRS(I) 1-17:</u>	
Not later than one year	37,721
Later than one year but not later than five years	40,664
More than five years	-
	<u>78,385</u>

32 Commitments

The Group through its wholly owned subsidiary, Zhejiang Jishan Printing and Dyeing Co., Ltd, has entered into contracts to construct new factory buildings located at Binhai Industrial Zone Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC for a total capital commitment of RMB28,279,000 (2018: RMB8,250,000).

33 Related Party Transactions

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 2019 RMB'000	2018 RMB'000
Guarantees provided by related parties for borrowings granted to the Group	<u>322,788</u>	<u>262,888</u>

Key management compensation

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

	Group 2019 RMB'000	2018 RMB'000
Directors' fees	828	808
Salaries and benefits	4,935	3,624
Defined contribution plans	205	204
	<u>5,968</u>	<u>4,636</u>
Comprised amounts paid/payable to:		
Directors of the Company	3,415	2,767
Other key management personnel	2,553	1,869
	<u>5,968</u>	<u>4,636</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34 Dividends

	Group and Company	
	2019	2018
	RMB'000	RMB'000
<u>Declared and paid:</u>		
One-tier tax exempt interim dividend of RMB9.91 cents (equivalent to S\$0.0193) per ordinary share paid in respect of the financial year ended 31 December 2019	29,883	–

No final dividends have been declared in respect of the financial year ended 31 December 2019.

35 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) Leasing activities; and
- (ii) Property development activities.

Accordingly, the above are the Group's reportable segments under SFRS(I) 8. Information regarding the Group's reportable segments that is reported internally to the Group's chief operating decision maker is presented below.

Segment revenue and results

	Revenue		Net (loss)/profit	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
				(Restated)
Leasing activities	37,721	37,721	55,809	54,981
Property development activities	–	–	(81,065)	(21,783)
	<u>37,721</u>	<u>37,721</u>	<u>(25,256)</u>	<u>33,198</u>
Other operating income			–	586
Central administration costs			(37,837)	(10,836)
Other gains/(losses), net			380	(454)
Share of profit of associate			1,145	1,071
(Loss)/Profit before income tax			(61,568)	23,565
Income tax			15,691	(5,302)
Consolidated (loss)/profit for the year			<u>(45,877)</u>	<u>18,263</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 3. Segment profit/(loss) represents profit or loss earned by each segment without allocation of central administration costs, certain other operating income, certain other gains and losses, share of profit of associate and income tax. Included within the central administrative costs were legal fees and interests paid on the Legal Claim (Note 40). This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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For the financial year ended 31 December 2019

35 Segment Information (cont'd)

Segment assets

	Group	
	2019	2018
	RMB'000	RMB'000
		(Restated)
Leasing activities	277,102	265,746
Property development activities	527,954	504,656
Total segment assets	805,056	770,402
Unallocated assets	44,368	36,082
Consolidated total assets	849,424	806,484

Unallocated assets comprised primarily investment in associate, deferred tax assets, other financial assets, inventories, and other assets which are used jointly by reportable segments and are not allocated.

Segment liabilities

	Group	
	2019	2018
	RMB'000	RMB'000
		(Restated)
Leasing activities	151,806	158,948
Property development activities	507,437	308,800
Total segment liabilities	659,243	467,748
Unallocated liabilities	10,547	83,342
Consolidated total liabilities	669,790	551,090

Unallocated liabilities comprised primarily deferred tax liabilities, loans from a related party and other liabilities which are incurred jointly by reportable segments and are not allocated. Included within the unallocated liabilities were accrued legal fees for the Legal Claim (Note 28).

Other material information

	Depreciation and amortisation		Addition of property, plant and equipment		Addition of investment properties	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Restated)					
Leasing activities	3,218	4,035	33,851	2,258	3,050	–

Geographical information

The Group principally operates in the PRC (country of domicile). 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

All of the Group's leasing revenue are derived from 5 individual lessees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36 (Loss)/Earnings Per Share

The basic (loss)/earnings per share is calculated on the Group's (loss) for the financial year of RMB45,877,000 (2018: profit for the financial year of RMB18,263,000) divided by the number of ordinary shares of 301,500,000 (2018: 301,500,000) in issue during the financial year.

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

The basic earnings per share for the financial year ended 31 December 2018 has been restated as set out in Note 42.

37 Financial Risk Management

Financial Risk Management Objectives and Policies

The Group's activities expose it to credit risk, interest rate risk, currency risk, liquidity risk and price risk. The Group 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 exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks:

(a) 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. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than one year, or there is significant difficulty of the counterparty.

Trade receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics and numbers of days past due. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Further details on the loss allowance of the Group's credit risk exposure in relation to trade receivables is disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37 Financial Risk Management (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit Risk (cont'd)

Other receivables

For the purpose of impairment assessment, other receivables (excluding prepayments and advances for purchases) are considered to have low credit risk as there has been no significant increase in the risk of default on the other receivables since initial recognition except for certain other receivables as disclosed in Note 22. Accordingly, for the purpose of impairment assessment for these other receivables, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in measuring the loss allowance using 12-month ECL and management has determined the ECL is insignificant except for certain other receivables as disclosed in Note 22.

Further details on the loss allowance of the Group's credit risk exposure in relation to other receivables is disclosed in Note 22.

Cash and bank balances

Cash and bank balances are entered into with bank and financial institution counterparties, which the Group considers to have low credit risk based on external credit agency ratings.

Impairment on cash and bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and bank balances to those used for debt investments. The amount of the allowance on cash and bank balances was immaterial.

Credit risk grading guideline

The Group's management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss (ECL)
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 180 days past due).	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired (i.e. interest and/or principal repayment are more than 1 year past due).	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty.	Asset is written off

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37 Financial Risk Management (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit Risk (cont'd)

Credit risk exposure and significant credit risk premium

The credit quality of the Group's/Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

	Internal credit rating	ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Group					
<u>2019</u>					
Other receivables*	Performing	12-month ECL	8,757	-	8,757
Other receivables	Non- performing	Lifetime ECL (credit-impaired)	2,000	(2,000)	-
<u>2018</u>					
Other receivables*	Performing	12-month ECL	9,134	-	9,134
Company					
<u>2019</u>					
Amount due from a subsidiary	Performing	12-month ECL	19,513	-	19,513
<u>2018</u>					
Amount due from a subsidiary	Performing	12-month ECL	4,471	-	4,471

* Financial assets exclude prepayments and advances for purchases.

