

CIRCULAR DATED 17 SEPTEMBER 2020

THIS CIRCULAR IS ISSUED BY CHINA JISHAN HOLDINGS LIMITED (THE “COMPANY”). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF THE COMPANY AND THE ADVICE OF NOVUS CORPORATE FINANCE PTE. LTD. (AS THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS) TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about its contents or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you need not forward this Circular to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or the transferee.

This Circular has not been examined or approved by the SGX-ST (as defined herein) and the SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this Circular.



CHINA JISHAN HOLDINGS LIMITED

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

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

STIRLING COLEMAN CAPITAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200105040N)

for and on behalf of

TIANLAN HOLDING PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 202017041D)

to acquire all of the issued ordinary shares in the capital of the Company

Independent Financial Adviser to the Independent Directors



NOVUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201723484W)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY 5.30 P.M. (SINGAPORE TIME) ON 1 OCTOBER 2020 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:

“2QFY2020”	:	The six (6)-month period ended 30 June 2020
“2QFY2020 Results”	:	The unaudited consolidated financial statements of the Group for 2QFY2020 which were released by the Company on SGXNET on 31 July 2020, as reproduced in Appendix IV to this Circular
“Acceptance Condition”	:	Shall have the meaning ascribed to it in Section 2.5 of this Circular
“Accepting Shareholder”	:	A Shareholder who tenders his Shares in acceptance of the Offer
“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“Adjusted Offer Price”	:	Shall have the meaning ascribed to it in Section 2.4 of this Circular
“Books Closure Date”	:	Shall have the meaning ascribed to it in Section 2.4 of this Circular
“Business Day”	:	A day (other than a Saturday, Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 17 September 2020 issued by the Company containing, <i>inter alia</i> , the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in relation to the Offer
“Closing Date”	:	5.30 p.m. (Singapore time) on 1 October 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers, as may be amended, modified or supplemented from time to time
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time
“Company”	:	China Jishan Holdings Limited
“Company Securities”	:	(i) Shares; (ii) securities which carry voting rights in the Company; and (iii) convertible securities, warrants, options and derivatives in respect of any Shares or such securities which carry voting rights in the Company
“Constitution”	:	The constitution of the Company, as may be amended, modified or supplemented from time to time

DEFINITIONS

“CPF”	:	Central Provident Fund
“CPFIS”	:	Central Provident Fund Investment Scheme
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
“Despatch Date”	:	3 September 2020, being the date of despatch of the Offer Document
“Directors”	:	The directors of the Company as at the Latest Practicable Date, and “Director” means any one of them
“Distributions”	:	Shall have the meaning ascribed to it in Section 2.3 of this Circular
“Encumbrance”	:	Any claim, charge, lien, pledge, mortgage, encumbrance, declaration of trust, hypothecation, retention of title, power of sale, equity, option, rights of pre-emption, right of first refusal, right to acquire, moratorium, security agreement and security interest, assignments, debenture, or other third party right or interest of any nature whatsoever
“Excluded Directors”	:	Shall have the meaning ascribed to it in Section 11.3 of this Circular
“Excluded Documents”	:	(i) The IFA Letter as reproduced in Appendix I to this Circular; and (ii) The Valuation Report
“FAA”	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
“FAT”	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are registered in their own names in the Register and are not deposited with CDP
“Final Day Rule”	:	Shall have the meaning ascribed to it in Section 2.8 of this Circular
“Financial Adviser”	:	Stirling Coleman Capital Limited, being the financial adviser to the Offeror in relation to the Offer
“FY”	:	Financial year ended or ending on (as the case may be) 31 December of a particular year as stated
“FY2017”	:	Financial year ended 31 December 2017
“FY2018”	:	Financial year ended 31 December 2018
“FY2019”	:	Financial year ended 31 December 2019
“FY2020”	:	Financial year ending 31 December 2020

DEFINITIONS

“Group”	:	The Company and its subsidiaries
“IFA” or “Novus”	:	Novus Corporate Finance Pte. Ltd., being the independent financial adviser to the Independent Directors in relation to the Offer
“IFA Letter”	:	The letter dated 17 September 2020 from the IFA to the Independent Directors containing, <i>inter alia</i> , the advice of the IFA to the Independent Directors in respect of the Offer, as reproduced in Appendix I to this Circular
“Independent Directors”	:	The Directors of the Company who are regarded to be independent for the purposes of making a recommendation to the Shareholders in respect of the Offer, namely, Mr. Yu Ming Hai, Mr. Lien Kait Long, Mr. Yong Kok Hoon, Mr. Mak Yen-Chen Andrew and Ms. Cai TianChen
“Interested Person”	:	As defined in the Note on Rule 23.12 of the Code, an interested person is: (a) a director, chief executive officer, or substantial shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
“Irrevocable Undertakings”	:	Shall have the meaning ascribed to it in Section 7.1 of the Letter to Shareholders in the Offer Document, as reproduced in Section 4 of this Circular
“Jin Cheng”	:	Jin Cheng International Holdings Limited
“Latest Practicable Date”	:	10 September 2020, being the latest practicable date prior to the printing of this Circular, save that where parts of the Offer Document (including the letter from the Financial Adviser to the Shareholders in the Offer Document) are reproduced, references to the “Latest Practicable Date” in such reproduction shall mean the Offer Document Latest Practicable Date

DEFINITIONS

“Listing Manual”	:	The listing manual of the Main Board of the SGX-ST in force as at the Latest Practicable Date
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Offer”	:	The voluntary conditional cash offer made by the Financial Adviser, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
“Offer Announcement”	:	The announcement of the Offer released by the Financial Adviser, for and on behalf of the Offeror, on the Offer Announcement Date
“Offer Announcement Date”	:	20 August 2020, being the date of the Offer Announcement
“Offer Document”	:	The offer document dated 3 September 2020, including the FAA and the FAT, issued by the Financial Adviser, for and on behalf of the Offeror, in respect of the Offer, and any other document(s) which may be issued by the Financial Adviser, for and on behalf of the Offeror, to amend, revise, supplement or update the aforesaid document(s) from time to time
“Offer Document Latest Practicable Date”	:	26 August 2020, being the latest practicable date prior to the printing of the Offer Document as stated in the Offer Document
“Offer Price”	:	Shall have the meaning ascribed to it in Section 2.1 of this Circular
“Offer Shares”	:	Shall have the meaning ascribed to it in Section 2.2 of this Circular
“Offer Unconditional Date”	:	The date on which the Offer has become or is declared unconditional in all respects in accordance with its terms
“Offeror”	:	Tianlan Holding Pte. Ltd.
“Offeror Securities”	:	(i) Offeror Shares; (ii) securities which carry voting rights in the Offeror; and (iii) convertible securities, warrants, options and derivatives in respect of the Offeror Shares, or securities which carry voting rights in the Offeror
“Offeror Shares”	:	Issued and paid-up ordinary shares in the capital of the Offeror
“Overseas Shareholders”	:	Shall have the meaning ascribed to it in Section 12.1 of this Circular
“PRC”	:	The People’s Republic of China
“Register”	:	The register of holders of Shares, as maintained by the Share Registrar

DEFINITIONS

“Rule 22.6 Period”	:	Shall have the meaning ascribed to it in Section 2.8 of this Circular
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified or supplemented from time to time
“Selected Assets”	:	Shall have the meaning ascribed to it in Paragraph 10 of Appendix II to this Circular
“SGXNET”	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	M & C Services Private Limited
“Shareholders”	:	Holders of Shares as indicated on the Register and Depositors who have Shares entered against their names in the Depository Register
“Shares”	:	Issued ordinary shares in the capital of the Company
“Shut-Off Notice”	:	Shall have the meaning ascribed to it in Section 2.8 of this Circular
“SIC”	:	Securities Industry Council of Singapore
“SRS”	:	Supplementary Retirement Scheme
“SRS Investors”	:	Investors who have purchased Shares using their SRS contributions pursuant to the SRS
“Summary Valuation Report”	:	A summary of the Valuation Report, as reproduced in Appendix VI to this Circular
“Undertaking Shareholders”	:	Mr. Jin Guan Liang and Jin Cheng
“Valuation Report”	:	The valuation report dated 10 September 2020 issued by the Valuer in respect of the Selected Assets
“Valuer”	:	AVA Associates Limited, being the independent valuer commissioned by the Company to conduct valuation of the Selected Assets in connection with the Offer

Units and currencies

“RMB”	:	Chinese Yuan Renminbi, being the lawful currency of the PRC
“\$” or “S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
“%” or “per cent.”	:	Per centum or percentage

DEFINITIONS

Acting in Concert. The expression “**acting in concert**” shall have the same meaning as ascribed to it in the Code.

Announcements and Notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Depository Related Terms. The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Rounding. Any discrepancies in the figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, the figures shown as totals in this Circular may not be arithmetic aggregations of the figures that precede them.

Shareholders. References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Shareholders.

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined in the Companies Act, the Securities and Futures Act, the Listing Manual or the Code or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act, the Securities and Futures Act, the Listing Manual or the Code, or any modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary and Related Corporation. The terms “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them in Sections 5 and 6 of the Companies Act respectively.

Time and Date. Any reference to a time of the day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise stated.

Total Number of issued Shares and Percentage as at the Latest Practicable Date. Any reference in this Circular to the total number of issued Shares is a reference to a total of 301,500,000 Shares in issue as at the Latest Practicable Date (excluding treasury Shares) based on a search conducted at ACRA on the Latest Practicable Date, unless the context otherwise requires. Unless otherwise specified, all references to the percentage shareholding in the capital of the Company in this Circular are based on 301,500,000 Shares in issue as at the Latest Practicable Date (excluding treasury shares) based on a search conducted at ACRA on the Latest Practicable Date. As at the Latest Practicable Date, the Company does not have any treasury shares.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and in italics, and capitalised terms used within these reproduced statements shall bear the same meanings as ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “**aim**”, “**seek**”, “**expect**”, “**anticipate**”, “**believe**”, “**estimate**”, “**intend**”, “**project**”, “**plan**”, “**strategy**”, “**forecast**”, “**possible**”, “**probable**” and similar expressions or future or conditional verbs such as “**if**”, “**will**”, “**would**”, “**should**”, “**could**”, “**may**” and “**might**”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of despatch of the Offer Document	:	3 September 2020
Date of despatch of this Circular	:	17 September 2020
Closing Date and time	:	5.30 p.m. (Singapore time) on 1 October 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror
Date of settlement of consideration for valid acceptances of the Offer ⁽¹⁾	:	(a) in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the Offer Unconditional Date, within seven (7) Business Days of the Offer Unconditional Date; or (b) in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer Unconditional Date, but on or before the Closing Date, within seven (7) Business Days of the date of such receipt.

Note:

(1) Please refer to Appendix A to the Offer Document for further details.

LETTER TO SHAREHOLDERS

CHINA JISHAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company registration no. 200310591E)

Board of Directors :

Mr. Xiao Zi Liang (Executive Director / Chief Executive Officer)
Mr. Jin Guan Liang (Executive Director)
Mr. Yu Ming Hai (Executive Director)
Mr. Yong Kok Hoon (Executive Director)
Mr. Lien Kait Long (Non-Executive and Independent Chairman)
Mr. Mak Yen-Chen Andrew (Independent Non-Executive Director)
Ms. Cai TianChen (Independent Non-Executive Director)

Registered Office :

112 Robinson Road
#05-01
Singapore 068902

17 September 2020

To: The Shareholders of China Jishan Holdings Limited

Dear Sir/Madam

VOLUNTARY CONDITIONAL CASH OFFER BY STIRLING COLEMAN CAPITAL LIMITED FOR AND ON BEHALF OF TIANLAN HOLDING PTE. LTD. FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Offer Announcement

On 20 August 2020, being the Offer Announcement Date, the Financial Adviser announced, for and on behalf of the Offeror, *inter alia*, that the Offeror intends to make a voluntary conditional cash offer for the Offer Shares.

An electronic copy of the Offer Announcement is available on the website of the SGX-ST at <http://www.sgx.com>.

1.2 Offer Document

Shareholders should by now have received a copy of the Offer Document, as announced by the Financial Adviser, for and on behalf of the Offeror, which was despatched on 3 September 2020, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Section 2 of the Letter to Shareholders in the Offer Document and Appendix A to the Offer Document.

Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.

An electronic copy of the Offer Document is available on the website of the SGX-ST at <http://www.sgx.com>.

1.3 Independent Financial Adviser

Novus has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer.

1.4 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company, the Offer, and to set out the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors with regard to the Offer.

LETTER TO SHAREHOLDERS

Shareholders should read the Offer Document, this Circular and the IFA Letter as reproduced in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer before deciding whether or not to accept the Offer.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax advisor or other professional adviser immediately.

2. THE OFFER

Based on information set out in the Offer Document, the Financial Adviser has, for and on behalf of the Offeror, made the Offer in accordance with Section 139 of the Securities and Futures Act and the Code, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document. The principal terms and conditions of the Offer are set out below.

2.1 Offer Price

As stated in Section 2.2 of the Letter to Shareholders in the Offer Document, the price for each Offer Share (the “**Offer Price**”) is as follows:

For each Offer Share: S\$0.35 in cash.

The Offer Price is final and the Offeror does not intend to revise the Offer Price.

2.2 Offer Shares

Section 2.3 of the Letter to Shareholders in the Offer Document states that the Offer is extended, on the same terms and conditions, to all the Shares in issue (excluding treasury shares, if any) including any Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror in relation to the Offer. For the purposes of the Offer and for the avoidance of doubt, the expression “**Offer Shares**” shall include all such Shares.

2.3 Rights and No Encumbrances

According to Section 2.4 of the Letter to Shareholders in the Offer Document, the Offer Shares are to be acquired:

- (a) fully paid;
- (b) free from all Encumbrances; and
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, return of capital and/or other distributions (collectively, the “**Distributions**”) (if any) which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date.

2.4 Adjustments for Distributions

As stated in Section 2.5 of the Letter to Shareholders in the Offer Document, in the event any Distribution is or has been announced, declared, made or paid by the Company on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer, the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay to such Accepting Shareholder the

LETTER TO SHAREHOLDERS

Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or

- (b) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the **"Adjusted Offer Price"**) and the Offeror shall pay to such Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

2.5 Acceptance Condition

According to Section 2.6 of the Letter to Shareholders in the Offer Document, the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror and parties acting in concert with it holding not less than 90% of the total number of Shares in issue (excluding treasury shares, if any) as at the close of the Offer (the **"Acceptance Condition"**).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror meeting the Acceptance Condition.

Save for the Acceptance Condition, the Offer is unconditional in all other respects.

2.6 No Options

As set out in Section 2.7 of the Letter to Shareholders in the Offer Document, as at the Offer Document Latest Practicable Date, based on publicly available information, there are no outstanding instruments convertible into, rights to subscribe for, and options or derivatives in respect of the Shares or securities which carry voting rights in the Company.

2.7 Warranty

According to Section 2.8 of the Letter to Shareholders in the Offer Document, a Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distributions (if any) which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date.

2.8 Duration of the Offer

As set out in Appendix A to the Offer Document:

(a) First Closing Date

Pursuant to Rule 22.3 of the Code, except insofar as the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days after the Despatch Date.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 1 October 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

LETTER TO SHAREHOLDERS

(b) **Subsequent Closing Date(s)**

The Offeror is not obliged to extend the Offer. However, if the Offer is extended, and:

- (i) is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or
- (ii) is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders who have not accepted the Offer at least 14 days' prior notice in writing before it may close the Offer.

(c) **Offer to Remain Open for 14 Days after Being Declared Unconditional as to Acceptances**

In order to give Shareholders who have not accepted the Offer the opportunity to accept the Offer after the Offer has become or is declared unconditional as to acceptances, the Offer will remain open for a period (the **"Rule 22.6 Period"**) of not less than 14 days after the date on which it would otherwise have closed.

This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing (the **"Shut-Off Notice"**) that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:

- (i) the Offeror may not give a Shut-Off Notice in a competitive situation; and
- (ii) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with Paragraph 3.1 of the Appendix A to the Offer Document, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later.

For the purposes of the Paragraph 1.3 of the Appendix A to the Offer Document, a **"competitive situation"** shall be deemed to arise when either (i) a firm intention to make a competing offer for the Company is announced, whether or not subject to any preconditions or (ii) the SIC determines that a competitive situation has arisen.

(d) **Final Day Rule**

The Offer (whether revised or not) will not be capable:

- (i) of becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Despatch Date; or
- (ii) of being kept open after such 60-day period unless the Offer has previously become or been declared to be unconditional as to acceptances,

provided that the Offeror may extend the Offer beyond such 60-day period with the SIC's prior consent (the **"Final Day Rule"**).

Except with the SIC's consent, all conditions must be fulfilled or the Offer must lapse within 21 days of the first Closing Date or of the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later.

LETTER TO SHAREHOLDERS

(e) Revision

The Offeror reserves the right to revise the terms of the Offer at such time and in such manner as it may consider appropriate. Pursuant to Rule 20.1 of the Code, the terms of the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who had previously accepted the Offer.

For the avoidance of doubt, the Offer Price is final and will not be increased by the Offeror.

2.9 Further Details on the Offer

Further details on (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement of the level of acceptances of the Offer, and (c) the right of withdrawal of acceptances of the Offer are set out in Appendix A to the Offer Document.

2.10 Procedures for Acceptance

The procedures for acceptance of the Offer are set out in Appendix B to the Offer Document and the accompanying FAA and/or FAT (as the case may be).

3. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

Information on the Offeror and its shareholders has been extracted from Section 5 of the Letter to Shareholders in the Offer Document and Appendix C to the Offer Document and is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“5. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

5.1 The Offeror. *The Offeror is a private company limited by shares incorporated in Singapore on 18 June 2020 for the purposes of the Offer. Its principal activity is investment holding.*

As at the Latest Practicable Date, the Offeror has an initial issued and paid-up share capital of S\$1.00 comprising one (1) ordinary share. The Offeror's sole shareholder and director is Mr. Jin. Mr. Jin is also an executive director and substantial shareholder of the Company.

As at the Latest Practicable Date, the Offeror does not own any Shares.

5.2 Additional Information. *Appendix C to this Offer Document sets out additional information on the Offeror.*

...

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

1. DIRECTORS

The name, address and description of the sole director of the Offeror as at the Latest Practicable Date are as follows:

<i>Name</i>	<i>Address</i>	<i>Description</i>
<i>Jin Guanliang</i>	<i>57 Grange Road, #16-06, Gramercy Park, Singapore 249569</i>	<i>Director</i>

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2. **PRINCIPAL ACTIVITIES**

The Offeror is a private company limited by shares incorporated in Singapore on 18 June 2020 for the purposes of the Offer. The principal activity of the Offeror is that of investment holding. As at the Latest Practicable Date, the Offeror is wholly owned by Mr. Jin and has an issued and paid-up share capital of S\$1.00 comprising one (1) ordinary share.

3. **SUMMARY OF FINANCIAL INFORMATION**

As the Offeror was incorporated on 18 June 2020, no audited or unaudited financial statements of the Offeror have been prepared to date.

As no audited or unaudited financial statements of the Offeror have been prepared to date, there are no significant accounting policies to be noted.

4. **MATERIAL CHANGES IN FINANCIAL POSITION**

As at the Latest Practicable Date, save for the making and financing the Offer, there has been no known material change in the financial position of the Offeror since the date of its incorporation.

5. **REGISTERED OFFICE**

The registered office of the Offeror is situated at 20 Maxwell Road, #11-18, Maxwell House, Singapore 069113."

4. **IRREVOCABLE UNDERTAKINGS**

Information on the Irrevocable Undertakings received by the Offeror has been extracted from Section 7 of the Letter to Shareholders in the Offer Document and is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"7. IRREVOCABLE UNDERTAKINGS

7.1 Irrevocable Undertakings. *As at the Latest Practicable Date, the Offeror has received an irrevocable undertaking (collectively, the "**Irrevocable Undertakings**") from each of Mr. Jin and Jin Cheng (the "**Undertaking Shareholders**"), pursuant to which, each of the Undertaking Shareholders has, among others, unconditionally and irrevocably undertaken to the Offeror to:*

- (i) tender all the Shares held by him or it (directly or indirectly or through a nominee) as at 18 August 2020, being the date of the Irrevocable Undertakings, and any other Shares or securities in the capital of the Company which he or it may subsequently acquire (directly or indirectly or through a nominee) or which may be issued or unconditionally allotted to him or it (directly or indirectly through a nominee), whether pursuant to any bonus issue, rights issue or distribution of shares in the capital of the Company or otherwise, in acceptance of the Offer; and*
- (ii) agree to waive its or his rights to receive cash settlement or payment payable to it or him as consideration for its or his Shares tendered in acceptance of the Offer.*

The Undertaking Shareholders are substantial shareholders of the Company. The sole director and shareholder of Jin Cheng is Mr. Jin. Mr. Jin is also an executive director and substantial shareholder of the Company.

LETTER TO SHAREHOLDERS

7.2 Aggregate Number of Shares. *As at the Latest Practicable Date, the aggregate number of Shares held by the Undertaking Shareholders, which are subject to the Irrevocable Undertakings, amount to 237,272,500 Shares, representing approximately 78.70% of the Shares in issue, and which are held in the manner as follows:*

- (i) 16,649,500 Shares, representing approximately 5.52% of the Shares in issue, held directly by Mr. Jin; and*
- (ii) 220,623,000 Shares, representing approximately 73.18% of the Shares in issue, held indirectly by Jin Cheng through DBS Nominees Pte Ltd.*

7.3 Termination. *The Irrevocable Undertakings shall lapse and cease to have force and effect upon the earlier of:*

- (i) the Offer being withdrawn or lapsing; or*
- (ii) the Offeror failing to despatch the Offer Document on or before such date being 21 days after the Offer Announcement Date, or such other date as may be extended by the mutual written agreement between the Offeror and the Undertaking Shareholders, subject to the consent of the SIC being obtained and the requirements of the Code.*

7.4 No Other Irrevocable Undertakings. *Save for the Irrevocable Undertakings, as at the Latest Practicable Date, none of the Offeror and any party acting in concert with the Offeror has received any undertakings from any other party to accept or reject the Offer."*

5. RATIONALE FOR THE OFFER

The full text of the Offeror's rationale for the Offer has been extracted from Section 8 of the Letter to Shareholders in the Offer Document and is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extracts below carefully.**

"8. RATIONALE FOR THE OFFER

8.1 Opportunity for Shareholders to Cash Out at a Significant Premium. *The Offer Price represents a significant premium over the VWAP per Share for the one-month, three-month, six-month and 12-month periods respectively up to and including 14 July 2020, being the last trading date prior to the suspension of trading of Shares¹ (the "Last Trading Day"), and over the last transacted price of the Shares as quoted on the SGX-ST on the Last Trading Day. Details on the premium are set out in **Section 9** of the Letter to Shareholders in this Offer Document.*

The Offer Price represents an all-time high exceeding all previous closing prices of the Shares on the SGX-ST (as reported by Bloomberg L.P.) in the Company's history, representing a premium of approximately 25% to its highest closing price² per Share.

Taking into account the Offer Price premium, and the low trading liquidity and continuing suspension of trading in the Shares (details of which are set out in Sections 8.2 and 8.3 of the Letter to Shareholders in this Offer Document), the Offer represents a cash exit opportunity for Shareholders to liquidate and realise their entire investment at a significant premium to prevailing market prices, without incurring other brokerage and trading costs.

¹ As disclosed in **Section 8.3** of the Letter to Shareholders in this Offer Document, trading in the Shares in the Company has been suspended with effect on and from 15 July 2020 and continues to be suspended as at the Latest Practicable Date. Accordingly, the last transacted price of the Shares as quoted on the SGX-ST immediately prior to the Offer Announcement Date is the last transacted price of the Shares on the Last Trading Day.

² Refers to the closing price per Share of S\$0.28 on 14 June 2017 and 16 June 2017, which is the highest closing price per Share since the commencement of trading in the Shares on the SGX-ST on 10 May 2004.

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- 8.2 Low Trading Liquidity.** *The trading volume of the Shares has been generally low, with an average daily trading volume³ of approximately 20,361 Shares during the 12-month period up to and including the Last Trading Day. This represents approximately 0.0317% of the free float of the Shares as at the Last Trading Day. During the same 12-month period, the Shares were traded only on 61 Market Days. Based on historical trading patterns, even if the current trading suspension in the Shares (details of which are set out in **Section 8.3** of the Letter to Shareholders in this Offer Document) is lifted, the Offeror believes that the low liquidity of the Shares is likely to continue and the Offer represents a cash exit opportunity for Shareholders to liquidate and realise their entire investment in the Company, an option which would not otherwise be readily available or which may otherwise be difficult due to the low trading liquidity of the Shares.*
- 8.3 Trading Suspension.** *As announced by the Company on 14 July 2020, trading in the Shares has been suspended with effect on and from 15 July 2020 pursuant to Rule 1303(3) of the Listing Manual of the SGX-ST (the “**Listing Manual**”) and it is uncertain when the trading suspension will be lifted. The Offer represents a cash exit opportunity for Shareholders to liquidate and realise their entire investment at a premium to the prevailing market prices, an option which would not otherwise be readily available until the trading suspension is lifted.*
- 8.4 Greater Management Flexibility.** *The Offeror is making the Offer with a view to delist the Company from the SGX-ST and, if and when entitled, exercise its right of compulsory acquisition. The Offeror believes that privatising the Company will provide the Offeror with more flexibility to manage the business of the Company and optimise the use of the Company’s management and resources.*
- 8.5 Costs of Maintaining Listing Status.** *In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Listing Manual. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.*

³ *The average daily trading volume is computed based on the total volume of Shares traded divided by the number of Market Days with respect to the one-month period, three-month period, six-month period and 12-month period up to and including the Last Trading Day.”*

6. FINANCIAL ASPECTS OF THE OFFER

Section 9 of the Letter to Shareholders in the Offer Document sets out certain information on the financial aspects of the Offer, extracts of which are reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

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“9. FINANCIAL ASPECTS OF THE OFFER

The Offer Price represents the following premium over the historical market prices of the Shares:

Description	Share Price⁽¹⁾	Premium over Share Price⁽²⁾
(a) <i>Last transacted price per Share as quoted on the SGX-ST on the Last Trading Day</i>	S\$0.19	84.2%
(b) <i>VWAP for the one-month period up to and including the Last Trading Day</i>	S\$0.1739	101.3%
(c) <i>VWAP for the three-month period up to and including the Last Trading Day</i>	S\$0.1696	106.4%
(d) <i>VWAP for the six-month period up to and including the Last Trading Day</i>	S\$0.1615	116.7%
(e) <i>VWAP for the 12-month period up to and including the Last Trading Day</i>	S\$0.1913	83.0%

Notes:

- (1) *Based on data extracted from Bloomberg L.P. and with the figures rounded to the nearest four (4) decimal places.*
- (2) *Percentage figures have been rounded to the nearest one (1) decimal place.*
- (3) *As disclosed in **Section 8.3** of the Letter to Shareholders in this Offer Document, trading in the Shares in the Company has been suspended with effect on and from 15 July 2020 and continues to be suspended as at the Latest Practicable Date. Accordingly, the last transacted price of the Shares as quoted on the SGX-ST immediately prior to the Offer Announcement Date is the last transacted price of the Shares on the Last Trading Day.*

*Further, as stated in **Section 8.1** of the Letter to Shareholders in this Offer Document, the Offer Price represents an all-time high exceeding all previous closing prices of the Shares on the SGX-ST (as reported by Bloomberg L.P.) in the Company's history, representing a premium of approximately 25% to its highest closing price per Share.”*

7. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

7.1 Offeror's Intentions in relation to the Company

The full text of the Offeror's intentions in relation to the Company has been extracted from Section 10 of the Letter to Shareholders in the Offer Document and is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extracts below carefully.**

“10. OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

*The Offeror is making the Offer with a view to delist the Company from the SGX-ST, and if and when entitled, exercise its right of compulsory acquisition to make the Company its wholly-owned subsidiary. Details on the right of compulsory acquisition are set out in **Section 11** of the Letter to Shareholders in this Offer Document.*

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Subject to the Acceptance Condition being met, the Company being delisted, and the Offeror being entitled to exercise its right of compulsory acquisition such that the Company becomes a wholly-owned subsidiary of the Offeror, the Offeror intends to undertake a review of the Company's business and for the Company to explore strategic options to extend the business and/or operations of the Company and of its subsidiaries beyond its existing business activities.

Save as set out above, the Offeror intends for the Company to continue its existing business activities and there are currently no plans to (i) introduce any major changes to the business of the Company, (ii) re-deploy any of the fixed assets of the Company or its subsidiaries or (iii) discontinue the employment of any of the existing employees of the Company or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains and reserves the right and flexibility at any time and from time to time to consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Company."

7.2 Compulsory Acquisition

Information on the Offeror's intentions in relation to the compulsory acquisition of the Company has been extracted from Section 11 of the Letter to Shareholders in the Offer Document and is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extracts below carefully.**

"11. COMPULSORY ACQUISITION

11.1 Compulsory Acquisition. *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer during the offer period and/or acquires such number of Shares from the date of despatch of the Offer Document otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer, if any) as at the close of the Offer, the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") on the same terms as those offered under the Offer.*

In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Offer Shares of the Dissenting Shareholders, the Offeror intends to exercise such a right. In such event, the Company will become a wholly-owned subsidiary of the Offeror and the Offeror will proceed to delist the Company from the SGX-ST.

11.2 Dissenting Shareholders' Rights. *Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Offer Shares at the Offer Price in the event that the Offeror acquires, pursuant to the Offer, such number of Shares which, together with any treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees (if any), comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice."*

7.3 Listing Status of the Company

Further information on the Offeror's intentions in relation to the listing status of the Company has been extracted from Section 12 of the Letter to Shareholders in the Offer Document and is reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extracts below carefully.**

“12. LISTING STATUS OF THE COMPANY

- 12.1 Listing Status.** Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of the Shares (excluding treasury shares, if any) is at all times held by the public (the “**Free Float Requirement**”).

Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and the parties acting in concert with it to above 90% of the total number of issued Shares (excluding treasury shares, if any), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares, if any) are held by at least 500 Shareholders who are members of the public.

Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares, if any), thus causing the percentage of the total number of issued Shares (excluding treasury shares, if any) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not complied with, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares, or all the securities of the Company, on the SGX-ST.⁴ Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the proportion of the Shares held by members of the public to be raised to at least 10%, failing which the Company may be delisted from the SGX-ST.

- 12.2 Intention of the Offeror.** As disclosed above, it is the current intention of the Offeror to delist and privatise the Company. The Offeror, if and when entitled, intends to exercise the right of compulsory acquisition under Section 215(1) of the Companies Act to acquire all the Offer Shares not acquired by the Offeror pursuant to the Offer. The Offeror will then proceed to delist the Company from the SGX-ST pursuant to Rule 1308(1)(b) of the Listing Manual.

Under Rule 1308(1)(b) of the Listing Manual, Rules 1307 and 1309 of the Listing Manual, which set out the requirements that apply to a voluntary delisting, do not apply to a delisting pursuant to an offer under the Code provided that the Offeror is exercising its right of compulsory acquisition.

*As at the Latest Practicable Date, the Offeror, its related corporation and nominees (if any) do not own any Shares in the Company. As stated in **Section 2.6** of the Letter to Shareholders in this Offer Document, the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror and parties acting in concert with it holding not less than 90% of the total number of Shares in issue (excluding treasury shares, if any) as at the close of the Offer. Further, as stated in **Section 11** of the Letter to Shareholders in this Offer Document, if the Offeror receives valid acceptances pursuant to the Offer during the offer period and/ or acquires such number of Shares from the date of despatch of the Offer Document otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer, if any) as at the close of the Offer, the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of the Dissenting Shareholders. It is anticipated that the satisfaction of the Acceptance Condition, the loss of public float of the Company, and the entitlement*

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of the Offeror to exercise the right of compulsory acquisition by commencing the compulsory acquisition process under Section 215(1) of the Companies Act would all occur simultaneously. Thus, it is anticipated that the Offeror would be able to rely on Rule 1308(1)(b) of the Listing Manual.

4 *As disclosed in **Section 8.3** of the Letter to Shareholders in this Offer Document, trading in the Shares in the Company has been suspended with effect on and from 15 July 2020 and continues to be suspended as at the Latest Practicable Date."*

8. CONFIRMATION OF FINANCIAL RESOURCES

Section 13 of the Letter to Shareholders in the Offer Document sets out certain information on the confirmation of financial resources, extracts of which are reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"13. CONFIRMATION OF FINANCIAL RESOURCES

*As set out in **Section 7.1** of the Letter to Shareholders in this Offer Document, pursuant to the Irrevocable Undertakings, each of the Undertaking Shareholders has waived its or his rights to receive cash settlement or payment payable to it or him by the Offeror as consideration for its or his Shares tendered in acceptance for the Offer.*

In view of the foregoing, SCCL, as the financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy in full, all acceptances in respect of the Offer on the basis of the Offer Price, excluding the consideration payable to the Undertaking Shareholders for their Shares tendered in acceptance of the Offer."

9. DISCLOSURES OF HOLDINGS, DEALINGS AND OTHER ARRANGEMENTS

Section 14 of the Letter to Shareholders in the Offer Document and Appendix E to the Offer Document set out certain information relating to disclosure of holdings, dealings and other arrangements, extracts of which are reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"14. DISCLOSURE OF HOLDINGS, DEALINGS AND OTHER ARRANGEMENTS

14.1 Holdings of and Dealings in Relevant Securities. *Based on the latest information available to the Offeror, **Appendix E** to this Offer Document sets out details of:*

- (a) the number of Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror in connection with the Offer; and*
- (b) the dealings in Shares by the Offeror and parties acting in concert with the Offeror during the Reference Period.*

Save as disclosed in this Offer Document and based on the latest information available to the Offeror, none of the Offeror, its sole director, the Undertaking Shareholders or parties acting in concert with the Offeror owns, controls or has agreed to acquire any Relevant Securities as at the Latest Practicable Date and none of the Offeror, its sole director, the Undertaking Shareholders or parties acting in concert with the Offeror has dealt for value in any Relevant Securities during the Reference Period.

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14.2 Other Arrangements. Based on the latest information available to the Offeror, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with the Offeror has:

- (a) granted any security interest relating to any Relevant Securities to another person, whether through a charge, pledge or otherwise;
- (b) borrowed any Relevant Securities from another person (excluding borrowed Relevant Securities which have been on-lent or sold); or
- (c) lent any Relevant Securities to another person.

...

APPENDIX E – DISCLOSURE OF HOLDINGS AND DEALINGS

1. HOLDINGS OF SHARES

As at the Latest Practicable Date, based on the latest information available to the Offeror, the details of Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror are set out below:

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Offeror	–	–	–	–	–	–
Mr. Jin ⁽²⁾	16,649,500	5.52	220,623,000 ⁽²⁾	73.18	237,272,500	78.70
Jin Cheng ⁽³⁾	220,623,000 ⁽³⁾	73.18	–	–	220,623,000	73.18

Notes:

- (1) Figures computed based on 301,500,000 Shares in issue as at the Latest Practicable Date and rounded to the nearest two (2) decimal places. The Company does not have any treasury shares.
- (2) Mr. Jin is deemed to be interested in all of the Shares owned by Jin Cheng by virtue of the fact that he owns 100% of the issued share capital of Jin Cheng, pursuant to Section 7 of the Companies Act.
- (3) All of the 220,623,000 Shares owned by Jin Cheng are held through DBS Nominees Pte Ltd.

2. DEALINGS IN SHARES

As at the Latest Practicable Date, based on the latest information available to the Offeror, there have been no dealings in the Shares by the Offeror and parties acting in concert with the Offeror during the Reference Period.”

10. DIRECTORS’ INTERESTS

Details of the Directors including, *inter alia*, the Directors’ direct and deemed interests in the Offeror Securities and the Company Securities as at the Latest Practicable Date are set out in **Appendix II** to this Circular.

11. ADVICE AND RECOMMENDATION IN RESPECT OF THE OFFER

11.1 General

Novus has been appointed as the IFA to advise the Independent Directors in respect of the Offer. Shareholders should read and consider carefully the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in their entirety before deciding whether or not to accept or reject the Offer. The advice of the IFA to the Independent Directors is set out in the IFA Letter which is reproduced in **Appendix I** to this Circular.

11.2 Advice of the IFA to the Independent Directors on the Offer

The following are extracts from Section 8 of the IFA Letter and should be read in conjunction with, and interpreted in, the full context of the IFA Letter. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. **Shareholders should read and consider carefully the key considerations relied upon by the IFA, in arriving at its advice to the Independent Directors.**

“8. OPINION AND ADVICE

8.1. Our Opinion

In arriving at our opinion on the financial terms of the Offer, we have taken into consideration, inter alia, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) the Group’s revenue increased from approximately RMB35.0 million in FY2017 to approximately RMB37.7 million in FY2018 and remained constant at approximately RMB37.7 million in FY2019. The Group also recorded a lower revenue of approximately RMB17.5 million in 6M2020 vis-à-vis approximately RMB18.9 million in 6M2019. The Group’s net profit decreased from approximately RMB22.8 million in FY2017 to approximately RMB18.3 million in FY2018, and reversed into a net loss of approximately RMB45.9 million in FY2019. The Group also recorded a net loss of approximately RMB19.4 million in 6M2020 vis-à-vis a net profit of approximately RMB6.5 million in 6M2019;*
- (b) as at the Latest Practicable Date, the Group has not entered into any supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding from the banks, and the trading of the Shares on the SGX-ST remained suspended;*
- (c) the Offer Price represents (i) an all-time high exceeding all previous closing prices of the Shares since the Company’s listing on the SGX-ST in May 2004, and (ii) a premium of approximately 25% over the highest closing price of S\$0.280 per Share (on 14 and 16 June 2017) during the period between the listing of the Shares and the Shares Suspension;*
- (d) the Offer Price represents (i) a significant premium of approximately 83.0%, 116.7%, 106.4% and 101.3% over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively, and (ii) a significant premium of approximately 84.2% over the closing price of the Shares of S\$0.190 on the Last Trading Day;*
- (e) the Shares had generally outperformed the FTSELM Index and the FTSE China Index for the one-year period prior to and including the Last Trading Day;*
- (f) the Offer Price represents a significant premium of approximately 233.7% over the unaudited NAV per Share of S\$0.1049 as at 30 June 2020 and would value the Group at a P/NAV ratio of 3.34 times;*
- (g) the Offer Price represents a discount of approximately 21.9% to the RNAV per Share of S\$0.4483 as at 30 June 2020 and would value the Group at a P/RNAV ratio of 0.78 times;*
- (h) the P/NAV multiple of 3.34 times as implied by the Offer Price is significantly above the average historical trailing P/NAV multiples of the Shares of 1.70 times, 1.61 times, 1.31 times and 1.45 times for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively;*