During the financial year, the Group has written off certain long outstanding other receivables amounts totalling RMB774,000 (2018: Nil) as management has assessed that there is no realistic prospect of recovery.

Financial guarantees

The Company has also issued financial guarantees to banks for the short-term loans of its subsidiary amounted to RMB185,000,000 (2018: RMB35,000,000). These financial guarantees are subject to impairment requirements. The Company has assessed its subsidiary's financial position and does not expect significant credit losses arising from these financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37 Financial Risk Management (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(b) 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.

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				
2019				
<u>Financial assets</u>				
Cash and bank balances	6,379	1,357	225	7,961
Other receivables*	8,757	–	–	8,757
Other financial assets	2,652	–	–	2,652
	<u>17,788</u>	<u>1,357</u>	<u>225</u>	<u>19,370</u>
<u>Financial liabilities</u>				
Trade and other payables**	(67,733)	(1,093)	–	(68,826)
Borrowings	(503,790)	–	–	(503,790)
Loans from a related party	–	–	(831)	(831)
	<u>(571,523)</u>	<u>(1,093)</u>	<u>(831)</u>	<u>(573,447)</u>
Net financial (liabilities)/assets	(553,735)	264	(606)	(554,077)
Less: Net financial liabilities denominated in the respective entity's functional currency	553,735	–	–	553,735
Currency exposure	<u>–</u>	<u>264</u>	<u>(606)</u>	<u>(342)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37 Financial Risk Management (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(b) Currency Risk (cont'd)

	RMB RMB'000	SGD RMB'000	USD RMB'000	Total RMB'000
Group				
<u>2018</u>				
<u>Financial assets</u>				
Cash and bank balances	25,046	168	201	25,415
Other receivables*	9,134	–	–	9,134
Other financial assets	2,235	–	–	2,235
	36,415	168	201	36,784
<u>Financial liabilities</u>				
Trade and other payables**	(154,086)	(626)	–	(154,712)
Borrowings	(307,408)	–	–	(307,408)
Loans from a related party	–	–	(872)	(872)
	(461,494)	(626)	(872)	(462,992)
Net financial (liabilities)/assets	(425,079)	(458)	(671)	(426,208)
Less: Net financial liabilities denominated in the respective entity's functional currency	425,079	–	–	425,079
Currency exposure	–	(458)	(671)	(1,129)
<u>1 January 2018</u>				
<u>Financial assets</u>				
Cash and bank balances	37,799	1,003	192	38,994
Trade and other receivables*	16,934	–	–	16,934
Other financial assets	1,709	–	–	1,709
	56,442	1,003	192	57,637
<u>Financial liabilities</u>				
Trade and other payables**	(162,965)	(1,201)	–	(164,166)
Bank borrowings	(342,890)	–	–	(342,890)
Loans from a related party	–	–	(896)	(896)
	(505,855)	(1,201)	(896)	(507,952)
Net financial liabilities	(449,413)	(198)	(704)	(450,315)
Less: Net financial liabilities denominated in the respective entity's functional currency	449,413	–	–	449,413
Currency exposure	–	(198)	(704)	(902)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37 Financial Risk Management (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(b) Currency Risk (cont'd)

	RMB RMB'000	SGD RMB'000	USD RMB'000	Total RMB'000
Company				
<u>2019</u>				
<u>Financial assets</u>				
Cash and bank balances	–	1,357	90	1,447
Other receivables*	19,513	–	–	19,513
	19,513	1,357	90	20,960
<u>Financial liabilities</u>				
Other payables**	(6,726)	(30,044)	(663)	(37,433)
Loans from a related party	–	–	(831)	(831)
	(6,726)	(30,044)	(1,494)	(38,264)
Net financial assets/(liabilities)	12,787	(28,687)	(1,404)	(17,304)
Less: Net financial assets denominated in the respective entity's functional currency	(12,787)	–	–	(12,787)
Currency exposure	–	(28,687)	(1,404)	(30,091)
<u>2018</u>				
<u>Financial assets</u>				
Cash and bank balances	–	168	85	253
Other receivables*	4,471	–	–	4,471
	4,471	168	85	4,724
<u>Financial liabilities</u>				
Other payables**	(5,348)	(28,647)	(652)	(34,647)
Loans from a related party	–	–	(872)	(872)
	(5,348)	(28,647)	(1,524)	(35,519)
Net financial liabilities	(877)	(28,479)	(1,439)	(30,795)
Less: Net financial liabilities denominated in the respective entity's functional currency	877	–	–	877
Currency exposure	–	(28,479)	(1,439)	(29,918)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37 Financial Risk Management (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(b) Currency Risk (cont'd)

	RMB RMB'000	SGD RMB'000	USD RMB'000	Total RMB'000
Company				
<u>1 January 2018</u>				
<u>Financial assets</u>				
Cash and bank balances	–	1,003	81	1,084
Other receivables*	4,349	–	–	4,349
	4,349	1,003	81	5,433
<u>Financial liabilities</u>				
Other payables**	(4,639)	(27,154)	–	(31,793)
Loans from a related party	–	–	(896)	(896)
	(4,639)	(27,154)	(896)	(32,689)
Net financial liabilities	(290)	(26,151)	(815)	(27,256)
Less: Net financial liabilities denominated in the respective entity's functional currency	290	–	–	290
Currency exposure	–	(26,151)	(815)	(26,966)

* Financial assets exclude prepayments and advances for purchases.

** Financial liabilities exclude taxes payable.

A 10% strengthening of SGD and USD against RMB as at the statement of financial position date would (increase)/decrease the Group's and the Company's (loss)/profit before income tax by the amounts shown below. This analysis assumes that all other variables, including income tax, remain constant.

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
SGD	26	(46)	(2,869)	(2,848)
USD	(61)	(67)	(140)	(144)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37 Financial Risk Management (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Interest Risk

The Group obtains additional financing through 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.

Information on the Group's borrowings that are exposed to interest rate risk is disclosed in Note 26.

The Group's results for the financial year are 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.

The Company has no interest bearing financial instruments at the end of the reporting period.

(d) Liquidity Risk

Liquidity risk is the risk that the Group/Company will encounter difficulty in meeting its obligations due to shortage of funds. The Group/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/Company's borrowings and going concern assumption are set out in Note 26 and Note 3(b), respectively.

The table below analyses the maturity profile of the financial liabilities of the Group/Company at the end of the reporting period based on contractual undiscounted cash flows of the financial liabilities on the earlier date on which the Group/Company can be required to pay.