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- (i) *in respect of the Comparable Companies:*
 - (i) *the P/NAV ratio of the Company of 3.34 times (as implied by the Offer Price) is (aa) significantly above the range of P/NAV ratios of the Comparable Companies of between 0.08 times and 0.84 times, and (bb) significantly above the mean and median P/NAV ratios of the Comparable Companies of 0.33 times and 0.22 times respectively; and*
 - (ii) *the P/RNAV ratio of the Company of 0.78 times (as implied by the Offer Price) is (aa) at the higher end of the range of P/NAV ratios of the Comparable Companies of between 0.08 times and 0.84 times, and (bb) significantly above the mean and median P/NAV ratios of the Comparable Companies of 0.33 times and 0.22 times respectively;*
- (j) *in respect of the Precedent Privatisations:*
 - (i) *the premium of approximately 84.2% (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (aa) within the range of the Precedent Privatisations of between a discount of 1.5% and a premium of 195.0%, and (bb) significantly above the corresponding mean and median premia of the Precedent Privatisations of 47.3% and 34.9% respectively;*
 - (ii) *the premium of approximately 101.3% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 0.0% and 266.7%, and (bb) significantly above the corresponding mean and median premia of the Precedent Privatisations of 48.0% and 37.7% respectively*
 - (iii) *the premium of approximately 106.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 4.5% and 267.5%, and (bb) significantly above the corresponding mean and median premia of the Precedent Privatisations of 51.2% and 34.5% respectively;*
 - (iv) *the premium of approximately 116.7% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 5.7% and 267.5%, and (bb) significantly above the corresponding mean and median premia of the Precedent Privatisations of 51.2% and 36.4% respectively; and*
 - (v) *the P/RNAV ratio of the Company of 0.78 times (as implied by the Offer Price) is (aa) within the range of offer price-to-NTA/NAV ratios of the Precedent Privatisations of between 0.28 times and 5.62 times, and (bb) below the corresponding mean and median offer price-to-NTA/NAV ratios of the Precedent Privatisations of 1.31 times and 0.96 times respectively;*
- (k) *in respect of the Property Privatisations:*
 - (i) *the premium of approximately 84.2% (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (aa) at the higher end of the range of premia of the Property Privatisations of between 1.5% and 88.1%, and (bb) above the corresponding mean and median premia of the Property Privatisations of 54.0% and 63.2% respectively;*

LETTER TO SHAREHOLDERS

- (ii) *the premium of approximately 101.3% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (aa) at the higher end of the range of premia of the Property Privatisations of between 5.3% and 105.2%, and (bb) above the corresponding mean and median premia of the Property Privatisations of 61.8% and 68.3% respectively;*
- (iii) *the premium of approximately 106.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (aa) at the higher end of the range of premia of the Property Privatisations of between 4.5% and 124.2%, and (bb) significantly above the corresponding mean and median premia of the Property Privatisations of 64.3% and 64.2% respectively;*
- (iv) *the premium of approximately 116.7% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is (aa) above the range of premia of the Property Privatisations of between 5.7% and 112.7%, and (bb) significantly above the corresponding mean and median premia of the Property Privatisations of 61.7% and 64.2% respectively; and*
- (v) *the P/RNAV ratio of the Company of 0.78 times (as implied by the Offer Price) is (aa) at the higher end of the range of offer price-to-revalued NTA/NAV ratios of the Property Privatisations of between 0.40 times and 0.82 times, and (bb) above the corresponding mean and median offer price-to-revalued NTA/NAV ratios of the Property Privatisations of 0.58 times and 0.55 times respectively;*
- (l) *the Offer Price is final and the Offeror does not intend to revise the Offer Price;*
- (m) *as at the Latest Practicable Date, the Group is still actively trying to seek loans for the development project from various banks as well as other financing channels;*
- (n) *the likelihood of a competing offer is remote in view of the Offeror Concert Group's shareholding interest of approximately 78.70% in the Company as at the Offer Document Latest Practicable Date;*
- (o) *the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, inter alia, the management, operating and financial policies of the Company and the ability to pass all ordinary resolutions at the Company's general meetings on matters in which the Offeror Concert Group do not have an interest; and*
- (p) *the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror Concert Group holding not less than 90% of the total number of Shares in issue (excluding treasury shares, if any) as at the close of the Offer.*

*Having considered the aforementioned points including the various factors set out in this Letter and summarised in this section, we are of the opinion that, on balance, the financial terms of the Offer are **fair and reasonable**.*

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*In determining that the Offer is **fair**, we have considered the following pertinent factors:*

- (i) the Offer Price represents (aa) an all-time high exceeding all previous closing prices of the Shares since the Company's listing in May 2004, and (bb) a premium over the highest closing price per Share during the period between the listing of the Shares and the Shares Suspension;*
- (ii) the Offer Price represents (aa) a significant premium over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively, and (bb) a significant premium over the closing price of the Shares on the Last Trading Day;*
- (iii) the Offer Price represents a significant premium over the unaudited NAV per Share as at 30 June 2020; and*
- (iv) the P/NAV multiple as implied by the Offer Price is significantly above the average historical trailing P/NAV multiples of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day.*

*In determining that the Offer is **reasonable**, we have considered the following pertinent factors:*

- (i) the Group's profitability had been deteriorating in FY2017, FY2018, FY2019 and 6M2020;*
- (ii) as at the Latest Practicable Date, the Group has not entered into any supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding from the banks, and the trading of the Shares on the SGX-ST remained suspended;*
- (iii) notwithstanding that the Offer Price represents a discount to the RNAV per Share as at 30 June 2020, the P/RNAV ratio of the Company (as implied by the Offer Price) is above the corresponding mean and median offer price-to-revalued NTA/NAV ratios of the Property Privatisations (as set out in (vi)(bb) below);*
- (iv) in respect of the Comparable Companies, (aa) the P/NAV ratio of the Company (as implied by the Offer Price) is significantly above the mean and median P/NAV ratios of the Comparable Companies, and (bb) the P/RNAV ratio of the Company (as implied by the Offer Price) is significantly above the mean and median P/NAV ratios of the Comparable Companies;*
- (v) in respect of the Precedent Privatisations, although the P/RNAV ratio of the Company (as implied by the Offer Price) is below the corresponding mean and median offer price-to-NTA/NAV ratios of the Precedent Privatisations, the premia of the Offer Price over the last transacted price of the Shares on the Last Trading Day and the one-month VWAP, 3-month VWAP and 6-month VWAP of the Shares up to and including the Last Trading Day are significantly above the corresponding mean and median premia of the Precedent Privatisations;*
- (vi) in respect of the Property Privatisations, (aa) the premia of the Offer Price over the last transacted price of the Shares on the Last Trading Day and the one-month VWAP, 3-month VWAP and 6-month VWAP of the Shares up to and including the Last Trading Day are above the corresponding mean and median premia of the Property Privatisations, and (bb) the P/RNAV ratio of the Company (as implied by the Offer Price) is above the corresponding mean and median offer price-to-revalued NTA/NAV ratios of the Property Privatisations;*

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- (vii) *as at the Latest Practicable Date, the Group is still actively trying to seek loans for the development project from various banks as well as other financing channels;*
- (viii) *as at the Latest Practicable Date, there is no alternative take-over offer for the Shares; and*
- (ix) *the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, inter alia, the management, operating and financial policies of the Company.*

8.2. Our Advice

Accordingly, we advise the Independent Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions. As at the Latest Practicable Date, the trading of the Shares on the SGX-ST remained suspended.

The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion and advice on the Offer do not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of NCF in each specific case, except for the purpose of the Offer. Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore and are strictly limited to the matters stated herein and do not apply by implication to any other matter."

11.3 Independence of Directors

Mr. Yu Ming Hai, Mr. Yong Kok Hoon, Mr. Lien Kait Long, Mr. Mak Yen-Chen Andrew and Ms. Cai TianChen are regarded as independent for the purposes of the Offer and are required to make a recommendation to Shareholders in respect of the Offer.

As Mr. Jin Guan Liang is the sole shareholder and director of the Offeror, and Mr. Xiao Zi Liang is a cousin of Mr. Jin Guan Liang, each of Mr. Jin Guan Liang and Mr. Xiao Zi Liang (collectively, the "**Excluded Directors**") is presumed to be a person acting in concert with the Offeror under the Code for the purposes of the Offer. As such, each of them would face conflict of interests in relation to the Offer that would render it inappropriate for them to join the Independent Directors in making a recommendation to Shareholders on the Offer.

The SIC had ruled that the Excluded Directors are exempted from the requirement to make a recommendation on the Offer.

Nonetheless, all the Directors (including, for the avoidance of doubt, the Excluded Directors) are jointly and severally responsible for the accuracy of facts stated, opinions expressed and completeness of the information given by the Company to Shareholders on the Offer, including information contained in documents, announcements and advertisements issued by or on behalf of the Company in connection with the Offer.

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11.4 Recommendation of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA to the Independent Directors as set out in the IFA Letter, **CONCUR** with the advice of the IFA in respect of the Offer as set out in **Section 11.2** of this Circular and in the IFA Letter.

Accordingly, the Independent Directors recommend the Shareholders to **ACCEPT** the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account all the brokerage commissions or transactions costs in connection with open market transactions.

Shareholders are advised to read the terms and conditions of the Offer Document carefully. Shareholders are also advised to read and consider carefully the recommendation of the Independent Directors and the IFA Letter set out in Appendix I to this Circular in their entirety before deciding whether to accept or reject the Offer. Shareholders should note that the IFA's advice to the Independent Directors and the recommendation of the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

In rendering the above advice and making above recommendation, the IFA and the Independent Directors have not had regard to the general or specific investment objectives, financial situation, tax status or position, risk profiles or unique needs and constraints and circumstances of any individual Shareholder. As different Shareholder would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his/her investment objectives or portfolio, should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

12. OVERSEAS SHAREHOLDERS

12.1 Availability of the Offer to Overseas Shareholders

The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or in the Depository Register (as the case may be) (the **"Overseas Shareholders"**), may be affected by the laws of the relevant overseas jurisdiction. Overseas Shareholders should refer to Section 15 of the Letter to Shareholders in the Offer Document, extracts of which are reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"15. OVERSEAS SHAREHOLDERS

15.1 Overseas Shareholders. *This Offer Document, the relevant Acceptance Forms and/or any related documents do not constitute an offer to sell or the solicitation of an offer to sell, subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document, the relevant Acceptance Forms and/or any related documents in any jurisdiction, in contravention of applicable laws. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction.*

For the avoidance of doubt, the Offer is open to all Shareholders holding Offer Shares, including those to whom the Offer Document, the relevant Acceptance Forms and/or any related documents have not been, or will not be, sent.

The availability of the Offer to Shareholders whose mailing addresses as appearing on the Register or in the records of CDP, as the case may be, are outside Singapore (each, an "Overseas Shareholder") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself of, and observe, any applicable legal requirements in the relevant overseas jurisdictions.

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15.2 Overseas Jurisdiction. *It is the responsibility of an Overseas Shareholder who wishes to (a) request for this Offer Document, the relevant Acceptance Forms and/or any related document, or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction(s) in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable in such jurisdiction(s) and the Offeror, SCCL, CDP, the Receiving Agent and/ or any other person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any of such taxes, imposts, duties or other requisite payments as the Offeror, SCCL, CDP, the Receiving Agent and/or any other person acting on their behalf may be required to pay. In (a) requesting for this Offer Document, the relevant Acceptance Forms and/or any related documents, and/or (b) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror, SCCL, CDP and the Receiving Agent that he is in full observance of the laws of the relevant jurisdiction(s) in that connection, and that he is in full compliance with all the necessary formalities or legal requirements. If any Shareholder is in doubt about his position, he should consult his professional adviser in the relevant jurisdiction(s).*

15.3 Copies of Documents. *Where there are potential restrictions on sending this Offer Document, the Acceptance Forms and/or any related documents to any overseas jurisdiction, the Offeror, SCCL, CDP and the Receiving Agent each reserves the right not to send this Offer Document, the Acceptance Forms and/or any related documents to such overseas jurisdiction. Subject to compliance with applicable laws, an Overseas Shareholder may, nonetheless request for copies of this Offer Document, the relevant Acceptance Forms and/or any related documents, during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date, from (a) the CDP (if he is a Depositor) by contacting CDP's Customer Service Hotline at +65 6535 7511 during their operating hours or emailing CDP at asksgx@sgx.com, or (b) the office of the Receiving Agent (if he is holding Shares which are not deposited with CDP ("in scrip form")), at 112 Robinson Road, #05-01, Singapore 068902, as the case may be.*

Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws and regulations, write in to CDP (if he is a Depositor), or (b) the Receiving Agent (if he is holding Shares in scrip form), to request for this Offer Document, the relevant Acceptance Forms and/or any related documents be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

Electronic copies of this Offer Document and the relevant Acceptance Forms are available on the website of the SGX-ST at <https://www.sgx.com/>.

15.4 Notice. *The Offeror and SCCL each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including Overseas Shareholders) to receive or see such announcement or advertisement."*

12.2 Copies of Circular

Due to potential restrictions on sending this Circular to overseas jurisdictions, this Circular may not be sent to any Overseas Shareholder. Any affected Overseas Shareholder may, nonetheless (subject to compliance with applicable laws), attend in person and obtain copies of this Circular during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date, from the office of the Share Registrar at 112 Robinson Road #05-01, Singapore 068902, download a copy of the Offeree Circular from the website of the SGX-ST at <http://www.sgx.com>, or write to the Share Registrar at the above-stated address to request for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

LETTER TO SHAREHOLDERS

In requesting for this Circular, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

13. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 16 of the Letter to Shareholders in the Offer Documents sets out information pertaining to CPFIS Investors and SRS Investors, extracts of which are reproduced in italics below. All capitalised terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“16 INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Bank and SRS Agent Bank (as the case may be). CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Bank and SRS Agent Bank (as the case may be) should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.

CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Bank and SRS Agent Bank (as the case may be) by the deadline stated in the letter from their respective CPF Agent Bank and SRS Agent Bank (as the case may be), which may be earlier than the Closing Date. Subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Offer through appropriate intermediaries will receive the payment for their Offer Shares in their respective CPF investment accounts and SRS investment accounts.”

14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who **wish to accept the Offer** must do so not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror, and should take note of the procedures for acceptance of the Offer as set out in Appendix B to the Offer Document, the FAA and/or the FAT (as the case may be).

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror:

- (a) by CDP (in respect of the FAA); or
- (b) by the Share Registrar (in respect of the FAT),

as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who **do not wish to accept the Offer** need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

15. DIRECTORS' RESPONSIBILITY STATEMENT

Save for the recommendation of the Independent Directors to Shareholders set out in **Section 11.4** of this Circular which is the sole responsibility of the Independent Directors, the Directors (including those who may have delegated detailed supervision of the preparation of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (excluding those relating to the Offer, the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, and the Excluded Documents) are fair and accurate, and there are no

LETTER TO SHAREHOLDERS

material facts have been omitted from this Circular, the omission of which would make any statement in this Circular (excluding those relating to the Offer, the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, and the Excluded Documents) misleading, and they jointly and severally accept full responsibility accordingly.

In respect of the Excluded Documents, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Company are, to the best of their knowledge and belief, fair and accurate in all material respects.

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement, the Offer Document and the Excluded Documents), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately and correctly reflected or reproduced in this Circular in its proper form and context.

16. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
CHINA JISHAN HOLDINGS LIMITED

Mr. Lien Kait Long
Non-Executive and Independent Chairman

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

NOVUS CORPORATE FINANCE PTE. LTD.

(Company Registration No.: 201723484W)
(Incorporated in the Republic of Singapore)

9 Raffles Place
#17-05 Republic Plaza Tower 1
Singapore 048619

17 September 2020

To: The Independent Directors of China Jishan Holdings Limited (the “**Company**”)
(in respect of the Offer (as defined below))

Mr. Lien Kait Long
Mr. Yu Ming Hai
Mr. Yong Kok Hoon
Mr. Mak Yen-Chen Andrew
Ms. Cai TianChen

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFER BY STIRLING COLEMAN CAPITAL LIMITED, FOR AND ON BEHALF OF TIANLAN HOLDING PTE. LTD., FOR THE OFFER SHARES

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 17 September 2020 (the “**Circular**”) issued by the Company to the shareholders of the Company (the “**Shareholders**”) shall have the same meanings herein.*

1. INTRODUCTION

On 20 August 2020 (the “**Offer Announcement Date**”), Stirling Coleman Capital Limited (“**SCCL**”) announced (the “**Offer Announcement**”), for and on behalf of Tianlan Holding Pte. Ltd. (the “**Offeror**”), that the Offeror intends to make a voluntary conditional cash offer (the “**Offer**”) for all of the issued ordinary shares (the “**Shares**”) in the capital of the Company (the “**Offer Shares**”) in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and the Singapore Code on Take-overs and Mergers (the “**Code**”) at an offer price of S\$0.35 in cash for each Offer Share (the “**Offer Price**”).

On 3 September 2020, SCCL issued, for and on behalf of the Offeror, the offer document dated 3 September 2020 (the “**Offer Document**”) containing, *inter alia*, the terms and conditions of the Offer.

In connection with the Offer, Novus Corporate Finance Pte. Ltd. (“**NCF**”) has been appointed by the Company as the independent financial adviser (the “**IFA**”) to the directors of the Company (the “**Directors**”) who are considered independent for the purposes of making a recommendation to the Shareholders in respect of the Offer as required under the Code (the “**Independent Directors**”). This letter (“**Letter**”) is addressed to the Independent Directors and sets out, *inter alia*, our evaluation of the financial terms of the Offer and our opinion and advice thereon, and forms part of the Circular providing, *inter alia*, details of the Offer and the recommendation of the Independent Directors.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Independent Directors on the financial terms of the Offer in compliance with the provisions of the Code. We have confined our evaluation to the financial terms of the Offer and have not taken into account the strategic, legal, commercial risks and/or commercial merits of the Offer.

Our terms of reference do not require us to evaluate or comment on the rationale for or the strategic or long-term merits of the Offer or on the future prospects of the Company and its subsidiaries and associate (collectively, the “**Group**”) or the method and terms by which the Offer has been made or any other alternative methods by which the Offer may be made. Such evaluations and comments remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion and advice as set out in this Letter.

We are not authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. We are therefore not addressing the relative merits of the Offer as compared to any alternative transaction that may be available to the Company (or the Shareholders) or as compared to any alternative offer that might otherwise be available in the future.

In the course of our evaluation of the financial terms of the Offer, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Group. We have also relied on information and representations, whether written or verbal, including relevant financial analyses, estimates and information contained in the Circular, provided by the management of the Company (the “**Management**”), the Directors and the Company’s solicitors and/or auditors (where relevant). We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information or representations. We have nevertheless made reasonable enquiries and exercised our judgement as we deemed necessary in assessing the information and representations provided to us and have found no reason to doubt the reliability of the information and representations.

We have relied upon the assurances of the Directors that, upon making all reasonable enquiries and to the best of their respective knowledge, information and belief, (a) all material information in connection with the Offer, the Company and/or the Group has been disclosed to us, (b) such information is true, complete and accurate in all material respects, and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors jointly and severally accept responsibility accordingly.

For the purposes of assessing the financial terms of the Offer and reaching our conclusion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Group. We have also not relied upon any financial projections or forecasts in respect of the Company and/or the Group in our evaluation of the Offer. We are not required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion and advice in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group. As such, we have relied on the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Company and/or the Group. We have also not been furnished with any independent evaluation or appraisal of the assets and liabilities of the Group except for the independent valuation report dated 10 September 2020 and the summary valuation report dated 10 September 2020 (the “**Summary Valuation Report**”) by AVA Associates Limited (the “**Independent Valuer**”) in relation to the valuation of the Revalued Assets (as defined herein) in the People’s Republic of China (the “**PRC**”) as at 30 June 2020, which was commissioned by the Company in connection with the Offer.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

As we are not experts in the evaluation or appraisal of the assets or liabilities set out in the Summary Valuation Report which is appended as Appendix VI to the Circular, we have placed sole reliance on such independent valuations and have not made any independent verification of the contents set out thereof. Accordingly, we cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of the information set out in the Summary Valuation Report.

Our analysis, opinion and advice as set out in this Letter are based on the market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at, 10 September 2020 (the “**Latest Practicable Date**”). Such conditions may change significantly over a relatively short period of time, and we assume no responsibility to update, revise or reaffirm our opinion and advice in light of any subsequent development after the Latest Practicable Date that may affect our opinion and advice contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax status, risk profile or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profile, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. As such, our opinion and advice should not be the sole basis for any Shareholder in deciding whether or not to accept the Offer.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

Our opinion and advice in respect of the Offer, as set out in paragraph 8 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.