	Carrying amount RMB'000	Contractual cash flows within 1 year RMB'000
Group		
<u>2019</u>		
Trade and other payables*	68,826	68,826
Borrowings	503,790	529,490
Loans from a related party	831	831
	<u>573,447</u>	<u>599,147</u>
<u>2018</u>		
Trade and other payables*	154,712	154,712
Borrowings	307,408	326,944
Loans from a related party	872	872
	<u>462,992</u>	<u>482,528</u>
<u>1 January 2018</u>		
Trade and other payables*	217,836	217,836
Borrowings	379,000	386,641
Loans from a related party	968	968
	<u>597,804</u>	<u>605,445</u>

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For the financial year ended 31 December 2019

37 Financial Risk Management (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(d) Liquidity Risk (cont'd)

	Carrying amount RMB'000	Contractual cash flows within 1 year RMB'000
Company		
<u>2019</u>		
Other payables*	37,433	37,433
Loans from a related party	831	831
Financial guarantees	–	217,363
	<u>38,264</u>	<u>255,627</u>
<u>2018</u>		
Other payables	34,647	34,647
Loans from a related party	872	872
Financial guarantees	–	38,426
	<u>35,519</u>	<u>73,945</u>
<u>1 January 2018</u>		
Other payables	31,793	31,793
Loans from a related party	896	896
Financial guarantees	–	37,284
	<u>32,689</u>	<u>69,973</u>

* Financial liabilities exclude taxes payable.

(e) Price Risk

The Group is exposed to equity price risk arising from its investment in quoted equity shares. The investments are held for short-term profit-taking.

The sensitivity of the Group's results for the financial year from a reasonable possible change in the equity prices of the quoted equity shares, with all other variables, including income tax held constant, is not disclosed in these financial statements as the impact is considered not material.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38 Fair Value

(a) Fair Value Hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Financial Assets Measured at Fair Value

The following table presents the financial assets measured at fair value at the reporting date:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Group				
<u>2019</u>				
Investment properties (Note 12)	–	–	203,515	203,515
Other financial assets (Note 20)	2,652	–	–	2,652
<u>2018</u>				
Investment properties (Note 12)	–	–	198,393	198,393
Other financial assets (Note 20)	2,235	–	–	2,235
<u>1 January 2018</u>				
Investment properties (Note 12)	–	–	195,670	195,670
Other financial assets (Note 20)	1,709	–	–	1,709

Level 1 fair value measurement

The fair values of the quoted equity shares are based on the quoted closing market prices on the last market day of the financial year. The quoted market prices used is the current bid price.

Level 3 fair value measurement

Description	Valuation method	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Capitalisation approach	Capitalisation rates of 12.5% (2018: 12.5%; 1 January 2018: 12.5%)	The fair value increases as capitalisation rate decrease

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38 Fair Value (cont'd)

(b) Financial Assets Measured at Fair Value (cont'd)

Valuation policies and procedures

The Group has an established control framework with respect to the measurement of fair values. This framework includes a finance team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used as a reference to measure fair value, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, the Group will engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation. For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed by the finance team along with the appropriateness and reliability of the inputs.

Significant valuation issues are reported to the Audit Risk Committee.

Other financial assets and financial liabilities

The carrying amounts of other financial assets and financial liabilities, with a maturity of less than one year, are assumed to approximate their fair values due to their relatively short-term period of maturity.

39 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 for the financial years ended 31 December 2019 and 2018.

The capital structure of the Group consists of net debts (total liabilities excluding deferred tax liabilities and income tax payable, 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 2019 and 2018, other than the statutory reserve requirements of the Group's subsidiaries in the PRC as disclosed in Note 25.

The Group monitors capital with reference to a net debt-to-equity ratio, which at the reporting date is as follows:

	2019 RMB'000	Group 2018 RMB'000 (Restated)	1 January 2018 RMB'000 (Restated)
Total debts	577,864	463,725	507,952
Less: Cash and bank balances	(7,961)	(25,415)	(38,994)
Net debts	569,903	438,310	468,958
Total equity	179,634	255,394	238,238
Net debt-to-equity ratio	3.2	1.7	2.0

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

40 Legal Claim

On 24 December 2016, Zhejiang Jishan Printing & Dyeing Co., Ltd. ("P&D"), a wholly owned subsidiary of the Group, had entered into a conditional share transfer agreement ("Original Agreement") for the disposal of its wholly owned subsidiary, Shaoxing Yue Sheng Real Estate Property Development Co., Ltd. ("Yue Sheng"), to a third party (the "Purchaser") for consideration of approximately RMB785,800,000 (the "Proposed Disposal").

On 5 April 2017, P&D had entered into a Supplemental Agreement in which the purchase consideration was adjusted from RMB785,800,000 to RMB1,183,200,000.

On 10 October 2017, the Company announced that owing to the Purchaser's conduct and refusal to agree to a revised purchase consideration which was based on an updated independent valuation, the Group had terminated the Original Agreement.

On 1 November 2017, the Company announced that the Purchaser had filed a legal claim against P&D (Legal Claim), the Guarantor (Zhejiang Jishan Holding Group Co., Ltd) and the Target (Yue Sheng) for certain alleged breaches that had been committed by P&D. Specifically, the Purchaser was claiming (i) withdrawal of the Supplemental Agreement; (ii) the continued performance of the Original Agreement; and (iii) RMB485,973 for costs incurred as at 28 September 2018. In addition, the Purchaser had obtained an order from the High Court in the PRC to freeze the following assets by way of an injunction:

- (i) 100% of equity interest in the Target held by P&D; and
- (ii) The 7 land use rights (for a total amount of up to RMB780,000,000) (Refer to Note 17).

On 25 October 2018, the Higher People's Court of Zhejiang Province ("Zhejiang Higher Court") issued a first-instance judgement as follows:

- (i) The Original Agreement and the Supplemental Agreement had since been terminated;
- (ii) P&D will pay to the Purchaser the upfront deposit of RMB80,000,000, together with interest of 24% per annum;
- (iii) Dismissed the Purchaser's claims; and
- (iv) The Purchaser shall pay the costs and disbursements of the Legal Claim totalling RMB5,957,800 and the application fees relating to property preservation measures totalling RMB5,000. P&D shall pay the costs and disbursements of its counter-claims totalling RMB220,900.

On 12 November 2018, P&D had received a written appeal against the first-instance judgement issued from Zhejiang Higher Court filed by the Purchaser to the Supreme People's Court of the PRC ("Supreme Court").

On 31 July 2019, the Company announced that the Supreme Court has dismissed the Purchaser's appeal, and affirmed the first-instance judgement issued by the Zhejiang Higher Court relating to the Legal Claim. The judgement of the Supreme Court shall be final and binding on the parties. The Supreme Court has further ordered that the court fees and hearing fees for the appeal, aggregating RMB5,957,800, shall be borne by the Purchaser. The Supreme Court has also ruled that the interest of 24% per annum in respect of the upfront deposit of RMB80,000,000 is to be calculated starting from 16 October 2017 till the date of payment.

As at 31 December 2019, the Group has fully repaid the upfront deposit of RMB80,000,000 to the Purchaser together with a total interest of RMB36,693,000 (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

41 Subsequent Events

The emergence of COVID-19 since early 2020 has brought about uncertainties to the Group's operating environment in China. The Group is cognizant of the challenges posed by these developing events and the Group is undertaking a comprehensive assessment of the impact of the COVID-19 pandemic on the China's print and dye market, and in turn on the Group's leasing operations.

The Group will continuously assess the situation and put in place measures to contain the spread of COVID-19 so as to minimise impact to our business. Due to the uncertainty and fluidity of developments surrounding COVID-19, the full extent of the impact that these events will have on the Group's financial position, results of operations or cash flows could not be reasonably ascertained yet.

42 Comparative Figures

As disclosed in Note 3(h), with effect from 1 January 2019, the Group has elected to change the accounting policy for investment properties from the cost model to the fair value model under SFRS(I) 1-40 *Investment Property*. This change is regarded as a change in accounting policy in accordance with SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors* and has been applied retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Details of the restatement of prior financial years and the effects on the relevant line items of the consolidated statement of comprehensive income, consolidated statement of financial position, and consolidated statement of change in equity of the Group are set out below.

	As previously reported RMB'000	Adjustments RMB'000	Restated RMB'000
Group			
Financial year ended 31 December 2018			
<u>Consolidated statement of comprehensive income</u>			
Administrative expenses			
- Depreciation of investment properties	(4,227)	4,227	-
- Amortisation of prepaid leases	(519)	284	(235)
	(32,518)	4,511	(28,007)
Other gains – fair value gain on investment properties	-	2,723	2,723
Profit before income tax	16,331	7,234	23,565
Income tax	(4,622)	(680)	(5,302)
Profit for the year	11,709	6,554	18,263
Total comprehensive income	11,709	6,554	18,263
<u>Profit per share (RMB cents)</u>			
- Basic and diluted	3.88	2.17	6.05

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

42 Comparative Figures (cont'd)

	As previously reported RMB'000	Adjustments RMB'000	Restated RMB'000
Group			
As at 31 December 2018			
<u>Consolidated statement of financial position</u>			
Investment properties	87,245	111,148	198,393
Prepaid leases – non-current	22,625	(12,410)	10,215
Prepaid leases – current	519	(285)	234
Retained earnings	31,984	75,924	107,908
Deferred tax liabilities	44,144	22,529	66,673

	As previously reported RMB'000	Adjustments RMB'000	Restated RMB'000
Group			
Financial year ended 31 December 2018			
<u>Consolidated statement of changes in equity</u>			
Balance at 1 January 2018	167,761	69,370	237,131
Profit for the year	11,709	6,554	18,263
Balance at 31 December 2018	179,470	75,924	255,394

The change in accounting policy has no effect on the consolidated statement of cash flows of the Group for the financial year ended 31 December 2018.

	As previously reported RMB'000	Adjustments RMB'000	Restated RMB'000
Group			
As at 1 January 2018			
<u>Consolidated statement of financial position</u>			
Investment properties	91,472	104,198	195,670
Prepaid leases – non-current	23,016	(12,694)	10,322
Prepaid leases – current	647	(285)	362
Retained earnings	20,275	69,370	89,645
Income tax payable	32,713	(23,327)	9,386
Deferred tax liabilities	20,817	45,176	65,993

43 Authorisation of Financial Statements for Issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 3 June 2020.

STATISTICS OF SHAREHOLDERS

As at 15 May 2020

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	0.08%	2	0.00%
100 - 1,000	43	3.64%	38,300	0.01%
1,001 - 10,000	796	67.40%	5,186,100	1.72%
10,001 - 1,000,000	333	28.20%	19,005,298	6.30%
1,000,001 and above	8	0.68%	277,270,300	91.97%
	1,181	100%	301,500,000	100%

Based on information available to the Company as at 15 May 2020, approximately 21.0327% 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 15 May 2020

S/No.	Name	No. of Shares	Percentage
1	DBS NOMINEES PTE LTD	226,961,200	75.28%
2	JIN GUAN LIANG	16,649,500	5.52%
3	TEO CHENG TUAN DONALD	13,278,000	4.40%
4	MAYBANK KIM ENG SECURITIES PTE.LTD.	6,524,000	2.16%
5	LIM AND TAN SECURITIES PTE LTD	5,447,100	1.81%
6	CITIBANK NOMINEES SINGAPORE PTE LTD	4,568,500	1.51%
7	CHEN GANG	2,652,000	0.88%
8	YANG JINKUI	1,190,000	0.39%
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,000,000	0.33%
10	ENG KOON HOCK	568,000	0.19%
11	LEE KUM YOKE	413,000	0.14%
12	QIAN YUECHAO	395,000	0.13%
13	GOH WOON KEAT	350,000	0.12%
14	YEOH POH LENG	350,000	0.12%
15	TEE POI TENG	327,000	0.11%
16	ZHANG HUA	325,000	0.11%
17	ABLEWOOD INTERNATIONAL LIMITED	300,000	0.10%
18	TAN AH CHYE	300,000	0.10%
19	CHIA KAR SOCK	259,000	0.09%
20	HUANG BAOJIA	259,000	0.09%
		282,116,300	93.58%