3. THE OFFER

On the terms and subject to the conditions set out in the Offer Document, for and on behalf of the Offeror, SCCL had made the Offer for all the Offer Shares in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and the Code on the following basis:

3.1. Offer Price

The Offer Price for each Offer Share is **S\$0.35 in cash**.

The Offer Price is final and the Offeror does not intend to revise the Offer Price.

3.2. Offer Shares

The Offer is extended, on the same terms and conditions, to all the Shares in issue (excluding treasury shares, if any), including any Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror in relation to the Offer. For the purposes of the Offer and for the avoidance of doubt, the expression “**Offer Shares**” shall include all such Shares.

3.3. Rights and No Encumbrances

The Offer Shares will be acquired:

- (a) fully paid;

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- (b) free from all claims, charges, liens, pledge, mortgages, encumbrances, declaration of trust, hypothecation, retention of title, power of sale, equity, options, rights of pre-emption, rights of first refusal, rights to acquire, moratorium, security agreement and security interest, assignments, debentures, or other third party rights or interest of any nature whatsoever (“**Encumbrances**”); and
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, return of capital and/or other distributions (collectively, the “**Distributions**”), if any, which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date.

3.4. Adjustments for Distributions

In the event any Distribution is or has been announced, declared, made or paid by the Company on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer (the “**Accepting Shareholder**”), the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay to such Accepting Shareholder the Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or
- (b) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay to such Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

3.5. Acceptance Condition

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror and parties acting in concert with it holding not less than 90% of the total number of Shares in issue (excluding treasury shares, if any) as at the close of the Offer (the “**Acceptance Condition**”).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror meeting the Acceptance Condition.

Save for the Acceptance Condition, the Offer is unconditional in all other respects.

3.6. No Options

As at 26 August 2020, being the latest practicable date of the Offer Document (the “**Offer Document Latest Practicable Date**”), based on publicly available information, there are no outstanding instruments convertible into, rights to subscribe for, and options or derivatives in respect of the Shares or securities which carry voting rights in the Company.

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3.7. Warranty

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distributions (if any) which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date.

3.8. Further Details on the Offer

Further details of the Offer including (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement of the level of acceptances of the Offer, and (d) the right of withdrawal of acceptances of the Offer, are set out in Appendix A to the Offer Document.

4. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

The following information on the Offeror and its shareholders has been extracted from section 5 of the Offer Document and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document. Additional information on the Offeror is also set out in Appendix C to the Offer Document.

“5. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

5.1 The Offeror. *The Offeror is a private company limited by shares incorporated in Singapore on 18 June 2020 for the purposes of the Offer. Its principal activity is investment holding.*

As at the Latest Practicable Date, the Offeror has an initial issued and paid-up share capital of S\$1.00 comprising one (1) ordinary share. The Offeror's sole shareholder and director is Mr. Jin. Mr. Jin is also an executive director and substantial shareholder of the Company.

As at the Latest Practicable Date, the Offeror does not own any Shares.

5.2 Additional Information. ***Appendix C** to this Offer Document sets out additional information on the Offeror.”*

5. IRREVOCABLE UNDERTAKINGS

The following information has been extracted from section 7 of the Offer Document and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

“7. IRREVOCABLE UNDERTAKINGS

7.1 Irrevocable Undertakings. *As at the Latest Practicable Date, the Offeror has received an irrevocable undertaking (collectively, the “**Irrevocable Undertakings**”) from each of Mr. Jin and Jin Cheng (the “**Undertaking Shareholders**”), pursuant to which, each of the Undertaking Shareholders has, among others, unconditionally and irrevocably undertaken to the Offeror to:*

- (i) tender all the Shares held by him or it (directly or indirectly or through a nominee) as at 18 August 2020, being the date of the Irrevocable Undertakings, and any other Shares or securities in the capital of the Company which he or it may subsequently acquire (directly or indirectly or through a nominee) or which may be issued or unconditionally allotted to him or it (directly or indirectly through a nominee), whether pursuant to any bonus issue, rights issue or distribution of shares in the capital of the Company or otherwise, in acceptance of the Offer; and*

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- (ii) *agree to waive its or his rights to receive cash settlement or payment payable to it or him as consideration for its or his Shares tendered in acceptance of the Offer.*

The Undertaking Shareholders are substantial shareholders of the Company. The sole director and shareholder of Jin Cheng is Mr. Jin. Mr. Jin is also an executive director and substantial shareholder of the Company.

7.2 Aggregate Number of Shares. *As at the Latest Practicable Date, the aggregate number of Shares held by the Undertaking Shareholders, which are subject to the Irrevocable Undertakings, amount to 237,272,500 Shares, representing approximately 78.70% of the Shares in issue, and which are held in the manner as follows:*

- (i) *16,649,500 Shares, representing approximately 5.52% of the Shares in issue, held directly by Mr. Jin; and*
- (ii) *220,623,000 Shares, representing approximately 73.18% of the Shares in issue, held indirectly by Jin Cheng through DBS Nominees Pte Ltd.*

7.3 Termination. *The Irrevocable Undertakings shall lapse and cease to have force and effect upon the earlier of:*

- (i) *the Offer being withdrawn or lapsing; or*
- (ii) *the Offeror failing to despatch the Offer Document on or before such date being 21 days after the Offer Announcement Date, or such other date as may be extended by the mutual written agreement between the Offeror and the Undertaking Shareholders, subject to the consent of the SIC being obtained and the requirements of the Code.*

7.4 No Other Irrevocable Undertakings. *Save for the Irrevocable Undertakings, as at the Latest Practicable Date, none of the Offeror and any party acting in concert with the Offeror has received any undertakings from any other party to accept or reject the Offer.”*

6. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from section 8 of the Offer Document and is reproduced in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

“8. RATIONALE FOR THE OFFER

8.1 Opportunity for Shareholders to Cash Out at a Significant Premium. *The Offer Price represents a significant premium over the VWAP per Share for the one-month, three-month, six-month and 12-month periods respectively up to and including 14 July 2020, being the last trading date prior to the suspension of trading of Shares’ (the “**Last Trading Day**”), and over the last transacted price of the Shares as quoted on the SGX-ST on the Last Trading Day. Details on the premium are set out in **Section 9** of the Letter to Shareholders in this Offer Document.*

The Offer Price represents an all-time high exceeding all previous closing prices of the Shares on the SGX-ST (as reported by Bloomberg L.P.) in the Company’s history, representing a premium of approximately 25% to its highest closing price² per Share.

*Taking into account the Offer Price premium, and the low trading liquidity and continuing suspension of trading in the Shares (details of which are set out in **Sections 8.2 and 8.3** of the Letter to Shareholders in this Offer Document), the Offer represents a cash exit opportunity for Shareholders to liquidate and realise their entire investment at a significant premium to prevailing market prices, without incurring other brokerage and trading costs.*

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- 8.2 Low Trading Liquidity.** *The trading volume of the Shares has been generally low, with an average daily trading volume³ of approximately 20,361 Shares during the 12-month period up to and including the Last Trading Day. This represents approximately 0.0317% of the free float of the Shares as at the Last Trading Day. During the same 12-month period, the Shares were traded only on 61 Market Days. Based on historical trading patterns, even if the current trading suspension in the Shares (details of which are set out in **Section 8.3** of the Letter to Shareholders in this Offer Document) is lifted, the Offeror believes that the low liquidity of the Shares is likely to continue and the Offer represents a cash exit opportunity for Shareholders to liquidate and realise their entire investment in the Company, an option which would not otherwise be readily available or which may otherwise be difficult due to the low trading liquidity of the Shares.*
- 8.3 Trading Suspension.** *As announced by the Company on 14 July 2020, trading in the Shares has been suspended with effect on and from 15 July 2020 pursuant to Rule 1303(3) of the Listing Manual of the SGX-ST (the “**Listing Manual**”) and it is uncertain when the trading suspension will be lifted. The Offer represents a cash exit opportunity for Shareholders to liquidate and realise their entire investment at a premium to the prevailing market prices, an option which would not otherwise be readily available until the trading suspension is lifted.*
- 8.4 Greater Management Flexibility.** *The Offeror is making the Offer with a view to delist the Company from the SGX-ST and, if and when entitled, exercise its right of compulsory acquisition. The Offeror believes that privatising the Company will provide the Offeror with more flexibility to manage the business of the Company and optimise the use of the Company’s management and resources.*
- 8.5 Costs of Maintaining Listing Status.** *In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Listing Manual. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.*

- 1 *As disclosed in **Section 8.3** of Letter to Shareholders in this Offer Document, trading in the Shares in the Company has been suspended with effect on and from 15 July 2020 and continues to be suspended as at the Latest Practicable Date. Accordingly, the last transacted price of the Shares as quoted on the SGX-ST immediately prior to the Offer Announcement Date is the last transacted price of the Shares on the Last Trading Day.*
- 2 *Refers to the closing price per Share of S\$0.28 on 14 June 2017 and 16 June 2017, which is the highest closing price per Share since the commencement of trading in the Shares on the SGX-ST on 10 May 2004.*
- 3 *The average daily trading volume is computed based on the total volume of Shares traded divided by the number of Market Days with respect to the one-month period, three-month period, six-month period and 12-month period up to and including the Last Trading Day.”*

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In assessing the financial terms of the Offer, we have considered the following which we view as pertinent and having a significant bearing on our evaluation:

- (a) Historical financial performance of the Group;
- (b) Historical market price performance and trading activity of the Shares;
- (c) Historical Share price performance relative to market indices;
- (d) Net asset value (“**NAV**”), revalued NAV (“**RNAV**”) and net debt position of the Group;
- (e) Historical trailing P/NAV multiples of the Shares;
- (f) Valuation ratios of selected companies listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the Hong Kong Exchanges and Clearing Limited (the “**HKE**”) which principal business activities are broadly comparable to those of the Group;

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- (g) Selected precedent privatisation and delisting transactions involving companies listed on the SGX-ST; and
- (h) Other relevant considerations.

The figures, underlying financial and market data used in our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from Thomson Reuters Eikon under Refinitiv (formerly the Thomson Reuters Financial & Risk business), the SGX-ST, the HKEx and other public filings as at the Latest Practicable Date or as provided by the Company where relevant. NCF makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

7.1. Historical Financial Performance of the Group

For the purpose of evaluating the financial terms of the Offer, we have considered the audited consolidated financial statements of the Group for the financial years ended 31 December 2017 (“FY2017”), 31 December 2018 (“FY2018”) and 31 December 2019 (“FY2019”), as well as the unaudited interim consolidated financial statements of the Group for the 6-month financial periods ended 30 June 2019 (“6M2019”) and 30 June 2020 (“6M2020”). The following summary of the financial information should be read in conjunction with the full text of the Group’s published financial statements for FY2018, FY2019 and 6M2020 in respect of the relevant financial years/periods including the notes thereto.

Consolidated statements of comprehensive income

	← Audited FY2018 (restated) ⁽¹⁾⁽²⁾ →			← Unaudited →	
(RMB’000)	FY2017 ⁽¹⁾	FY2018 (restated) ⁽¹⁾⁽²⁾	FY2019	6M2019	6M2020
Revenue	35,021	37,721	37,721	18,861	17,461
Profit/(loss) before income tax	36,181	23,565	(61,568) ⁽³⁾	9,166	(24,679)
Net profit/(loss) for the year/period	22,764	18,263	(45,877)	6,508	(19,353)

Consolidated statements of cash flows

	← Audited FY2018 (restated) ⁽¹⁾⁽²⁾ →			← Unaudited →	
(RMB’000)	FY2017 ⁽¹⁾	FY2018 (restated) ⁽¹⁾⁽²⁾	FY2019	6M2019	6M2020
Net cash generated from/ (used in) operating activities	43,011	54,905	(103,094)	(6,711)	15,355
Net cash used in investing activities	(42,415)	(14,039)	(42,720)	(6,740)	(15,611)
Net cash (used in)/generated from financing activities	(51,995)	(54,445)	128,360	(2,500)	8,991
Net (decrease)/increase in cash and cash equivalents	(51,399)	(13,579)	(17,454)	(15,951)	7,745
Cash and cash equivalents at end of the year/period	38,994	25,415	7,961	9,464	15,706

Source: Annual reports of the Company for FY2018 and FY2019 and the unaudited consolidated financial statements of the Group for 6M2020

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Notes:

- (1) In FY2019, the Company adopted the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019. Certain line items of the financial statements for FY2018 were restated for comparability in the annual report of the Company for FY2019. The financial statements of the Group for FY2017 which were prepared under the previous Financial Reporting Standards in Singapore were not restated based on SFRS(I). Accordingly, the narration for FY2017 *vis-à-vis* FY2018 set out below is solely for illustration purposes.
- (2) Based on the figures reflected in the annual report of the Company for FY2019.
- (3) Excluding the non-recurring interest expenses and legal fees of approximately RMB36.7 million and RMB34.4 million respectively which were incurred in connection with the Legal Claim (as defined herein), the Group would have recorded a profit before income tax of approximately RMB9.5 million in FY2019.

Consolidated statements of comprehensive income

FY2017 vs FY2018

The revenue of the Group increased by approximately RMB2.7 million or 7.7% from approximately RMB35.0 million in FY2017 to approximately RMB37.7 million in FY2018 mainly due to the recognition of full-year contributions from the addition of a new lessee in mid-FY2017.

The profit before tax of the Group decreased by approximately RMB12.6 million or 34.9% from approximately RMB36.2 million in FY2017 to approximately RMB23.6 million in FY2018, mainly due to (a) a decrease in other operating income mainly as a result of the absence of compensation amount from the local government for assets and other losses related to the relocation of the Group’s factory from Keqiao to Binhai Industrial Zone which was recognised in FY2017, (b) a decrease in reversal of allowance for impairment loss on trade receivables, and (c) an increase in allowance for impairment loss on other receivables, which were offset by (i) an increase in gross profit mainly due to an increase in rental revenue in FY2018 and the absence of cost of sales arising from the printing and dyeing business in FY2018 as such business had ceased in FY2017, (ii) a decrease in administrative expenses mainly due to property, plant and equipment being written off in FY2017 and a decrease in depreciation charge in FY2018, and (iii) the recognition of other net gain in FY2018 *vis-à-vis* other net losses in FY2017.

Taking into account the income tax expenses, the Group’s net profit decreased by approximately RMB4.5 million or 19.8% from approximately RMB22.8 million in FY2017 to approximately RMB18.3 million in FY2018.

FY2018 vs FY2019

The revenue of the Group remained constant at approximately RMB37.7 million.

The Group recorded a loss before income tax of approximately RMB61.6 million in FY2019 *vis-à-vis* a profit before income tax of approximately RMB23.6 million in FY2018 mainly due to (a) an increase in administrative expenses mainly as a result of higher legal fees relating to court cases with Shanghai Jintumu Real Estate Co., Ltd. (“**Shanghai Jintumu**”) in the PRC, (b) an increase in allowance for impairment loss on other receivables, (c) an increase in finance costs mainly as a result of higher borrowing interest costs and interest expenses payable by the Company to Shanghai Jintumu in respect of the upfront deposit of RMB80.0 million, as ruled by the Supreme People’s Court of the PRC in connection with the legal claim filed by Shanghai Jintumu against, *inter alia*, certain subsidiaries of the Group (the “**Legal Claim**”), and (d) the absence of reversal of allowance of impairment loss on trade receivables in FY2019, which were offset by an increase in other operating income mainly due to the recognition of government grant and the writeback of other payables in FY2019.

Taking into account the income tax expenses, the Group recorded a net loss of approximately RMB45.9 million in FY2019 *vis-à-vis* a net profit of approximately RMB18.3 million in FY2018.

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6M2019 vs 6M2020

The revenue of the Group decreased by approximately RMB1.4 million or 7.4% from approximately RMB18.9 million in 6M2019 to approximately RMB17.5 million in 6M2020 mainly due to the renewal of new lease agreements with certain lessees which were no longer required to lease the older plant and equipment thereby resulting in lower rental income in 6M2020.

The Group recorded a loss before income tax of approximately RMB24.7 million in 6M2020 *vis-à-vis* a profit before income tax of approximately RMB9.2 million in 6M2019 mainly due to (a) a decrease in revenue and other operating income mainly as a result of a lower margin recovery of sewage and utilities costs from lessees in view of the significant decline in their business operation arising from the COVID-19 situation, (b) an increase in administrative expenses mainly as a result of the increase in staff salaries, consultancy fees, entertainment expenses and miscellaneous office expenses relating to Shaoxing Yue Sheng Real Estate Property Development Co., Ltd (“**Shaoxing Yue Sheng**”) as Shaoxing Yue Sheng commenced its initial stage of the development activities, (c) an increase in finance costs mainly due to higher interest costs, and (d) the recognition of sales and marketing expenses in 6M2020 due to the expenses incurred in relation to the preparation of the pre-sale launch of property units in the development of the land assets located in Kebei Industrial area, Shaoxing City, Zhejiang Province, the PRC (the “**Pre-Sales**”), such as rental and renovation for showrooms and other miscellaneous expenses related to the sales activities.

Taking into account the income tax expenses, the Group recorded a net loss of approximately RMB19.4 million in 6M2020 *vis-à-vis* a net profit of approximately RMB6.5 million in 6M2019.

Consolidated statements of cash flows

FY2019

The Group recorded net cash flows used in operating activities in FY2019 of approximately RMB103.1 million due to (a) cash used in operations of approximately RMB63.4 million mainly as a result of operating cash flows before working capital changes of approximately RMB14.8 million and a decrease in other payables of approximately RMB75.5 million, (b) settlement interest paid in relation to the Legal Claim of approximately RMB36.7 million, and (c) income tax paid of approximately S\$3.0 million.

The Group recorded net cash flows used in investing activities of approximately RMB42.7 million mainly due to the purchase of investment properties and property, plant and equipment in relation to a factory building under construction in FY2019. The Group recorded net cash flows generated from financing activities of approximately RMB128.4 million mainly due to the proceeds from loans, which was largely offset by the repayment of bank borrowings and the payment of dividends and interest expenses.

Taking into account (a) the cash and cash equivalents at the beginning of FY2019 of approximately RMB25.4 million and (b) the net decrease in cash and cash equivalents of approximately RMB17.5 million, the Group’s cash and cash equivalents amounted to approximately RMB8.0 million as at 31 December 2019.

6M2020

The Group recorded net cash flows generated from operating activities of approximately RMB15.4 million in 6M2020 due to (a) cash generated from operations of approximately RMB46.7 million mainly as a result of operating cash flows before movements in working capital of approximately RMB8.0 million and an increase in other payables of approximately RMB48.8 million, (b) interest paid of approximately RMB31.3 million, and (c) income tax paid of approximately S\$0.03 million.

The Group recorded net cash flows used in investing activities of approximately RMB15.6 million mainly due to the purchase of property, plant and equipment relating to the addition of new factory building. The Group recorded net cash flows generated from financing activities of approximately RMB9.0 million mainly due to proceeds from loans, which was offset by the repayment of bank borrowings.

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Taking into account (a) the cash and cash equivalents at the beginning of 6M2020 of approximately RMB8.0 million and (b) the net increase in cash and cash equivalents of approximately RMB7.7 million, the Group's cash and cash equivalents amounted to approximately RMB15.7 million as at 30 June 2020.

As disclosed in the FY2019 annual report, the Company's auditors had highlighted that the Group had incurred, *inter alia*, a net loss of approximately RMB45.9 million and recorded net cash used in operating activities of approximately RMB103.1 million in FY2019. As at 31 December 2019, the Group recorded net current liabilities of approximately RMB581.9 million and short-term borrowings of approximately RMB503.8 million. Accordingly, such conditions indicated 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 financial statements for FY2019 were prepared and presented on a going concern assumption after the Directors had considered the following factors as extracted from the FY2019 annual report:

- (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 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.”*

As announced by the Company on 17 June 2020 in relation to queries from the SGX-ST, the SGX-ST had directed that if the Company did not enter into supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding by 15 July 2020, the Company should suspend trading under Rule 1303(3) of the listing manual of the SGX-ST (the “**Listing Manual**”). As announced on 1 July 2020, the Directors were of the view that the Company was unable to enter into supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding by 15 July 2020 and accordingly, the Shares had been suspended from trading with effect from 15 July 2020 (the “**Shares Suspension**”).