STATISTICS OF SHAREHOLDERS

As at 15 May 2020

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 220,623,000 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 Sixteenth Annual General Meeting (“AGM”) of China Jishan Holdings Limited (“Company”) will be convened and held by electronic means on Friday, 26 June 2020 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 2019 together with the Auditors’ Report thereon. **[Resolution 1]**
2. To approve Directors’ Fees of RMB828,586 (2019: RMB800,992) to be paid half-yearly in arrears for the financial year ending 31 December 2020. **[Resolution 2]**
3. To re-elect the following Directors retiring pursuant to the Regulation 89 of the Company’s Constitution and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”). [see Explanatory Note (i):-
 - a) Mr Yong Kok Hoon **[Resolution 3(a)]**
 - b) Ms Cai TianChen **[Resolution 3(b)]**
 - c) Mr Lien Kait Long **[Resolution 3(c)]**
- 4(i) That contingent upon the passing of Ordinary Resolution 3(c) above, and in accordance with Rule 210(5)(d) (iii) of the Listing Manual of the SGX-ST which will take effect on 1 January 2022, shareholders to approve Mr Lien Kiat Long’s continued appointment as an Independent Director, this Resolution to remain in force until the earlier of Mr Lien Kiat Long’s retirement or resignation as a Director or the conclusion of the third AGM following the passing of this Resolution and Resolution 4(ii) below. [See Explanatory Note (ii)] **[Resolution 4(i)]**
- 4(ii) That contingent upon the passing of Ordinary Resolution 4(i) above, and in accordance with Rule 210(5)(d) (iii) of the Listing Manual of the SGX-ST which will take effect on 1 January 2022, shareholders (excluding the Directors and Chief Executive Officer of the Company, and associates of such Directors and Chief Executive Officer) to approve Mr Lien Kiat Long’s continued appointment as an Independent Director, this Resolution to remain in force until the earlier of Mr Lien Kiat Long’s retirement or resignation as a Director or the conclusion of the third AGM following the passing of this Resolution and Resolution 4(i) above. [See Explanatory Note (ii)] **[Resolution 4(ii)]**
5. To re-appoint Messrs Moore Stephens LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 5]**
6. 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

7. That pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) and the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors of the Company to:
 - (a) (i) issue shares of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”), that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures, or other instruments convertible into shares,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons, as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors, while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution, shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities which are issued and outstanding or subsisting at the time of the passing of this Resolution;
 - (b) new shares arising from exercising share options or vesting of share awards which are issued and outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)]

[Resolution 6]

BY ORDER OF THE BOARD

Chan Wai Teng Priscilla
Company Secretary
Singapore, 9 June 2020

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(i) Ordinary Resolutions 3(a), (b) and (c) proposed in items 3(a), (b) and (c) above:-

The Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Mr Yong Kok Hoon, Ms Cai TianChen and Mr Lien Kait Long who will be retiring by rotation pursuant to Regulation 89 of the Constitution and Rule 720(5) of the Listing Manual of the SGX-ST.

Please refer to the “Supplemental Information” section of the Company’s annual report for the financial year ended 31 December 2019 (“**Annual Report 2019**”) for detailed information on each of Mr Yong Kok Hoon, Ms Cai TianChen and Mr Lien Kait Long as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

Note to Ordinary Resolution 3(b) proposed in item 3(b) above:-

Ms Cai TianChen is an Independent Director, Chairman of the Remuneration Committee and member of the Audit and Risk Committee. She will continue in the said capacities upon re-election as a Director of the Company.

Note to Ordinary Resolution no. 3(c) proposed in item 3(c) above:-

Mr Lien Kait Long is a Non-Executive and Independent Chairman of the Board and Chairman of the Audit and Risk Committee and member of the Remuneration Committee and Nominating Committee. Upon the passing of Resolutions 3(c), 4(i) and 4(ii), he will continue in the said capacities upon re-election as an Independent Director of the Company.

- (ii) Ordinary Resolutions 4(i) and 4(ii) proposed in items 4(i) and 4(ii) above – On 6 August 2018, the SGX-ST amended the Listing Manual following the publication of the Code of Corporate Governance 2018 by the Monetary Authority of Singapore. As part of the amendments to the Code of Corporate Governance 2018, certain guidelines from the Code of Corporate Governance 2012 were shifted into the Listing Manual for mandatory compliance. On 28 November 2018, the SGX-ST issued the Transitional Practice Note 3 to establish transitional arrangements for certain guidelines shifted into the Listing Manual. Pursuant thereto, and in respect of Rule 210(5)(d)(iii) of the Listing Manual, to ensure that the independence designation of a director who has served for more than 9 years as at and from 1 January 2022 is not affected, the Company is seeking to obtain shareholders’ approvals for Mr Lien Kiat Long’s continued appointment as an independent director prior to 1 January 2022, as he has served for more than 9 years on the Board of the Company. Rule 210(5)(d)(iii) of the Listing Manual provides that continued appointment as independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders (Resolution 4(i)); and (B) shareholders excluding directors, chief executive officer, and their associates (Resolution 4(ii)).
- (iii) Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the next Annual General Meeting, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the capital of the Company (the “shares”) and to make or grant instruments 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 and subsidiary holdings) with a sub-limit of 20 per centum of the total number of issued shares (excluding treasury shares and subsidiary holdings) 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.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings), will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities, or share options, or vesting of share awards, which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Rule 816(1) of the Listing Manual of 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

NOTES ON THE ALTERNATIVE ARRANGEMENTS FOR THE FORTHCOMING AGM TO BE HELD ON 26 JUNE 2020

1. Conduct of AGM by electronic means

1.1 This forthcoming AGM is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 passed by Parliament on 7 April 2020 which enables the Minister for Law by order to prescribe alternative arrangements for listed companies in Singapore to, inter alia, conduct general meetings, either wholly or partly, by electronic communication, video conferencing, tele-conferencing or other electronic means, and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 which was gazetted on 13 April 2020, and which sets out the alternative arrangements in respect of, inter alia, general meetings of companies. **Printed copies of this Notice of AGM will not be sent to members. Instead, this Notice of AGM will be sent to members solely by electronic means via publication on SGXNet (<https://www.sgx.com/securities/company-announcements>).**

1.2 **Due to the current COVID-19 restriction orders in Singapore, members (including relevant intermediaries, as defined in Section 181 of the Companies Act (Chapter 50 of Singapore)) will not be able to attend the AGM in person.**

Pursuant to Section 181 of the Companies Act (Chapter 50 of Singapore), a relevant intermediary means:-

- (a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or its wholly-owned subsidiary whose business includes the provision of 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 (Chapter 289 of Singapore) and holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased on behalf of CPF investors.

1.3 A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. Instead, alternative arrangements for participation at the AGM is in place for members who have pre-registered to participate at the AGM by:

- (a) observing and/or listening to the proceedings of the AGM via a "live" audio-visual webcast or "live" audio-only stream;
- (b) submitting questions in advance of the AGM; and
- (c) appointing the Chairman of the AGM ("**AGM Chairman**") as proxy to attend, speak and vote on their behalf at the AGM.

Details of the steps for pre-registration, pre-submission of questions and voting at the AGM are set out below.

2. Pre-Registration for live webcast

2.1 The proceedings of this AGM will be broadcasted "live" through a webcast comprising both video (audio-visual) and audio feeds ("**Live Webcast**"). Shareholders and investors holding Shares, including those through Depository Agents ("DA"), the Central Provident Fund ("**CPF**") or Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS Investors**") ("**Investors**") who wish to follow the proceedings must pre-register via the pre-registration site at URL: <https://sg.conveneagm.com/chinajishan> ("**Pre-registration Website**") no later than **10.00 a.m. on 23 June 2020** (Singapore time) ("**Registration Deadline**"). Investors through DA should also note time-line in Item 2.4 below.

Following authentication of status of a shareholder or an Investor, such shareholder or Investor will receive an email notification and will be able to access the Live Webcast to watch and/or listen to the AGM proceedings via signing in using the account details created during pre-registration at the Pre-registration Website.

2.2 Shareholders who have pre-registered by the Registration Deadline but do not receive the aforementioned email by **2.00 p.m. on 25 June 2020** (Singapore time) should contact the Company's share registrar, M & C Services Private Limited for assistance, at +65 62280504 or +65 62280507 or gpa@mncsingapore.com.

2.3 Shareholders MUST NOT forward the unique link to other persons who are not Shareholders and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live Webcast.

2.4 Investors holding Shares through relevant intermediaries (as defined in Section 181 of the Companies Act) (other than CPF/SRS Investors) should also notify his/her relevant intermediary by **5.00 p.m. on 16 June 2020** (Singapore time) in order for the relevant intermediary to make the necessary arrangements to facilitate the validation of the investors as participants.

NOTICE OF ANNUAL GENERAL MEETING

- 2.5 The relevant intermediary of CPF/SRS Investors is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/Passport number) to the Company's Share Registrar, M & C Services Private Limited, via email to gpa@mncsingapore.com at least 72 hrs before the AGM.

3. Submit Questions in Advance

- 3.1 Members and Investors will not be able to ask questions "live" during the broadcast of this AGM. Instead, all members and Investors may pre-submit questions relating to the business of this AGM before **10.00 a.m. on 19 June 2020 (Friday)** (Singapore time) ("**Submission Deadline**"):

- (a) via the pre-registration form at the Pre-registration Website (URL: <https://sg.conveneagm.com/chinajishan>); or
- (b) by email to zavierong@august.com.sg.

- 3.2 Members will need to identify themselves when posing questions by email by providing the following details:

- (a) the member's full name as it appears on his/her/its CDP/CPF/SRS/scrip-based share records;
- (b) the member's NRIC/Passport/UEN Number;
- (c) the member's contact number and email address; and
- (d) the manner in which the member holds his/her/its shares in the Company (e.g. via CDP, CPF or SRS) records.

The Company will not be able to answer questions from persons who provide insufficient details to enable the Company to verify his/her/its shareholder status.

- 3.3 The Company will endeavour to address substantial and relevant questions prior to the AGM through publication on SGXNet or at the AGM.
- 3.4 Please note that shareholders will not be able to ask questions at the AGM and accordingly, it is important for shareholders to submit their questions by the Submission Deadline.
- 3.5 The Company will publish the minutes of the AGM on SGXNet, and the minutes will include the responses to substantial and relevant questions from shareholders which are addressed during the AGM.

4. Proxy Voting

- 4.1 Shareholders will not be able to vote online on the resolutions to be tabled for approval at the AGM. Instead, if shareholders (whether individuals or corporates) wish to exercise their votes, they must submit a proxy form to appoint the AGM Chairman to attend, speak and vote on their behalf at the AGM. The AGM Chairman, as proxy, need not be a member of the Company. An electronic copy of the proxy form has been made available on SGXNet (<https://www.sgx.com/securities/company-announcements>) and the following website (<https://sg.conveneagm.com/chinajishan>).
- 4.2 Shareholders (whether individuals or corporates) appointing the AGM Chairman as proxy must give specific instructions in the proxy form as to his/her/its manner of voting, or abstentions from voting, in respect of a resolution, failing which the appointment of the AGM Chairman as proxy and votes for the resolution will be treated as invalid.
- 4.3 The proxy form is not valid for use by Investors (including CPF/SRS Investors) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor (other than a CPF/SRS Investor) who wishes to vote should also approach his/her/its relevant intermediary as soon as possible to specify his/her/its voting instructions. A CPF/SRS investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator at least seven (7) working days before the date of the AGM to submit his/her voting instructions.
- 4.4 The proxy form (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must be submitted to the Company not less than 72 hours before the time appointed for holding the AGM (i.e. no later than **10.00 a.m. on 23 June 2020** (Singapore time)) through any one of the following means:
- (i) by depositing a physical copy at the Company's registered office at 112 Robinson Road, #05-01, Singapore 068902; or
 - (ii) by sending a copy by email to the Company's Share Registrar, M & C Services Private Limited at gpa@mncsingapore.com.

A member who wishes to submit the proxy form must first download the proxy form from SGXNet or the Webcast website, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

NOTICE OF ANNUAL GENERAL MEETING

- 4.5 In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. **Documents relating to AGM**

All documents or information relating to the business of this AGM (including the Annual Report 2019, proxy form and this Notice of AGM) have been, or will be, published on SGXNet. **Printed copies of the documents will not be despatched to members.** Members and Investors are advised to check SGXNet regularly for updates.

6. **General**

Shareholders are reminded not to congregate to watch the Live Webcast and ensure that safe distancing measures are practiced and regulations and all government advisories are adhered to.

IMPORTANT: Due to the constantly evolving COVID-19 situation in Singapore, the Company may be required to change its arrangements for the AGM at short notice. Shareholders are advised to regularly check our corporate announcements via SGXNet for updates on the AGM.

PERSONAL DATA PRIVACY

By submitting the proxy form appointing the AGM Chairman to attend, speak and vote at the AGM and/or any adjournment thereof, a member 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 the appointment of the AGM Chairman as proxy for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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.

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

The following information relating to Mr Lien Kait Long, Mr Yong Kok Hoon and Ms Cai TianChen, each of whom is standing for re-election as a Director at the Annual General Meeting of the Company on 26 June 2020, is provided pursuant to Rule 720(6) of the Mainboard Listing Manual of the Singapore Exchange Securities Trading Limited.