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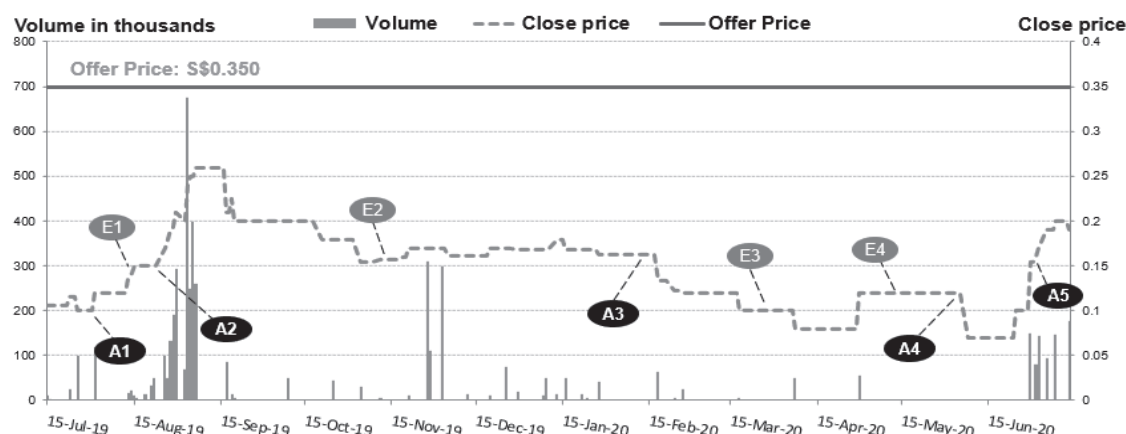
We understand from the Management that as at the Latest Practicable Date, the Group has not entered into any supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding from the banks.

7.2. Historical Market Price Performance and Trading Activity of the Shares

We note that the Offer Price represents an all-time high exceeding all previous closing prices of the Shares since the Company's listing on the SGX-ST in May 2004. The Offer Price represents a premium of approximately 25% over the highest closing price of S\$0.280 per Share (on 14 and 16 June 2017) during the period between the listing of the Shares and the Shares Suspension.

In view of the Shares Suspension since 15 July 2020, we have compared the Offer Price to the daily closing prices for the one-year period between 15 July 2019 and 14 July 2020 (the “**Last Trading Day**”), being the last market day immediately prior to the Shares Suspension. We have also marked certain dates in the one-year period where significant events occurred.

Daily closing prices and daily trading volumes of the Shares for the one-year period prior to and including the Last Trading Day



Source: Thomson Reuters Eikon and Company announcements on the SGXNET

Earnings announcements:

- E1. 14 August 2019:** The Company announced its unaudited financial statements for 6M2019 in which the Group's net profit increased by approximately RMB1.2 million or 22.2% from approximately RMB5.3 million for the 6-month financial period ended 30 June 2018 (“**6M2018**”) to approximately RMB6.5 million in 6M2019.
- E2. 14 November 2019:** The Company announced its unaudited financial statements for the 9-month financial period ended 30 September 2019 (“**9M2019**”) in which the Group recorded a net loss of approximately RMB42.1 million for 9M2019 *vis-à-vis* a net profit of approximately RMB7.8 million for the 9-month financial period ended 30 September 2018.
- E3. 31 March 2020:** The Company announced its unaudited financial statements for FY2019 in which the Group recorded a net loss of approximately RMB45.9 million in FY2019 *vis-à-vis* a net profit of approximately RMB18.3 million in FY2018.
- E4. 15 May 2020:** The Company announced its unaudited financial statements for the 3-month financial period ended 31 March 2020 (“**3M2020**”) in which the Group recorded a net loss of approximately RMB7.0 million in 3M2020 *vis-à-vis* a net profit of approximately RMB2.8 million for the 3-month financial period ended 31 March 2019.

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Other significant announcements:

- A1. 31 July 2019:** The Company announced that the Supreme People's Court of the PRC had dismissed the appeal filed by Shanghai Jintumu against the first-instance judgment issued in the Zhejiang Higher Court in relation to the Legal Claim, and had affirmed the first-instance judgment and the counter claim filed by Zhejiang Jishan Printing and Dyeing Co., Ltd (a subsidiary of the Company) against Shanghai Jintumu.
- A2. 23 August 2019:** The Company announced that the Directors had declared an interim tax exempt (one-tier) cash dividend of S\$0.0193 per Share for the financial period ended 30 June 2019, subject to the approval of the Shareholders being obtained at an extraordinary general meeting.
- A3. 12 February 2020:** The Company announced that it had submitted an application to the SGX-ST for an extension of time to comply with the requirement to announce its FY2019 financial statements by 29 February 2020 and the requirement to hold its annual general meeting (“AGM”) by 30 April 2020 as a result of the outbreak of COVID-19 which had, *inter alia*, affected the operations in the PRC and the accessibility of financial data by certain of its employees (the “Extension”). The Company had also submitted an application to the Accounting and Corporate Regulatory Authority (“ACRA”) for extensions of time to hold its FY2019 AGM and to file its annual returns under Section 175 and Section 197 of the Companies Act, Chapter 50 of Singapore (the “Companies Act”). On 19 February 2020, the Company announced that the SGX-ST had granted the Extension subject to certain conditions. On 2 March 2020, the Company announced that ACRA had approved the Company's application for an extension of time to hold the FY2019 AGM by 20 June 2020 and to file its annual return by 30 July 2020.
- A4. 5 June 2020:** The Company announced that its independent auditors, Moore Stephens LLP, had included a section on “Material Uncertainty Related to Going Concern” in their Independent Auditors' Report on the financial statements for FY2019.
- A5. 1 July 2020:** The Company announced that Shaoxing Yue Sheng had obtained a construction work planning permit dated 1 July 2020 issued by Shaoxing Bureau of Natural Resources and Planning, being one of the requisite permits, in relation to the proposed development of the Company's land assets (comprising 7 land use rights) located in Kebei Industrial Area, Shaoxing City, Zhejiang Province, the PRC (the “Land Assets”) into residential and commercial properties (the “Project”). As at the date of the announcement, the Group had completed the initial preparation stage of the proposed development of the Land Assets. It was envisaged that the proposed development of the Land Assets will involve capital investment.
- In addition, as disclosed in the Company's announcement dated 17 June 2020 in relation to queries from the SGX-ST, the SGX-ST had directed that the Company should suspend trading under Rule 1303(3) of the Listing Manual if the Company did not enter into supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding by 15 July 2020. Based on the then-status of discussions with the potential lenders, the Directors were of the view that the Group would be unable to enter into supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding by 15 July 2020 and pursuant to Rule 1303(3) of the Listing Manual, the Shares may be suspended by the SGX-ST with effect from 15 July 2020.
- A6. 14 July 2020:** The Company announced that based on the then status of discussions with the potential lenders, the Directors were of the view that the Company would be unable to enter into supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding by 15 July 2020 and accordingly, the Company had requested a voluntary suspension in the trading of the Shares pursuant to Rule 1303(3) of the Listing Manual.

Based on the above chart, the closing prices of the Shares were on an upward trend from mid-July 2019 and reached a high of S\$0.260 on 6 September 2019, before trending downward to a low of S\$0.155 on 4 November 2019. Between early November 2019 and end-January 2020, the closing prices of the Shares ranged narrowly between S\$0.155 and S\$0.180. The closing prices of the Shares reached a low of S\$0.070 on 8 June 2020 before the Share price eventually closed at S\$0.190 on the Last Trading Day. The Shares had generally been thinly traded on only 61 market days during the one-year period prior to and including the Last Trading Day.

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We set out below the premia implied by the Offer Price over the historical volume-weighted average prices (“**VWAP**”) for the one-year period prior to and including the Last Trading Day:

	VWAP⁽¹⁾ (S\$)	Premium of Offer Price over VWAP (%)	Highest closing price (S\$)	Lowest closing price (S\$)	Average daily trading volume⁽²⁾ (“ADTV”) (’000)	ADTV as a percentage of free float⁽²⁾⁽³⁾ (%)	Traded days⁽⁴⁾
Periods prior to and including the Last Trading Day							
One-year	0.1913	83.0	0.260	0.070	20	0.03	61
6-month	0.1615	116.7	0.200	0.070	9	0.01	18
3-month	0.1696	106.4	0.200	0.070	14	0.02	9
One-month	0.1739	101.3	0.200	0.100	36	0.06	7
Last Trading Day ⁽⁵⁾	0.190	84.2	0.190	0.190	177	0.28	1

Source: Thomson Reuters Eikon

Notes:

- (1) The VWAP has been weighted based on the average traded prices and traded volumes of the Shares for the relevant market days for each of the above periods.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the relevant period divided by the number of market days during that period.
- (3) Free float refers to approximately 64.2 million Shares or 21.30% of the issued share capital of the Company held by the public (as defined in the Listing Manual) for the one-year period prior to and including the Last Trading Day.
- (4) Refers to the number of market days in each of the above periods where there was trading in the Shares.
- (5) Refers to the closing price of the Shares on the Last Trading Day.

Based on the above, we note the following:

Periods prior to and including the Last Trading Day

- (a) The daily closing prices of the Shares over the one-year period prior to and including the Last Trading Day were between a low of S\$0.070 per Share (on 8 June 2020) and a high of S\$0.260 per Share (on 6 September 2019), and the Offer Price represents a significant premium of approximately 83.0%, 116.7%, 106.4% and 101.3% over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively.
- (b) The Offer Price represents a significant premium of approximately 84.2% over the closing price of the Shares of S\$0.190 on the Last Trading Day.
- (c) The trading of the Shares had been sporadic during the one-year period, of which the Shares were traded on only 61, 18, 9 and 7 market days for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively.
- (d) During the one-year period prior to and including the Last Trading Day, the average daily trading volumes of the Shares ranged from approximately 9,000 Shares to 36,000 Shares, representing approximately 0.03%, 0.01%, 0.02% and 0.06% of the Company’s free float over each of the one-year, 6-month, 3-month and one-month periods respectively.

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Shareholders should note that (a) due to the thin trading liquidity of the Shares for the one-year period prior to and including the Last Trading Day, the market price performance of the Shares may not necessarily be a meaningful indicator of the fundamental value of the Shares, and (b) the trading of the Shares has been suspended as at the Latest Practicable Date and may remain suspended in the event that the Company is not able to enter into supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding or where the Company is unable to continue as a going concern or demonstrate to the SGX-ST and its shareholders that it is able to do so.

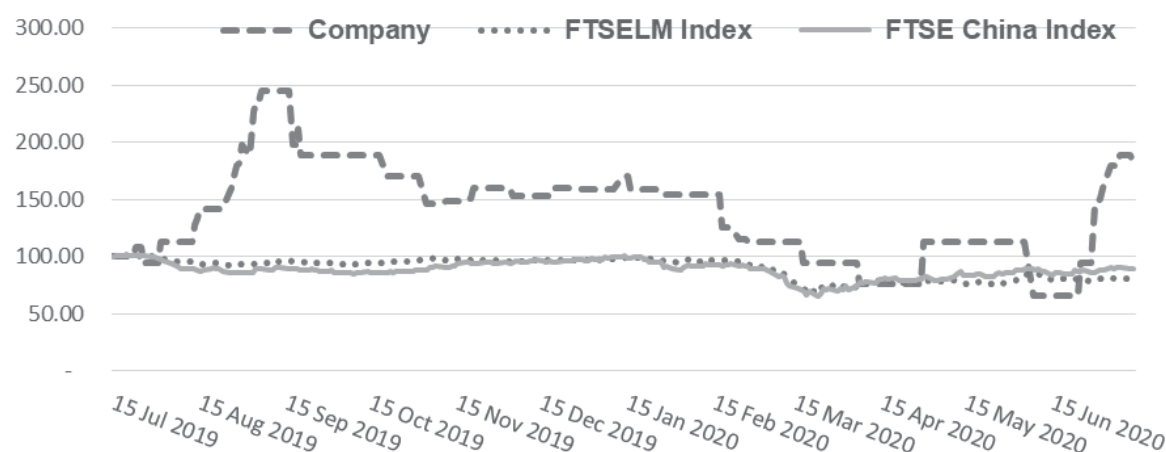
We wish to highlight that the market valuation of shares of a company traded on a securities exchange may be affected by, *inter alia*, the prevailing economic conditions, economic outlook, stock market conditions and sentiment, the corporate activities of the company, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given point in time.

7.3. Historical Share Price Performance Relative to Market Indices

To gauge the market price performance of the Shares relative to the general share price performance of the Singapore equity market, we have compared the market price movement of the Shares against (a) the FTSE ST Large & Mid Cap Index (the “**FTSELM Index**”) comprising large- and mid-capitalisation companies that represent 86% of the Singapore market’s capitalisation, and (b) the FTSE ST China Index (the “**FTSE China Index**”), which is a market capitalisation-weighted index tracking the constituents of the FTSE ST All-Share Index that have a majority of their sales from or operating assets located in China.

The market price performance of the Shares relative to the FTSELM Index and the FTSE China Index for the one-year period prior to and including the Last Trading Day is illustrated below:

Share price performance against market indices (rebased) for the one-year period prior to and including the Last Trading Day



Source: Thomson Reuters Eikon

Based on the above, we note that the Shares had generally outperformed the FTSELM Index and the FTSE China Index for the one-year period prior to and including the Last Trading Day.

Shareholders should note that due to the thin trading liquidity of the Shares for the one-year period prior to and including the Last Trading Day, the market price performance of the Shares may not necessarily be a meaningful indicator of the fundamental value of the Shares. Any comparison of the historical price performance of the Shares with the FTSELM Index and the FTSE China Index is for illustrative purposes only.

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7.4. NAV, RNAV and Net Debt Position of the Group

7.4.1. NAV of the Group¹

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all the liabilities of the group. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of the shareholders' equity.

Notwithstanding the foregoing, Shareholders should note that an analysis based on the NAV of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised. While the asset base of the Group can be a basis for valuation, such a valuation does not necessarily imply a realisable market value as the market values of the assets and liabilities may vary depending on prevailing market and economic conditions.

A summary of the unaudited financial position of the Group as at 30 June 2020 is set out as follows:

	Unaudited As at 30 June 2020 (RMB'000)
Current assets:	
Cash and cash balances	15,706
Held-for-trading investments	3,138
Other receivables and prepayments	9,996
Inventories	480
Prepaid leases	234
Total current assets	29,554
Non-current assets:	
Investment in associate	29,832
Property, plant and equipment	70,610
Investment property	203,515
Development properties held for sale	468,281
Prepaid leases	9,863
Deferred tax assets	73,940
Total non-current assets	856,041
Total assets	885,595

¹ As disclosed in the Company's announcement on 31 July 2020, monies received and/or to be received by the Group from the Pre-Sales will not have an impact on (a) the profit and loss of the Group in FY2020 since the Pre-Sales may only be recognised in the profit and loss statements of the Group upon the successful completion and delivery of the properties to the buyers, which is estimated to be in the financial year ending 31 December 2023, and (b) the net tangible assets of the Group in FY2020 as these monies will be recognised on the balance sheet as an asset (being cash received from customers) and a corresponding liability (being other payables - Pre-Sale deposits from customers).

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	Unaudited As at 30 June 2020 (RMB'000)
Current liabilities:	
Borrowings	486,791
Trade payables	9,071
Other payables	112,046
Loans from a related party	25,831
Tax payable	24,451
Total current liabilities	658,190
Non-current liabilities:	
Deferred tax liabilities	67,124
Total non-current liabilities	67,124
Total liabilities	725,314
Capital and reserves:	
Issued capital	125,808
Retained earnings	12,795
Other reserves	21,678
Total equity	160,281
Total liabilities and equity	885,595
Number of issued Shares as at 30 June 2020	301,500,000
NAV per Share (RMB)	0.5316
NAV per Share (S\$)	0.1049
Premium of Offer Price over NAV per Share	233.7%
Price-to-NAV ("P/NAV") ratio as implied by Offer Price	3.34 times

As set out in the table above, the unaudited NAV per Share as at 30 June 2020 was RMB0.5316 (or equivalent to S\$0.1049 at an exchange rate of S\$1 : RMB5.0682 as at 30 June 2020) based on 301,500,000 issued Shares. Accordingly, the Offer Price represents a significant premium of approximately 233.7% over the unaudited NAV per Share as at 30 June 2020 and would value the Group at a P/NAV ratio of 3.34 times.

7.4.2. Revalued NAV of the Group

In connection with the Offer, the Company had commissioned the Independent Valuer to perform an independent valuation to estimate the market values of certain of the Group's assets, namely, (a) development properties held for sale, (b) investment properties, (c) the construction-in-progress, building and plant and machinery which are classified under property, plant and equipment, and (d) prepaid leases in relation to the land use rights (collectively, the "**Revalued Assets**").

Market value is defined as "*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*".²

² In respect of the plant and machinery, the Independent Valuer had adopted the "market value in continued use" basis, which is defined as "the amount of money at which a given property would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have a reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that earnings support the value reported. It does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put."

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The independent valuation and the Summary Valuation Report are prepared in accordance with the International Valuation Standards (2020 edition) as published by the International Valuation Standard Committee and relevant standards adopted by the Royal Institution of Chartered Surveyors.

Development properties held for sale

Development properties held for sale comprise the land use rights to 7 plots of leasehold land for commercial and residential development located at No. 426, Feng Lin road, Kebei Industrial area, Shaoxing City, Zhejiang Province, the PRC, which accounted for approximately 52.9% of the Group's total assets as at 30 June 2020. Development properties held for sale are stated at lower of cost plus, where appropriate, a portion of attributable profit and estimated realisable values, net of progress billings. Net realisable value represents the estimated selling price less the cost to be incurred in selling the properties.

The Independent Valuer had adopted the market approach by employing the comparison method³ assuming the sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions in the last 12 months (as available in the market), with adjustments made for the location and plot ratio of each property in arriving at its opinion of market value. In view that the Group has development plans for the 7 plots of leasehold land and has obtained certain governmental permits for the property development including the sale of selected residential units as announced by the Company on 17 August 2020, the Independent Valuer had also used the residual method⁴, based on the income approach, to determine the residual value of the proposed mixed commercial and residential development project, in order to corroborate and ensure the reliability and reasonableness of the valuation. The residual land value, which can be used to infer the value of the land use rights (on an as-is basis) that a developer will pay in order to undertake and realise the development project, was derived based on the information provided by the Company in relation to the preliminary development plan with an initial gross development value of approximately RMB6 billion. This approach estimated a market value of RMB1,787,000,000 *vis-à-vis* a market value of RMB1,789,000,000 as derived from the comparison method, thus satisfying the theory of market equilibrium of prices.

Based on its analysis, the Independent Valuer is of the opinion that the market value of the development properties held for sale as at 30 June 2020 was approximately RMB1,789.0 million.

Investment properties

Investment properties comprise industrial buildings located at Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, the PRC, which are leased to third-party tenants for recurring rental income and accounted for approximately 23.0% of the Group's total assets as at 30 June 2020. The investment properties are stated at fair value.

The Independent Valuer had adopted the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair values at appropriate capitalisation rates. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Based on its analysis, the Independent Valuer is of the opinion that the market value of the investment properties as at 30 June 2020 was approximately RMB235.4 million.

3 The comparison method rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market can be extrapolated to similar properties, subject to allowances for variable factors.

4 The residual method is based on the concept that the value of a property with development potential is derived from the value of the property after development minus the cost of undertaking that development, including a profit for the developer.