Name of Director	Lien Kait Long	Yong Kok Hoon	Cai TianChen
Date of Appointment	20 March 2004	28 December 2017	28 December 2017
Date of last re-appointment (if applicable)	27 April 2018	27 April 2018	27 April 2018
Age	72	63	47
Country of principal residence	Singapore	Singapore	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Mr Lien continued to demonstrate strong independence in character and judgement in the discharge of his duties and responsibilities as Director of the Company, with the utmost commitment to protect and uphold the interests of the Company and all shareholders. He expressed individual viewpoints, debated issues and objectively scrutinized management, and sought clarification and amplification as he deemed necessary. Further, having gained in-depth understanding of business and operating environment of the Group, he provides the Company with much needed experience and knowledge of the industry. 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 Yong's extensive experience in corporate management, mergers and acquisitions, business developments; and extensive audit and regulatory compliance background, will provide greater balance and diversity of skills, experience and knowledge that contribute towards the core competencies of the Board. The Nominating Committee and Board recommend the re-election of Mr Yong as an Executive Director of the Company.	Ms Cai extensive knowledge on regulatory issues will provide greater balance and diversity of skills, experience and knowledge that contribute towards the core competencies of the Board. She has over 20 years of professional experience in international accounting firms. She amassed extensive experience in IPOs, fund raising, mergers and acquisitions, and restructuring. She holds memberships in the Institute of Singapore Chartered Accountants (Singapore CPA), the Hong Kong Institute of Certified Public Accountants (HK CPA) and the Chinese Institute of Certified Public Accountants. The Nominating Committee and Board recommend the re-election of Ms Cai as an Independent Non-Executive Director of the Company.

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

Name of Director	Lien Kait Long	Yong Kok Hoon	Cai TianChen
	The Nominating Committee and Board recommend the re-election of Mr Lien as Non-Executive and Independent Chairman of the Company.		
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive – Mr Yong contributes to areas of investor relations, regulatory compliance and business strategies. Mr Yong also undertakes duties and responsibilities as may from time to time assigned to him by or under the authority of the Board.	Non-Executive
Job Title	- Non-Executive and Independent Chairman - Audit & Risk Committee (Chairman) - Nominating Committee (Member) - Remuneration Committee (Member)	Executive Director	- Independent Non-Executive Director - Remuneration Committee (Chairman) - Audit & Risk Committee (Member)
Professional qualifications	- Bachelor of Commerce degree from Nanyang University - Fellow member of the CPA Australia - Fellow member of the Institute of Singapore Chartered Accountants.	- Master of Business Administration degree from the International Management Centre, Europe - Chartered Accountant (Singapore) - Fellow of the Association of Chartered Certified Accountants (UK)	Graduated from Hangzhou Institute of Electronic Engineering, Hangzhou, Zhejiang, China Memberships in:- - The Institute of Singapore Chartered Accountants (Singapore CPA) - The Hong Kong Institute of Certified Public Accountants (HK CPA) - The Chinese Institute of Certified Public Accountants (Chinese CPA)

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

Name of Director	Lien Kait Long	Yong Kok Hoon	Cai TianChen
Working experience and occupation(s) during the past 10 years	2004 to 2006 - Deputy President of Shenzhen Flink Investment & Development Co Ltd 1998 to 2003 - Executive Director of China Strategic Holdings Ltd 1996 to 1998 - General Manager of China Division of Hong Leong Corporation Ltd 1994 to 1996 - Executive Director of International Operations of RGM Group Ltd 1992 to 1993 - Finance Director of China Strategic Holdings Ltd 1981 to 1992 - Group General Manager of United Industrial Corporation Ltd 1974 to 1981 - Group Accountant cum Personal Assistant to Executive Chairman of Industrial & Commercial Bank Ltd 1972 to 1974 - Accountant of Fitzpatrick's Far East Ltd	August 2018 to present - Business Consultancy June 2014 to July 2018 - Managing Director of Recolte Holdings Limited Oct 1999 to May 2014 - ED, CFO and Managing Director of Innotek Ltd (Listed on SGX-ST) Chairman and CEO of Mansfield Group of Companies (HK)	- Fellow member of the Association of Chartered Certified Accountants (FCCA) - Chartered Financial Analyst (CFA). 2019 to present - Senior Partner, RSM China 2013 to 2019 - Partner, Grant Thornton, China 2007 to 2013 - Senior Manager, Deloitte China
Shareholding interest in the Company and its subsidiaries	No	Holds 15,000 Shares under DBS Nominees Pte Ltd	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	No	No	No

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

Name of Director	Lien Kait Long	Yong Kok Hoon	Cai TianChen
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes
Other principal commitments (including directorships) – Present	<u>Directorship in companies listed on SGX-ST</u> - China Jishan Holdings Limited - Falcon Energy Group Limited - Tat Seng Packaging Group Ltd - China Real Estate Grp Ltd <u>Directorship in a company listed on United States OTC Securities Market</u> - China Enterprises Limited	<u>Directorship in a company listed on SGX-ST</u> China Jishan Holdings Limited	<u>Directorship in a company listed on SGX-ST</u> - China Jishan Holdings Limited <u>Directorship in a company listed on Hong Kong Stock Exchange</u> - Nanjing Sinolife United Company Limited
Other principal commitments (including directorships) – Past, for the last 5 years	<u>Directorship in companies listed on SGX-ST</u> - Renewable Energy Asia Group Limited - IPC Corporation Limited - Hanwell Holdings Limited 8Telecom International Holdings Co., Ltd - Viking Offshore and Marine Ltd - Pacific Healthcare Holdings Ltd	- Sabana Real Estate Investment Trust Management Pte. Limited (Independent Chairman and Non-Executive Director) - Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (Manager) - Recolte Holdings Limited (Managing Director)	None

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

Name of Director		Lien Kait Long	Yong Kok Hoon	Cai TianChen
Disclosure on the following matters concerning the Director:				
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c)	Whether there is any unsatisfied judgement against him?	No	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

Name of Director	Lien Kait Long	Yong Kok Hoon	Cai TianChen
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

Name of Director	Lien Kait Long	Yong Kok Hoon	Cai TianChen
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

SUPPLEMENTAL INFORMATION

Directors standing for re-election at the Annual General Meeting

Name of Director	(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Lien Kait Long	No	Yong Kok Hoon	No	Cai TianChen	No
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CHINA JISHAN HOLDINGS LIMITED

(Company Registration No.: 200310591E)
(Incorporated in the Republic of Singapore)

PROXY FORM

Important:

1. The AGM (as defined below) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM dated 9 June 2020 and this Proxy Form will not be sent to members. Instead, the Notice of AGM and this Proxy Form will be sent to members by electronic means via publication on SGXNet at <https://www.sgx.com/securities/company-announcements> and the following website (<https://sg.conveneagm.com/chinajishan>).
2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. Instead, alternative arrangements have been put in place to allow members who have pre-registered to participate at the AGM by (a) watching and/or hearing the AGM proceedings via "live" webcast comprising both video (audio-visual) and audio feeds, (b) submitting questions in advance of the AGM, and (c) voting by appointing the Chairman of the AGM as proxy to attend, speak and vote on behalf at the AGM. Please refer to the Notice of AGM and the accompanying announcement dated 8 June 2020 for more details relating to the alternative arrangements and pre-registration steps. The said announcement may be accessed on SGXNet.
3. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. This Proxy Form is not valid for use by investors holding shares in the Company ("Shares") through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50 of Singapore)) ("Investors"), including investors holding through Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") ("CPF/SRS Investors"), and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor (other than a CPF/SRS Investor) who wishes to vote should instead approach his/her relevant intermediary as soon as possible to specify voting instructions. CPF/SRS Investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the date of the AGM.
5. By submitting this Proxy Form, a member of the Company accepts and agrees to the personal data terms set out in the Notice of AGM dated 9 June 2020.
6. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We _____ (Name)

of _____ (Address)

being a *member/members of China Jishan Holdings Limited ("**Company**"), hereby appoint the Chairman of the Annual General Meeting ("**AGM Chairman**") as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company ("**AGM**") to be held by electronic means on **Friday, 26 June 2020, at 10.00 a.m.** (Singapore Time) and at any adjournment thereof in the following manner:

Resolution No.		For*	Against*	Abstain*
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019 together with the Auditors' Report thereon.			
2.	To approve payment of Directors' Fees for the financial year ending 31 December 2020.			
3(a).	To re-elect Mr Yong Kok Hoon as a Director.			
3(b).	To re-elect Ms Cai TianChen as a Director.			
3(c).	To re-elect Mr Lien Kait Long as a Director.			
4(i)	To approve Mr Lien Kait Long's continued appointment as an Independent Director by all shareholders.			
4(ii)	To approve Mr Lien Kait Long's continued appointment as an Independent Director by shareholders (excluding directors, chief executive officer, and their respective associates).			
5.	To re-appoint Messrs Moore Stephens LLP as Auditors and to authorise the Directors to fix their remuneration.			
6.	To authorise the Directors to issue/allot shares in the Company.			

* If you wish for the AGM Chairman, as your proxy, to vote for or against, or abstain from voting, in respect of all of your Shares for each resolution, please indicate your vote "For" or "Against" or "Abstain" with a tick (✓) within the boxes provided. Alternatively, if you wish to exercise some and not all of your votes "For" or "Against" the resolution and/or to abstain from voting in respect of the resolutions, please indicate the number of votes "For", the number of votes "Against" and/or the number of votes "Abstain" in the boxes provided for the resolutions. **In the absence of specific directions in respect of a resolution, the appointment of the AGM Chairman as your proxy for that resolution will be treated as invalid.**

Signed this _____ day of _____ 2020



Signature(s) of Member(s)
or Common Seal of Corporate Member

Total No. of Shares in:	
1) CDP Register	
2) Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

NOTES:

1. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the AGM Chairman as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the AGM Chairman as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstention from voting, in the form of proxy, failing which the appointment of the AGM Chairman as proxy for that resolution will be treated as invalid. The Proxy Form may be accessed on the SGX website (<https://www.sgx.com/securities/company-announcements>) and the following website (<https://sg.conveneagm.com/chinajishan>).
2. The AGM Chairman, as proxy, need not be a member of the Company.
3. The Proxy Form is not valid for use by Investors (including CPF/SRS Investors) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor (other than a CPF/SRS Investor) who wishes to vote should instead approach his/her/its relevant intermediary as soon as possible to specify his/her/its voting instructions. A CPF/SRS Investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator at least seven (7) working days before the date of the AGM to submit his/her voting instructions.

Pursuant to Section 181 of the Companies Act (Chapter 50 of Singapore), a relevant intermediary means:

- (a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or its wholly-owned subsidiary whose business includes the provision of 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 (Chapter 289 of Singapore) and holds shares in that capacity; or
 - (c) the CPF Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased on behalf of CPF Investors.
4. A member should insert the total number of Shares held in the Proxy Form. If the member only has Shares entered against his/her/its name in the Depository Register (as defined in Part IIIAA of the Securities and Futures Act (Chapter 289 of Singapore)), he/she/it should insert that number of Shares. If the member only has Shares registered in his/her/its name in the Register of Members, he/she/it should insert that number of Shares. If the member has Shares entered against his/her/its name in the Depository Register as well as Shares registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of Shares. If no number is inserted, this Proxy Form will be deemed to relate to all the Shares held by the member (in both the Depository Register and the Register of Members).
 5. This Proxy Form (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must:
 - (a) deposit a physical copy at the Company's Registered Office at 112 Robinson Road #05-01 Singapore 068902; or
 - (b) send a copy by email to the Company's Share Registrar, M & C Services Private Limited at gpa@mncsingapore.com,

in either case, by **10.00 a.m. on 23 June 2020** (Singapore time), being not less than 72 hours before the time appointed for holding the AGM, or at any adjournment thereof.

A member who wishes to submit an instrument of proxy must first download the Proxy Form from SGXNet (<https://www.sgx.com/securities/company-announcements>) or the following website (<https://sg.conveneagm.com/chinajishan>), complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed Proxy Forms by post, members of the Company are strongly encouraged to submit completed Proxy Forms electronically via email.**

6. The Proxy Form must be signed by the appointer or his duly authorised attorney, or if the appointer is a corporation, the Proxy Form must be executed either under its common seal or signed by its attorney or a duly authorised officer of the corporation. Where the Proxy Form is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the completed Proxy Form, failing which the Proxy Form may be treated as invalid.
7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, 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 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 Shares entered against his/her/its name in the Depository Register at least 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
8. Any reference to a time of day is made by reference to Singapore time.

PERSONAL DATA PRIVACY

By submitting an instrument appointing the AGM Chairman as proxy and/or representative, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 9 June 2020.



China Jishan Holdings Limited

No. 276 Zhongxing Middle Road,
2nd Floor, Block A Xiandai Building,
Shaoxing City, Zhejiang, PRC 312000