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Property, plant and equipment

Property, plant and equipment comprise (a) construction-in-progress which is in relation to the on-going capital investment in the construction of factory building, (b) a dormitory used in the Group's business operations, (c) plant and machinery (some of which are included as part of the leases of the Group's investment properties), (d) motor vehicles and (e) fixtures and equipment, which in aggregate accounted for approximately 8.0% of the Group's total assets as at 30 June 2020. We understand from the Management that (a) construction-in-progress, (b) the dormitory and (c) plant and machinery constituted the main bulk of the Group's property, plant and equipment as at 30 June 2020. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The Independent Valuer had adopted (a) the depreciated replacement cost method⁵ to value the dormitory, and (b) the "market value in continued use" approach based on the cost method to value the plant and machinery (i.e. costs of reproducing or replacing the equipment, less depreciation from physical deterioration and functional and economic/external obsolescence). The market values of the construction-in-progress, motor vehicles and fixtures and equipment are assumed to approximate their recorded net book values.

Based on its analysis, the Independent Valuer is of the opinion that the market value of the property, plant and equipment as at 30 June 2020 was approximately RMB73.0 million.

Prepaid leases

Prepaid leases comprise the land use rights to 2 plots of leasehold land for industrial use as located in Hai Tu Jiu San, Keqiao, Shaoxing City, Zhejiang Province, the PRC, which accounted for approximately 1.1% of the Group's total assets as at 30 June 2020. The prepaid leases are stated at cost less accumulated amortisation and accumulated impairment losses.

The Independent Valuer had adopted the comparison method to value the land elements of the property by making reference to comparable transactions.

Based on its analysis, the Independent Valuer is of the opinion that the market value of the prepaid leases as at 30 June 2020 was approximately RMB26.5 million.

Further details of the respective valuations are set out in the Summary Valuation Report as appended in Appendix VI to the Circular, and Shareholders are advised to read the information carefully.

The table below sets out the net revaluation surplus arising from a hypothetical disposal of the Revalued Assets at their respective valuation amounts:

RMB'000	Market value as at 30 June 2020 [A]	Net book value as at 30 June 2020 [B]	Potential estimated tax liabilities upon disposal⁽¹⁾ [C]	Net revaluation surplus/ (deficit)⁽²⁾ [A-B-C]
Development properties held for sale	1,789,000	468,281	804,625	516,094
Investment properties	235,410	203,515	32,885	(990)
Property, plant and equipment	73,010	70,610	1,883	517
Prepaid leases	26,500	10,097	7,230	9,173
Total	2,123,920	752,503	846,623	524,794

⁵ Depreciated replacement cost is defined as "the current cost of replacement of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation". It is based on an estimate of the market value for the existing use of the property, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation.

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Source: Summary Valuation Report and Company's announcement of its unaudited financial statements for the 6-month financial period ended 30 June 2020

Notes:

- (1) The Company had commissioned Shaoxing Oriental Tax Advisory Co., Ltd (绍兴东方税务师事务所有限公司) to estimate the potential tax liabilities payable by the Group upon a hypothetical disposal of the Revalued Assets at the respective valuation amounts. Under Rule 26.3 of the Code, the Company is required to make an assessment of the potential tax liabilities which would arise based on a hypothetical sale of the Revalued Assets at the valuation amounts. Shareholders should note that the aforementioned estimated tax liabilities would only crystallise if the Company were to dispose of the Revalued Assets.
- (2) The net revaluation surplus/(deficit) takes into account the surplus/deficit arising from the Revalued Assets as at 30 June 2020 and the potential estimated tax liabilities arising from a hypothetical disposal of the Revalued Assets.

As at 30 June 2020, the aggregate market values of the Revalued Assets as ascribed by the Independent Valuer amounted to approximately RMB2,123.9 million while the aggregate net book values attributable to the Revalued Assets amounted to approximately RMB752.5 million. Taking into account the aggregate potential estimated tax liabilities of approximately RMB846.6 million assuming a hypothetical disposal of the Revalued Assets at their respective valuation amounts, the resultant net revaluation surplus would be approximately RMB524.8 million.

The adjustments made to the unaudited NAV of the Group as at 30 June 2020 in order to arrive at the RNAV of the Group are set out below⁶:

	RMB'000
Unaudited NAV of the Group as at 30 June 2020	160,281
Add: Net revaluation surplus arising from the Revalued Assets	524,794
RNAV of the Group as at 30 June 2020	685,075
Number of issued Shares as at 30 June 2020	301,500,000
RNAV per Share as at 30 June 2020 (RMB)	2.2722
RNAV per Share as at 30 June 2020 (S\$)	0.4483
Discount of Offer Price to RNAV per Share	21.9%
Price-to-RNAV ratio as implied by Offer Price	0.78 times

Based on the above, we note that the Offer Price represents a discount of approximately 21.9% to the RNAV per Share of RMB2.2722 (or equivalent to S\$0.4483 at an exchange rate of S\$1 : RMB5.0682) as at 30 June 2020 and would value the Group at a P/RNAV ratio of 0.78 times.⁷

6 As at 30 June 2020, the Group had "held-for-trading investments" amounting to approximately RMB3.1 million, which accounted for approximately 0.4% of the Group's total assets. These comprised the Group's holdings in the quoted securities of companies listed on the Shenzhen and Shanghai stock exchanges. We understand from the Management that the net realised gain on disposal of quoted securities and the net fair value gain on quoted securities between 30 June 2020 and the Latest Practicable Date are insignificant and would not have any material impact on the Group's unaudited NAV as at 30 June 2020. Accordingly, no adjustment has been made to the NAV of the Group in this regard.

7 Solely for illustrative purposes, the Independent Valuer had also considered the value of the development properties held for sale from the perspective of the Group undertaking the development and sale of the properties itself. Using the income approach and taking into account the gross development value, total development costs and relevant governmental taxes (including land appreciation tax payable by the Company as owner of the land), the market value of the development properties held for sale is estimated to be approximately RMB1,000.4 million. Consequently, the resultant RNAV of the Group as at 30 June 2020 would have been approximately RMB701.1 million and the RNAV per Share would have been RMB2.3255 or S\$0.4588. The Offer Price would accordingly have represented a discount of approximately 23.7% to such RNAV per Share as at 30 June 2020 and would have valued the Group at a P/RNAV ratio of 0.76 times.

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Shareholders should note that the above RNAV analysis provides an estimate of the value of the Group assuming the hypothetical sale of the Revalued Assets as at the Latest Practicable Date. However, such a hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, professional fees, liquidation costs, contractual obligations, any other regulatory requirements and availability of potential buyers which may, in theory, affect the RNAV that can be realised. In addition, the estimated net gain from disposal of the Revalued Assets has not been realised as at the Latest Practicable Date and there is no assurance that the actual net gain on disposal (if any) eventually recorded by the Group will be the same as that derived from the above RNAV analysis.

In respect of the above, the Directors have confirmed that as at the Latest Practicable Date and to the best of their knowledge and belief:

- (a) save for the net revaluation surplus arising from the Revalued Assets, there are no material differences between the realisable values of the Group's assets and their respective book values as at the Latest Practicable Date which would have a material impact on the NAV of the Group as at 30 June 2020;
- (b) there are no other contingent liabilities, bad or doubtful debts, impairment losses or material events which would likely have a material impact on the NAV of the Group as at 30 June 2020;
- (c) there are no litigation, claim or proceedings pending or threatened against the Company or the Group or likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and/or the Group as at 30 June 2020;
- (d) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the SFRS(I) and which have not been so disclosed that would have had a material impact on the overall financial position of the Group as at 30 June 2020;
- (e) save for the development and sale of properties in relation to the Project which had its Pre-Sales launch on 1 August 2020, there are no material acquisitions or disposals of assets by the Group between 30 June 2020 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business; and
- (f) save for the net revaluation surplus arising from the Revalued Assets, they are not aware of any circumstances which may cause the NAV of the Group as at the Latest Practicable Date to be materially different from that recorded in the unaudited balance sheet of the Group as at 30 June 2020.

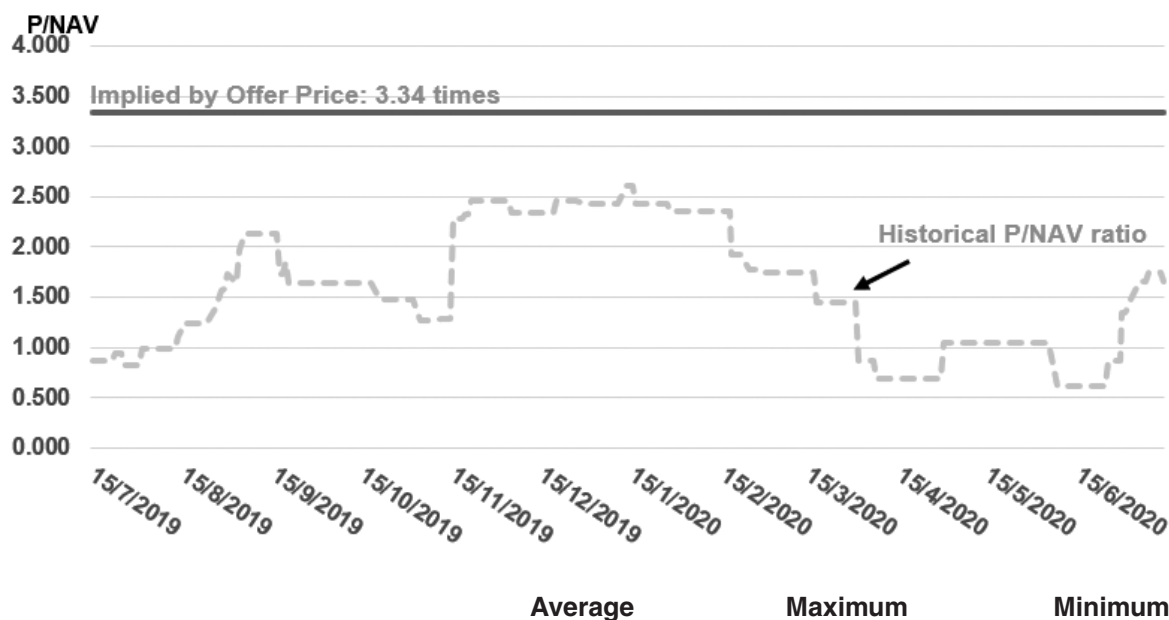
7.4.3. Net debt position of the Group

As at 30 June 2020, the Group's cash and bank balances amounted to approximately RMB15.7 million. Taking into account the borrowings and loans from a related party which in aggregate amounted to approximately RMB512.6 million, the Group would record a net debt position of approximately RMB496.9 million as at 30 June 2020. Accordingly, we have not compared the Offer Price *vis-à-vis* the NAV of the Group on an ex-cash basis.

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7.5. Historical Trailing P/NAV Multiples of the Shares

We have compared the P/NAV multiple of the Shares as implied by the Offer Price *vis-à-vis* the historical trailing P/NAV multiples of the Shares (based on the daily closing prices of the Shares and the Group's trailing announced NAV per Share) for the one-year period prior to and including the Last Trading Day, as set out below:



Periods prior to and including the Last Trading Day

One-year	1.70	2.61	0.61
6-month	1.61	2.44	0.61
3-month	1.31	1.74	0.61
One-month	1.45	1.74	0.87

Source: Thomson Reuters Eikon

Based on the above, we note that for each of the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day, the P/NAV multiple of 3.34 times as implied by the Offer Price is significantly above the average historical trailing P/NAV multiples of the Shares of 1.70 times, 1.61 times, 1.31 times and 1.45 times respectively.

Shareholders should note that the above analysis is solely for illustration purposes as the NAV of the Group is not necessarily a realisable value given that the market value of the net assets may vary depending on, amongst others, prevailing market and economic conditions.

7.6. Valuation Ratios of Selected Companies Listed on the SGX-ST and the HKEx Which Principal Business Activities are Broadly Comparable to Those of the Group

We note that the Group has been engaged in the leasing of its production facilities (including factory space) in relation to the print and dye industry, and has recently commenced its property development business to develop its land assets into residential and commercial properties in the PRC. Accordingly, for the purpose of our evaluation of the financial terms of the Offer, we have made reference to the valuation ratios of selected companies listed on the SGX-ST and the HKEx with market capitalisations of up to S\$150 million (or its equivalent in Hong Kong dollars ("HK\$")) and which are principally engaged in property investment and property development activities in the PRC (collectively, the "**Comparable Companies**"), which we consider to be broadly comparable to the principal business of the Group to obtain an indication of the current market expectations with regard to the perceived valuation of the Group.

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We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company listed on the SGX-ST and/or the HKEx which is identical to the Group in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different profitability objectives. Shareholders should note that any comparison made with respect to the Comparable Companies merely serves to provide an illustrative perceived market valuation of the Group as at the Latest Practicable Date.

A brief description of the Comparable Companies is as follows:

Company / Listing exchange	Business description
Chen Xing Development Holdings Limited (" Chen Xing ") / HKEx	Chen Xing and its subsidiaries are principally engaged in property development in the PRC and focus on comprehensive development projects, including residential and commercial properties.
China Yuanbang Property Holdings Limited (" China Yuanbang ") / SGX-ST	China Yuanbang is a Guangzhou-based property developer focusing on the development of residential and commercial properties and targeting at the middle to upper-middle income market segments.
Coastal Greenland Ltd (" Coastal Greenland ") / HKEx	Coastal Greenland and its subsidiaries are principally engaged in investment in properties and development of properties for sale in the PRC. The group is also engaged in the provision of project management services and project investment services in the PRC.
Debao Property Development Ltd (" Debao Property ") / SGX-ST	Debao Property is an integrated developer of residential and commercial properties in Guangdong Province in the PRC.
Everbright Grand China Assets Limited (" Everbright GCA ") / HKEx	Everbright GCA and its subsidiaries are principally engaged in the business of property leasing, property management and sale of properties in the PRC.
Grand Field Group Holdings Ltd (" Grand Field ") / HKEx	Grand Field and its subsidiaries are principally engaged in property development and property investment in the PRC.
Great China Properties Holdings Limited (" Great China Properties ") / HKEx	Great China Properties and its subsidiaries are principally engaged in property development and property investment in the PRC.
Keyne Ltd (" Keyne ") / HKEx	Keyne and its subsidiaries are principally engaged in property rental, property and hotel development and centralised heat supply in the PRC.

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Company / Listing exchange	Business description
Million Cities Holdings Limited (" Million Cities ") / HKEx	Million Cities and its subsidiaries are principally engaged in the development of residential properties and the leasing of properties in the PRC.
Pan Hong Holdings Group Limited (" Pan Hong ") / SGX-ST	Pan Hong and its subsidiaries are focused on developing residential and commercial properties in the second- and third-tier cities in the PRC, and are also engaged in property investment in the PRC.
SRE Group Limited (" SRE ") / HKEx	SRE is an integrated real estate developer focusing on real estate investment and development business in first- and second-tier cities in the PRC.
Starland Holdings Limited (" Starland ") / SGX-ST	Starland and its subsidiaries are principally engaged in the development of quality integrated residential and commercial properties in the PRC and Singapore.
Talent Property Group Limited (" Talent Property ") / HKEx	Talent Property and its subsidiaries are principally engaged in property development, property investment and property management in the PRC.

Source: Thomson Reuters Eikon and annual reports of the Comparable Companies

In consideration of the asset-intensive nature of the Group's property business and the Group's net loss in the trailing 12 months ended 30 June 2020, we are of the view that the NAV/RNAV of the Group would be a more relevant measure to show the extent to which the value of each Share is backed by its net assets in assessing the Offer Price. The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company. Accordingly, in our evaluation, we have adopted the price-to-NAV ("**P/NAV**") ratio, which refers to the ratio of a company's share price divided by NAV per share.

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The P/NAV ratios of the Comparable Companies based on their respective last transacted share prices and latest-available NAV per share as at the Latest Practicable Date are set out below:

Company	Financial year-end	Market capitalisation (million)	P/NAV (times)
Chen Xing	31 December	HK\$840.0	0.59
China Yuanbang	30 June	S\$13.2	0.09
Coastal Greenland	31 March	HK\$344.1	0.08
Debao Property	31 December	S\$17.2	0.16
Everbright GCA	31 December	HK\$220.7	0.22
Grand Field	31 December	HK\$208.2	0.19
Great China Properties	31 December	HK\$393.5	0.43
Keyne	31 December	HK\$224.8	0.40
Million Cities	31 December	HK\$825.0	0.84
Pan Hong	31 March	S\$58.9	0.40
SRE	31 December	HK\$555.2	0.10
Starland	31 December	S\$14.5	0.60
Talent Property	31 December	HK\$267.6	0.14
Maximum			0.84
Mean			0.33
Median			0.22
Minimum			0.08
Company (as implied by the Offer Price)	31 December	S\$105.5	3.34
Company (as implied by the Offer Price)			0.78⁽¹⁾

Source: Thomson Reuters Eikon, annual reports and announcements of the Comparable Companies on the SGXNET and NCF calculations

Note:

(1) Based on the revalued NAV per Share of S\$0.4483 as at 30 June 2020.

Based on the above, we note that:

- (a) the P/NAV ratio of the Company of 3.34 times (as implied by the Offer Price) is (i) significantly above the range of P/NAV ratios of the Comparable Companies of between 0.08 times and 0.84 times, and (ii) significantly above the mean and median P/NAV ratios of the Comparable Companies of 0.33 times and 0.22 times respectively; and
- (b) the P/RNAV ratio of the Company of 0.78 times (as implied by the Offer Price) is (i) at the higher end of the range of P/NAV ratios of the Comparable Companies of between 0.08 times and 0.84 times, and (ii) significantly above the mean and median P/NAV ratios of the Comparable Companies of 0.33 times and 0.22 times respectively.

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7.7. Selected Precedent Privatisation and Delisting Transactions Involving Companies Listed on the SGX-ST

We note that the Offeror is making the Offer with a view to delist the Company from the SGX-ST and, if and when entitled, exercise its right of compulsory acquisition to make the Company its wholly-owned subsidiary. For the purpose of our evaluation of the financial terms of the Offer, we have compared the valuation statistics of the Company as implied by the Offer Price *vis-à-vis* those of recent successful privatisations (either by way of a general offer under the Code or a scheme of arrangement under Section 210 of the Companies Act where the offeror stated its intention to delist the target company from the SGX-ST) and successful delisting offers under Rule 1307 of the Listing Manual (collectively, the “**Precedent Privatisations**”) as announced during the 24-month period prior to the Offer Announcement, and completed as at the Latest Practicable Date:

Company	Announcement date	Offer price (S\$)	Premium/(discount) of offer price over/(to) ⁽¹⁾				Offer price to NTA/NAV (times)
			Last transacted price (%)	One-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	
Luzhou Bio-Chem Technology Limited	30 June 2020	0.030	100.0	87.5	130.8	150.0	N.M. ⁽²⁾
Perennial Real Estate Holdings Limited ⁽³⁾	12 June 2020	0.950	88.1	105.2	124.2	112.7	0.56 ⁽⁴⁾
Dynamic Colors Limited	1 June 2020	0.225	13.6	22.8	29.0	26.8	0.95 ⁽⁵⁾
Elec & Eltek International Company Limited	3 April 2020	US\$2.29 ⁽⁶⁾	95.7	61.3	43.8	48.4	1.00 ⁽⁴⁾
Breadtalk Group Limited	24 February 2020	0.770	19.4	30.1	24.0	25.0	2.81 ⁽⁵⁾
CITIC Envirotech Ltd.	6 November 2019	0.550	48.6	61.6	68.5	65.5	1.15 ⁽⁷⁾
PACC Offshore Services Holdings Ltd.	4 November 2019	0.215	69.3	99.4	93.0	70.2	0.96 ⁽⁸⁾
United Engineers Limited ⁽⁹⁾	25 October 2019	2.700	1.5	5.3	4.5	5.7	0.82 ⁽⁸⁾⁽¹⁰⁾
Raffles United ⁽¹¹⁾ Holdings Ltd.	25 October 2019	0.065	(1.5)	0.0	10.0	15.9	0.28 ⁽⁷⁾
San Teh Ltd	5 September 2019	0.280	81.8	90.5	83.0	84.2	0.40 ⁽⁸⁾
AVIC International Maritime Holdings Limited	27 August 2019	0.150	37.6	66.7	65.6	65.9	1.20 ⁽⁷⁾
PS Group Holdings Ltd.	20 August 2019	0.118	195.0	266.7	267.5	267.5	0.62 ⁽⁸⁾
Star Pharmaceutical Limited	5 August 2019	0.450	157.1	160.1	176.1	186.6	0.67 ⁽⁸⁾
Delong Holdings Limited ⁽¹²⁾	29 July 2019	7.000	1.9	8.0	17.9	37.2	0.60 ⁽⁷⁾

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Company	Announcement date	Premium/(discount) of offer price over/(to) ⁽¹⁾					Offer price to NTA/NAV (times)
		Offer price (\$)	Last transacted price (%)	One-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	
Health Management International Ltd ⁽¹³⁾	5 July 2019	0.730 ⁽¹⁴⁾	14.1	23.9	27.8	29.7	5.62 ⁽⁸⁾
Hupsteel Limited	28 June 2019	1.200	51.9	58.3	58.6	58.6	0.58 ⁽⁸⁾
Boardroom Limited	15 May 2019	0.880	14.3	18.9	16.1	17.6	2.02 ⁽⁵⁾
Memtech International Ltd.	14 May 2019	1.350	23.9	31.5	31.6	35.6	1.09 ⁽⁷⁾
800 Super Holdings Limited	6 May 2019	0.900	16.1	30.8	31.2	25.3	2.06 ⁽⁸⁾
Kingboard Copper Foil Holdings Limited	4 April 2019	0.600	9.1	16.1	25.3	27.4	0.88 ⁽⁸⁾
Courts Asia Limited	18 January 2019	0.205	34.9	35.8	34.0	23.5	0.56 ⁽¹⁵⁾
Declout Limited ⁽¹⁶⁾	7 January 2019	0.130	62.5	66.7	66.7	58.5	1.28 ⁽¹⁵⁾
PCI Limited ⁽¹⁷⁾	4 January 2019	1.330	27.9	44.0	47.2	50.9	1.97 ⁽⁷⁾
Cityneon Holdings Limited	29 October 2018	1.300	3.2	6.9	11.9	15.7	4.50 ⁽⁷⁾
M1 Limited	27 September 2018	2.060	26.4	29.9	29.1	21.8	3.85 ⁽⁷⁾
Keppel Telecommunications & Transportation Ltd	27 September 2018	1.910	40.4	39.5	34.9	28.1	1.53 ⁽¹⁸⁾
LTC Corporation Limited ⁽¹⁹⁾	7 September 2018	0.925	44.5	46.1	45.4	44.1	0.53 ⁽⁸⁾
		Maximum	195.0	266.7	267.5	267.5	5.62
		Mean⁽²⁰⁾	47.3	48.0	51.2	51.2	1.31
		Median⁽²⁰⁾	34.9	37.7	34.5	36.4	0.96
		Minimum	(1.5)	0.0	4.5	5.7	0.28
Company (as implied by the Offer Price)	20 August 2020	0.350	84.2	101.3	106.4	116.7	0.78⁽²¹⁾

Source: Thomson Reuters Eikon, announcements on the SGXNET and the respective target companies' shareholders' circulars in relation to the Precedent Privatisations

Notes:

- (1) Market premia/(discount) calculated relative to the last transacted prices of the respective target companies prior to the respective offer announcements and VWAPs of the one-month, 3-month and 6-month periods prior to the respective announcements.
- (2) Not meaningful as Luzhou Bio-Chem Technology Limited had recorded a net tangible liability and revalued net tangible liability as at 31 December 2019.

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- (3) On 18 May 2020, Perennial Real Estate Holdings Limited ("**Perennial**") announced that its directors had been notified that certain of its substantial shareholders were reviewing the options in relation to their shareholdings in Perennial. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 15 May 2020, being the last undisturbed trading date.
- (4) Based on the adjusted revalued NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies.
- (5) Based on the adjusted NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies.
- (6) Based on the adjusted offer price, being the offer price after deduction of the final dividend.
- (7) Based on the NTA/NAV per share (as the case may be), as published in the respective circulars of the target companies.
- (8) Based on the revalued NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies.
- (9) On 25 October 2019, a mandatory unconditional cash offer was made for the issued shares of United Engineers Limited ("**UEL**") at an offer price of S\$2.60 in cash. It was also the intention of the offeror to maintain the listing status of UEL on the SGX-ST. On 12 November 2019, it was announced that the offer price was revised from S\$2.60 to S\$2.70 for each share. On 16 December 2019, it was announced that, *inter alia*, the offeror did not intend to preserve the listing status of UEL if the public float is less than 10% of its issued shares.
- (10) As set out in the circular of UEL, UEL has 5 distinct business divisions comprising (a) property (which consists of its property rental and hospitality and property development divisions), (b) manufacturing, (c) distribution, (d) engineering, and (e) corporate services and others. The independent financial adviser to UEL had also valued each of UEL's businesses separately to arrive at the lower and higher sum-of-the-parts valuation of each share of S\$2.23 and S\$3.31 respectively. Accordingly, the offer price of S\$2.70 fell within the range of the estimated lower and higher sum-of-the-parts valuation of each share.
- (11) On 25 October 2019, GATXH Holdings Pte. Ltd. made a voluntary unconditional general offer for the issued shares of Raffles United Holdings Ltd. (the "**Raffles United Final Offer**"). Prior to the Raffles United Final Offer, Raffles Infinity Holdings Pte Ltd had on 1 July 2019 made a mandatory unconditional cash offer for the issued shares of Raffles United Holdings Ltd., and the shares were subsequently suspended from trading on 14 August 2019 as a result of the loss of free float following the offer. The market premia/(discount) in the table above were computed based on the share prices for the period(s) prior to the suspension of trading of the shares on 14 August 2019 following the loss of free float.
- (12) On 29 July 2019, a voluntary conditional cash offer was made for the issued shares of Delong Holdings Limited (the "**Delong Final Offer**"). Prior to the Delong Final Offer, a voluntary conditional cash offer for the issued shares of Delong Holdings Limited was previously made on 27 September 2018 and the offer was subsequently withdrawn in accordance with Rule 4 of the Code as announced on 11 October 2018. The market premia in the table above were computed based on the share prices for the period(s) up to and including 26 September 2018, being the last undisturbed trading date.
- (13) On 17 June 2019, the directors of Health Management International Ltd ("**HMI**") announced that it was in discussions with a third party regarding a possible transaction involving HMI. The market premia in the table above were computed based on the share prices for the period(s) up to and including 14 June 2019, being the last undisturbed trading day.
- (14) The acquisition for the issued shares of HMI by PanAsia Health Limited (being the offeror) was effected by way of a scheme of arrangement pursuant to, *inter alia*, Section 210 of the Companies Act and the scheme consideration was (a) S\$0.730 in cash, or (b) one offeror share at an issue price of S\$0.730 per offeror share.
- (15) Based on the pro forma NAV/NTA per share (as the case may be), as published in the respective circulars of the target companies.
- (16) Declout Limited had a significant stake in Procurri Corporation Limited ("**Procurri**") and had treated and consolidated the results of Procurri as its subsidiary. On 7 September 2018, Procurri announced that it had received an unsolicited, non-binding indication of interest from a third party to acquire the shares in Procurri by way of a possible voluntary general offer subject to, amongst others, due diligence. In view of the significant events in relation to the shares of Procurri which may have a direct or indirect impact on the market prices of the shares of Declout Limited, the market premia in the table above were computed based on the share prices of Declout Limited for the period(s) prior to and including 6 September 2018, being the last undisturbed trading date.
- (17) On 18 September 2018, PCI Limited ("**PCI**") announced that its controlling shareholder, Chuan Hup Holdings Limited, had been approached by a third party in connection with a potential transaction in relation to the shares of PCI. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 17 September 2018, being the last undisturbed trading date.

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- (18) The independent financial adviser to Keppel Telecommunications & Transportation Ltd had arrived at an aggregate valuation of the company on a sum-of-the-parts basis, which ranged from S\$1.25 per share to S\$1.33 per share. We have used S\$1.25 as the implied value for the computation of the price-to NTA/NAV ratio in the table above.
- (19) On 7 September 2018, LTC Corporation Limited and Mountbatten Resources Pte. Ltd., being the offeror, jointly announced the proposed privatisation of LTC Corporation Limited by way of a voluntary delisting (the “**LTC Final Offer**”). Prior to the LTC Final Offer, Mountbatten Enterprises Pte. Ltd. had on 9 February 2018 made a voluntary conditional cash offer for the issued shares in LTC Corporation Limited, which had closed on 25 June 2018. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 8 February 2018, being the last undisturbed trading date.
- (20) Excludes (a) PS Group Holdings Ltd. as a statistical outlier in the computations of the mean and median premium/(discount) of the offer price over/(to) the one-month, 3-month and 6-month VWAPs prior to the offer announcements, and (b) Luzhou Bio-Chem Technology Limited and Health Management International Ltd as statistical outliers in the computations of the mean and median offer price-to-NTA/NAV ratios.
- (21) Based on the RNAV per Share of S\$0.4483 as at 30 June 2020.

Based on the above, we note that:

- (a) the premium of approximately 84.2% (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (i) within the range of the Precedent Privatisations of between a discount of 1.5% and a premium of 195.0%, and (ii) significantly above the corresponding mean and median premia of the Precedent Privatisations of 47.3% and 34.9% respectively;
- (b) the premium of approximately 101.3% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (i) within the range of premia of the Precedent Privatisations of between 0.0% and 266.7%, and (ii) significantly above the corresponding mean and median premia of the Precedent Privatisations of 48.0% and 37.7% respectively;
- (c) the premium of approximately 106.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (i) within the range of premia of the Precedent Privatisations of between 4.5% and 267.5%, and (ii) significantly above the corresponding mean and median premia of the Precedent Privatisations of 51.2% and 34.5% respectively;
- (d) the premium of approximately 116.7% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is (i) within the range of premia of the Precedent Privatisations of between 5.7% and 267.5%, and (ii) significantly above the corresponding mean and median premia of the Precedent Privatisations of 51.2% and 36.4% respectively; and
- (e) the P/RNAV ratio of the Company of 0.78 times (as implied by the Offer Price) is (i) within the range of offer price-to-NTA/NAV ratios of the Precedent Privatisations of between 0.28 times and 5.62 times, and (ii) below the corresponding mean and median offer price-to-NTA/NAV ratios of the Precedent Privatisations of 1.31 times and 0.96 times respectively.

Shareholders should note that the level of premium (if any) an acquirer would normally pay for acquiring and/or privatising a listed company (as the case may be) varies in different circumstances depending on, *inter alia*, the attractiveness of the underlying business to be acquired, the synergies to be gained by the acquirer from integrating the target company's businesses with its existing business, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the trading liquidity of the target company's shares, the presence of competing bids for the target company, the extent of control the acquirer already has in the target company and prevailing market expectations. Consequently, each of the Precedent Privatisations has to be judged on its own merits (or otherwise).

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The list of Precedent Privatisations indicated herein has been compiled based on publicly available information as at the Latest Practicable Date. The above table captures only the premia/discounts implied by the offer prices in respect of the Precedent Privatisations over the aforementioned periods and does not highlight bases other than the aforementioned in determining an appropriate premium/discount for the Precedent Privatisations. It should be noted that the comparison is made without taking into account the total amount of the offer value of each Precedent Privatisation or the relative efficiency of information or the underlying liquidity of the shares of the relevant companies or the performance of the shares of the companies or the quality of earnings prior to the relevant announcements and the market conditions or sentiments when the announcements were made or the desire or the relative need for control leading to compulsory acquisition. In addition, as some of the companies had undertaken revaluations and/or adjustments to their assets which may have a material impact on their last announced book values, we have also, where relevant, compared the offer price of such Precedent Privatisations with the revalued NAV (or revalued NTA where applicable) and/or adjusted NAV (or adjusted NTA where applicable) of the relevant companies, where available.

We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Precedent Privatisations and would therefore not be directly comparable to the list of companies in terms of, *inter alia*, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Accordingly, it should be noted that the above comparison merely serves as a general guide to provide an indication of the premium or discount in connection with the Precedent Privatisations. Therefore, any comparison of the Offer with the Precedent Privatisations is for illustration purposes only and conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation for the Company.

In view of the property-related nature of the Group's business, we have compared the valuation statistics of the Company as implied by the Offer Price *vis-à-vis* those of the Precedent Privatisations where the target companies are also engaged in property-related businesses (collectively, the “**Property Privatisations**”) as follows:

Company	Announcement date	Offer price (\$\$)	Last transacted price (%)	One-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	Offer price to revalued NTA/NAV (times)
Perennial Real Estate Holdings Limited	12 June 2020	0.950	88.1	105.2	124.2	112.7	0.56
United Engineers Limited	25 October 2019	2.700	1.5	5.3	4.5	5.7	0.82
San Teh Ltd	5 September 2019	0.280	81.8	90.5	83.0	84.2	0.40
LTC Corporation Limited	7 September 2018	0.925	44.5	46.1	45.4	44.1	0.53
		Maximum	88.1	105.2	124.2	112.7	0.82
		Mean	54.0	61.8	64.3	61.7	0.58
		Median	63.2	68.3	64.2	64.2	0.55
		Minimum	1.5	5.3	4.5	5.7	0.40
Company (as implied by the Offer Price)	20 August 2020	0.350	84.2	101.3	106.4	116.7	0.78

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Based on the above, we note that:

- (a) the premium of approximately 84.2% (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (i) at the higher end of the range of premia of the Property Privatisations of between 1.5% and 88.1%, and (ii) above the corresponding mean and median premia of the Property Privatisations of 54.0% and 63.2% respectively;
- (b) the premium of approximately 101.3% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (i) at the higher end of the range of premia of the Property Privatisations of between 5.3% and 105.2%, and (ii) above the corresponding mean and median premia of the Property Privatisations of 61.8% and 68.3% respectively;
- (c) the premium of approximately 106.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (i) at the higher end of the range of premia of the Property Privatisations of between 4.5% and 124.2%, and (ii) significantly above the corresponding mean and median premia of the Property Privatisations of 64.3% and 64.2% respectively;
- (d) the premium of approximately 116.7% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is (i) above the range of premia of the Property Privatisations of between 5.7% and 112.7%, and (ii) significantly above the corresponding mean and median premia of the Property Privatisations of 61.7% and 64.2% respectively; and
- (e) the P/RNAV ratio of the Company of 0.78 times (as implied by the Offer Price) is (i) at the higher end of the range of offer price-to-revalued NTA/NAV ratios of the Property Privatisations of between 0.40 times and 0.82 times, and (ii) above the corresponding mean and median offer price-to-revalued NTA/NAV ratios of the Property Privatisations of 0.58 times and 0.55 times respectively.

7.8. Other Relevant Considerations

7.8.1. No revision in Offer Price

As set out in the Offer Document, the Offer Price is final and the Offeror does not intend to revise the Offer Price. Pursuant to Rule 20.2 of the Code, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price, in any way, except in wholly exceptional circumstances or where the right to do so has been specifically reserved.

7.8.2. Outlook of the Group

The following statements were made in the Company's announcement on 31 July 2020 of the Group's unaudited financial statements for 6M2020. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the aforementioned announcement.

"China's economy grew 3.2% in the second quarter of 2020 as it rebounded from the historic contraction in the previous quarter, making it the first major economy to show signs of recovery since the coronavirus outbreak. While there is renewed optimism of a sustained uptrend in the second half of the year, global uncertainties including prolonged and intensifying US-China tensions continue to pose risks to China's economic growth in the longer term.

Going forward, the Group will remain vigilant in monitoring the impact of the pandemic on China's print and dye market, and in turn on the Group's leasing operations.

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*As disclosed in the Company's announcement dated 1 July 2020, the Group has obtained a Construction Work Planning Permit (建设工程规划许可证) ("**Construction Planning Permit**") dated 1 July 2020 issued by Shaoxing Bureau of Natural Resources and Planning (绍兴市自然资源和规划局). The Group has commenced development of the land assets located in Kebei Industrial Area, Shaoxing City into residential and commercial properties ("**Proposed Development of Land Assets**"), following the receipt of the Construction Planning Permit. As disclosed in the Company's announcement dated 31 July 2020, the Group has also obtained a pre-sale permit (商品房预售证) (the "**Pre-Sale Permit**") dated 30 July 2020 issued by the Bureau of Housing and Urban-Rural Development of Keqiao District, Shaoxing City (绍兴市柯桥区住房与城乡建设局), and intends to launch a pre-sale of property units following receipt of the Pre-sale Permit on or around 1 August 2020."*

The following statements were subsequently made in the Company's announcement on 17 August 2020 in an update on the launch of pre-sales of property units. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the aforementioned announcement.

"The Board wishes to announce that, following the launch of the Pre-Sales on 1 August 2020, Shaoxing Yue Sheng has secured contracts amounting to approximately RMB330.7 million in respect of the sale of the residential Properties at the Project. Of this RMB330.7 million, approximately RMB125.5 million has been received by the Company as at the date of this announcement, and the remaining portion of approximately RMB205.2 million will be paid by the buyers through mortgage loans at a later stage. The sale proceeds are intended to be used for the repayment of the principal and interests of the loan from the third-party lender and the payment of the costs in relation to the Project."

As disclosed in the Pre-Sale Announcement, monies received and/or to be received by the Group from the Pre-Sales will not have an impact on the profit and loss of the Group in FY2020 since the Pre-Sales may only be recognised in the profit and loss statements of the Group upon the successful completion and delivery of the Properties to the buyers, which is estimated to be 3 years from the success of the Pre-Sales (that is, in the financial year ending 31 December 2023). In addition, monies received and/or to be received by the Group from the Pre-Sales will also not have impact on the net tangible assets of the Group in FY2020, as monies received and/or to be received from the Pre-Sales will be recognised on the balance sheet in FY2020 as (a) an asset, being cash received from customers, and (b) a liability, being other payables - Pre-Sale deposits from customers."

Further, as highlighted in the Pre-Sale Announcement, this is the Group's opportunistic and first foray into real estate development in the PRC and the Group does not have any track record or prior experience in real estate development. As such, there is no certainty that the Group will be successful in the Pre-Sales. In addition, the Group may face various potential challenges. For example, there may be changes in the PRC's government policies which aim to control real estate price appreciation. Also, the Group may not be able to obtain all the government permits necessary for the completion of the Project on a timely basis, manage the construction activities effectively to minimize cost overruns, avoid time delays in completing the Project and/or ensure profitability of the Proposed Development of Land Assets."

As announced by the Company on 26 August 2020 in response to queries from the SGX-ST, the Group will use the proceeds received from the Pre-Sales to provide funds for the construction of the project. As it is the first foray by the Group into real estate development, it is currently not qualified to apply for the qualification (Grade II) for the real estate development. Coupled with the impact of the Covid19 pandemic, the Group is facing difficulties in trying to obtain loans for the development project. We understand from the Management that as at the Latest Practicable Date, the Group is still actively trying to seek loans for the development project from various banks as well as other financing channels.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

7.8.3. Voluntary trading suspension since 15 July 2020

In the Company's annual report for FY2019, its auditors had highlighted that the Group had incurred, *inter alia*, a net loss of approximately RMB45.9 million and recorded net cash used in operating activities of approximately RMB103.1 million in FY2019. As at 31 December 2019, the Group recorded net current liabilities of approximately RMB581.9 million and short-term borrowings of approximately RMB503.8 million. Accordingly, such conditions indicated 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.

On 14 July 2020, the Company announced that based on the then status of discussions with the potential lenders, the Directors were of the view that the Company would be unable to enter into supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding by 15 July 2020 and accordingly, the Company had requested a voluntary suspension in the trading of the Shares pursuant to Rule 1303(3) of the Listing Manual.⁸

The trading of the Shares on the SGX-ST remained suspended as at the Latest Practicable Date.

7.8.4. Remote likelihood of competing offer

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Offer Shares from any third party.

As disclosed in the Offer Document, the Offeror and parties acting in concert with the Offeror in connection with the Offer (collectively, the “**Offeror Concert Group**”) held an aggregate of 237,272,500 Shares, representing approximately 78.70% of the total number of issued Shares as at the Offer Document Latest Practicable Date. It is therefore highly unlikely that there will be a competing offer from any third party.

7.8.5. Statutory control over the Company

As disclosed in the Offer Document, the Offeror Concert Group held an aggregate of 237,272,500 Shares, representing approximately 78.70% of the total number of issued Shares as at the Offer Document Latest Practicable Date. Accordingly, the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and the ability to pass all ordinary resolutions at the Company's general meetings on matters in which the Offeror Concert Group does not have an interest.

7.8.6. Offeror's intentions for the Group

As stated in section 10 of the Offer Document, the Offeror is making the Offer with a view to delist the Company from the SGX-ST, and if and when entitled, exercise its right of compulsory acquisition to make the Company its wholly-owned subsidiary. Subject to (a) the Acceptance Condition being met, (b) the Company being delisted, and (c) the Offeror being entitled to exercise its right of compulsory acquisition such that the Company becomes a wholly-owned subsidiary of the Offeror, the Offeror intends to undertake a review of the Company's business and for the Company to explore strategic options to extend the business and/or operations of the Company and of its subsidiaries beyond its existing business activities.

8 As announced by the Company on 17 June 2020 in relation to queries from the SGX-ST, the SGX-ST had directed that if the Company did not enter into supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding by 15 July 2020, the Company should suspend trading under Rule 1303(3) of the Listing Manual.

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Save as set out above, the Offeror intends for the Company to continue its existing business activities and there are currently no plans to (a) introduce any major changes to the business of the Company, (b) re-deploy any of the fixed assets of the Company or its subsidiaries or (c) discontinue the employment of any of the existing employees of the Company or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains and reserves the right and flexibility at any time and from time to time to consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Company.

7.8.7. Conditional offer

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror Concert Group holding not less than 90% of the total number of Shares in issue (excluding treasury shares, if any) as at the close of the Offer.

In the event that the Offer does not become or is not declared unconditional in all respects by the close of the Offer and has been withdrawn or has lapsed:

- (a) all acceptances of the Offer will be returned to the relevant Shareholders; and
- (b) pursuant to Rule 33.1(a) of the Code, except with the consent of the SIC, neither the Offeror nor any persons acting in concert with it may, within 12 months from the date on which the Offer is withdrawn or lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 14 to make an offer.

7.8.8. Compulsory acquisition

As stated in section 11 of the Offer Document, pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer during the offer period and/or acquires such number of Shares from the date of despatch of the Offer Document otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares and those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer, if any) as at the close of the Offer, the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”) on the same terms as those offered under the Offer.

In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Offer Shares of the Dissenting Shareholders, the Offeror intends to exercise such a right. In such event, the Company will become a wholly-owned subsidiary of the Offeror and the Offeror will proceed to delist the Company from the SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Offer Shares at the Offer Price in the event that the Offeror acquires, pursuant to the Offer, such number of Shares which, together with any treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees (if any), comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

7.8.9. Listing status of the Company

As stated in section 12 of the Offer Document, under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of the Shares (excluding treasury shares, if any) is at all times held by the public (the “**Free Float Requirement**”).

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Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror Concert Group to above 90% of the total number of issued Shares (excluding treasury shares, if any), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares, if any) are held by at least 500 Shareholders who are members of the public.

Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares, if any), thus causing the percentage of the total number of issued Shares (excluding treasury shares, if any) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not complied with, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares, or all the securities of the Company, on the SGX-ST.⁹ Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of 3 months, or such longer period as the SGX-ST may agree, for the proportion of the Shares held by members of the public to be raised to at least 10%, failing which the Company may be delisted from the SGX-ST.

As stated above, it is the current intention of the Offeror to delist and privatise the Company. The Offeror, if and when entitled, intends to exercise the right of compulsory acquisition under Section 215(1) of the Companies Act to acquire all the Offer Shares not acquired by the Offeror pursuant to the Offer. The Offeror will then proceed to delist the Company from the SGX-ST pursuant to Rule 1308(1)(b) of the Listing Manual.

Under Rule 1308(1)(b) of the Listing Manual, Rules 1307 and 1309 of the Listing Manual, which set out the requirements that apply to a voluntary delisting, do not apply to a delisting pursuant to an offer under the Code provided that the Offeror is exercising its right of compulsory acquisition. As set out in section 12.2 of the Offer Document, it is anticipated that the satisfaction of the Acceptance Condition, the loss of public float of the Company, and the entitlement of the Offeror to exercise the right of compulsory acquisition by commencing the compulsory acquisition process under Section 215(1) of the Companies Act would all occur simultaneously. Thus, it is anticipated that the Offeror would be able to rely on Rule 1308(1)(b) of the Listing Manual.

7.8.10. Dividend track record of the Company

Prior to the recent interim tax exempt (one-tier) cash dividend of S\$0.0193 per Share in respect of FY2019 which was paid in September 2019, the Company had last paid a cash dividend of S\$0.00455 per Share in May 2013 in respect of the financial year ended 31 December 2012.

As set out in the Company's annual report for FY2019, the Company does not have a fixed dividend policy to declare dividends annually, and 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.

9 Trading in the Shares has been suspended with effect on and from 15 July 2020 and remained suspended as at the Latest Practicable Date.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

8. OPINION AND ADVICE

8.1. Our Opinion

In arriving at our opinion on the financial terms of the Offer, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) the Group's revenue increased from approximately RMB35.0 million in FY2017 to approximately RMB37.7 million in FY2018 and remained constant at approximately RMB37.7 million in FY2019. The Group also recorded a lower revenue of approximately RMB17.5 million in 6M2020 *vis-à-vis* approximately RMB18.9 million in 6M2019. The Group's net profit decreased from approximately RMB22.8 million in FY2017 to approximately RMB18.3 million in FY2018, and reversed into a net loss of approximately RMB45.9 million in FY2019. The Group also recorded a net loss of approximately RMB19.4 million in 6M2020 *vis-à-vis* a net profit of approximately RMB6.5 million in 6M2019;
- (b) as at the Latest Practicable Date, the Group has not entered into any supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding from the banks, and the trading of the Shares on the SGX-ST remained suspended;
- (c) the Offer Price represents (i) an all-time high exceeding all previous closing prices of the Shares since the Company's listing on the SGX-ST in May 2004, and (ii) a premium of approximately 25% over the highest closing price of S\$0.280 per Share (on 14 and 16 June 2017) during the period between the listing of the Shares and the Shares Suspension;
- (d) the Offer Price represents (i) a significant premium of approximately 83.0%, 116.7%, 106.4% and 101.3% over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively, and (ii) a significant premium of approximately 84.2% over the closing price of the Shares of S\$0.190 on the Last Trading Day;
- (e) the Shares had generally outperformed the FTSELM Index and the FTSE China Index for the one-year period prior to and including the Last Trading Day;
- (f) the Offer Price represents a significant premium of approximately 233.7% over the unaudited NAV per Share of S\$0.1049 as at 30 June 2020 and would value the Group at a P/NAV ratio of 3.34 times;
- (g) the Offer Price represents a discount of approximately 21.9% to the RNAV per Share of S\$0.4483 as at 30 June 2020 and would value the Group at a P/RNAV ratio of 0.78 times;
- (h) the P/NAV multiple of 3.34 times as implied by the Offer Price is significantly above the average historical trailing P/NAV multiples of the Shares of 1.70 times, 1.61 times, 1.31 times and 1.45 times for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively;
- (i) in respect of the Comparable Companies:
 - (i) the P/NAV ratio of the Company of 3.34 times (as implied by the Offer Price) is (aa) significantly above the range of P/NAV ratios of the Comparable Companies of between 0.08 times and 0.84 times, and (bb) significantly above the mean and median P/NAV ratios of the Comparable Companies of 0.33 times and 0.22 times respectively; and

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- (ii) the P/RNAV ratio of the Company of 0.78 times (as implied by the Offer Price) is (aa) at the higher end of the range of P/NAV ratios of the Comparable Companies of between 0.08 times and 0.84 times, and (bb) significantly above the mean and median P/NAV ratios of the Comparable Companies of 0.33 times and 0.22 times respectively;
- (j) in respect of the Precedent Privatisations:
 - (i) the premium of approximately 84.2% (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (aa) within the range of the Precedent Privatisations of between a discount of 1.5% and a premium of 195.0%, and (bb) significantly above the corresponding mean and median premia of the Precedent Privatisations of 47.3% and 34.9% respectively;
 - (ii) the premium of approximately 101.3% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 0.0% and 266.7%, and (bb) significantly above the corresponding mean and median premia of the Precedent Privatisations of 48.0% and 37.7% respectively;
 - (iii) the premium of approximately 106.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 4.5% and 267.5%, and (bb) significantly above the corresponding mean and median premia of the Precedent Privatisations of 51.2% and 34.5% respectively;
 - (iv) the premium of approximately 116.7% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is (aa) within the range of premia of the Precedent Privatisations of between 5.7% and 267.5%, and (bb) significantly above the corresponding mean and median premia of the Precedent Privatisations of 51.2% and 36.4% respectively; and
 - (v) the P/RNAV ratio of the Company of 0.78 times (as implied by the Offer Price) is (aa) within the range of offer price-to-NTA/NAV ratios of the Precedent Privatisations of between 0.28 times and 5.62 times, and (bb) below the corresponding mean and median offer price-to-NTA/NAV ratios of the Precedent Privatisations of 1.31 times and 0.96 times respectively;
- (k) in respect of the Property Privatisations:
 - (i) the premium of approximately 84.2% (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (aa) at the higher end of the range of premia of the Property Privatisations of between 1.5% and 88.1%, and (bb) above the corresponding mean and median premia of the Property Privatisations of 54.0% and 63.2% respectively;
 - (ii) the premium of approximately 101.3% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (aa) at the higher end of the range of premia of the Property Privatisations of between 5.3% and 105.2%, and (bb) above the corresponding mean and median premia of the Property Privatisations of 61.8% and 68.3% respectively;
 - (iii) the premium of approximately 106.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (aa) at the higher end of the range of premia of the Property Privatisations of between 4.5% and 124.2%, and (bb) significantly above the corresponding mean and median premia of the Property Privatisations of 64.3% and 64.2% respectively;

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- (iv) the premium of approximately 116.7% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is (aa) above the range of premia of the Property Privatisations of between 5.7% and 112.7%, and (bb) significantly above the corresponding mean and median premia of the Property Privatisations of 61.7% and 64.2% respectively; and
- (v) the P/RNAV ratio of the Company of 0.78 times (as implied by the Offer Price) is (aa) at the higher end of the range of offer price-to-revalued NTA/NAV ratios of the Property Privatisations of between 0.40 times and 0.82 times, and (bb) above the corresponding mean and median offer price-to-revalued NTA/NAV ratios of the Property Privatisations of 0.58 times and 0.55 times respectively;
- (l) the Offer Price is final and the Offeror does not intend to revise the Offer Price;
- (m) as at the Latest Practicable Date, the Group is still actively trying to seek loans for the development project from various banks as well as other financing channels;
- (n) the likelihood of a competing offer is remote in view of the Offeror Concert Group's shareholding interest of approximately 78.70% in the Company as at the Offer Document Latest Practicable Date;
- (o) the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and the ability to pass all ordinary resolutions at the Company's general meetings on matters in which the Offeror Concert Group do not have an interest; and
- (p) the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror Concert Group holding not less than 90% of the total number of Shares in issue (excluding treasury shares, if any) as at the close of the Offer.

Having considered the aforementioned points including the various factors set out in this Letter and summarised in this section, we are of the opinion that, on balance, the financial terms of the Offer are **fair and reasonable**.

In determining that the Offer is **fair**, we have considered the following pertinent factors:

- (i) the Offer Price represents (aa) an all-time high exceeding all previous closing prices of the Shares since the Company's listing in May 2004, and (bb) a premium over the highest closing price per Share during the period between the listing of the Shares and the Shares Suspension;
- (ii) the Offer Price represents (aa) a significant premium over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively, and (bb) a significant premium over the closing price of the Shares on the Last Trading Day;
- (iii) the Offer Price represents a significant premium over the unaudited NAV per Share as at 30 June 2020; and
- (iv) the P/NAV multiple as implied by the Offer Price is significantly above the average historical trailing P/NAV multiples of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

In determining that the Offer is **reasonable**, we have considered the following pertinent factors:

- (i) the Group's profitability had been deteriorating in FY2017, FY2018, FY2019 and 6M2020;
- (ii) as at the Latest Practicable Date, the Group has not entered into any supplementary loan agreement(s) with its existing third-party lenders and/or obtain fresh funding from the banks, and the trading of the Shares on the SGX-ST remained suspended;
- (iii) notwithstanding that the Offer Price represents a discount to the RNAV per Share as at 30 June 2020, the P/RNAV ratio of the Company (as implied by the Offer Price) is above the corresponding mean and median offer price-to-revalued NTA/NAV ratios of the Property Privatisations (as set out in (vi)(bb) below);
- (iv) in respect of the Comparable Companies, (aa) the P/NAV ratio of the Company (as implied by the Offer Price) is significantly above the mean and median P/NAV ratios of the Comparable Companies, and (bb) the P/RNAV ratio of the Company (as implied by the Offer Price) is significantly above the mean and median P/NAV ratios of the Comparable Companies;
- (v) in respect of the Precedent Privatisations, although the P/RNAV ratio of the Company (as implied by the Offer Price) is below the corresponding mean and median offer price-to-NTA/NAV ratios of the Precedent Privatisations, the premia of the Offer Price over the last transacted price of the Shares on the Last Trading Day and the one-month VWAP, 3-month VWAP and 6-month VWAP of the Shares up to and including the Last Trading Day are significantly above the corresponding mean and median premia of the Precedent Privatisations;
- (vi) in respect of the Property Privatisations, (aa) the premia of the Offer Price over the last transacted price of the Shares on the Last Trading Day and the one-month VWAP, 3-month VWAP and 6-month VWAP of the Shares up to and including the Last Trading Day are above the corresponding mean and median premia of the Property Privatisations, and (bb) the P/RNAV ratio of the Company (as implied by the Offer Price) is above the corresponding mean and median offer price-to-revalued NTA/NAV ratios of the Property Privatisations;
- (vii) as at the Latest Practicable Date, the Group is still actively trying to seek loans for the development project from various banks as well as other financing channels;
- (viii) as at the Latest Practicable Date, there is no alternative take-over offer for the Shares; and
- (ix) the Offeror already has statutory control over the Company which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company.

8.2. Our Advice

Accordingly, we advise the Independent Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions. As at the Latest Practicable Date, the trading of the Shares on the SGX-ST remained suspended.

The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion and advice on the Offer do not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of NCF in each specific case, except for the purpose of the Offer. Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore and are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours truly,
For and on behalf of
Novus Corporate Finance Pte. Ltd.

Andrew Leo
Chief Executive Officer

Huong Wei Beng
Director

APPENDIX II – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Mr. Xiao Zi Liang	134-2, Duiqishanyi, Xiexing Village, Fuquan Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC	Executive Director / Chief Executive Officer
Mr. Jin Guan Liang	57 Grange Road, #16-06, Gramercy Park, Singapore 249569	Executive Director
Mr. Yu Ming Hai	305, Block 2, Jishan Guihua Garden, 68 Jishan Road, Shaoxing City, Zhejiang Province, the PRC	Executive Director
Mr. Yong Kok Hoon	1 Fraser Street, #37-11, Duo Residences, Singapore 189350	Executive Director
Mr. Lien Kait Long	78 Meyer Road, Singapore 437904	Non-Executive and Independent Chairman
Mr. Mak Yen-Chen Andrew	8 West Coast Road, #03-05, The Stellar, Singapore 126823	Independent Non-Executive Director
Ms. Cai TianChen	Building 8, Unit 31D, Weifang West Road, Lane 1, Pudong Shanghai, the PRC	Independent Non-Executive Director

2. REGISTERED OFFICE

The registered office of the Company is at 112 Robinson Road, #05-01, Singapore 068902.

3. HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated in the Republic of Singapore on 21 October 2003 and has been listed on the Main Board of the SGX-ST since 10 May 2004.

The principal activity of the Company is that of investment holding. The Company, together with its subsidiaries, are principally engaged in the business of printing and dyeing, sale of garments, leasing of property and equipment, property development and management for general commercial and residential buildings.

4. SHARE CAPITAL

4.1 Issued Share Capital

The Company has one class of Shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$25,819,935.00 comprising 301,500,000 Shares. As at the Latest Practicable Date, the Company does not have any treasury shares. The issued Shares are listed and quoted on the Main Board of the SGX-ST.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

4.2 Rights of Shareholders in respect of capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the registered office of the Company at 112 Robinson Road, #05-01, Singapore 068902 during normal business hours for the period during which the Offer remains open for acceptance. The relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and are reproduced in **Appendix V** to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

4.3 Number of Shares issued since the end of the last financial year

No Shares have been issued by the Company since 31 December 2019, being the end of the last financial year up to the Latest Practicable Date.

4.4 Options and Convertible Instruments

As at the Latest Practicable Date, the Company has not issued any instruments convertible into, rights to subscribe for, and options in respect of, Shares and securities which carry voting rights affecting Shares that are outstanding.

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Company in Offeror Securities

The Company does not have any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

5.2 Dealings in Offeror Securities by the Company

The Company has not dealt for value in the Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.3 Interests of the Directors in Offeror Securities

Save as disclosed in the table below and in the Offer Document, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in the Offeror Securities.

Name of Director	Direct Interest		Deemed Interest		Total Interest	
	No. of Offeror Shares	% ⁽¹⁾	No. of Offeror Shares	% ⁽¹⁾	No. of Offeror Shares	% ⁽¹⁾
Mr. Jin Guan Liang	1	100.00	—	—	1	100.00

Note:

(1) Calculated based on a total of one (1) issued ordinary share of the Offeror as at the Latest Practicable Date.

5.4 Dealings in Offeror Securities by the Directors

Save for the subscription of one (1) ordinary share in the capital of the Offeror on 18 June 2020 by Mr. Jin Guan Liang, none of the Directors has dealt for value in the Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

5.5 Interests of the Directors in Company Securities

Save as disclosed in the table below, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in the Company Securities:

Name of Director	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Mr. Jin Guan Liang	16,649,500	5.522	220,623,000 ⁽²⁾⁽³⁾	73.175	237,272,500	78.697
Mr. Yong Kok Hoon	15,000	0.005	–	–	15,000	0.005

Notes:

- (1) Calculated based on a total of 301,500,000 Shares (excluding treasury shares) in issue as at the Latest Practicable Date and rounded to the nearest three (3) decimal places. The Company does not have any treasury shares as at the Latest Practicable Date.
- (2) All of the 220,623,000 Shares owned by Jin Cheng are held through DBS Nominees Pte Ltd.
- (3) Mr. Jin Guan Liang is deemed to be interested in all of the Shares owned by Jin Cheng by virtue of the fact that he owns 100% of the issued share capital of Jin Cheng, pursuant to Section 7 of the Companies Act.

5.6 Dealings in Company Securities by the Directors

None of the Directors has dealt for value in the Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.7 Interests of the IFA in Company Securities

As at the Latest Practicable Date, none of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities.

5.8 Dealings in Company Securities by the IFA

None of the IFA nor any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in any Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.9 Directors' Intentions in respect of their Shares

As at the Latest Practicable Date, the Directors who hold or have a deemed interest in the Shares have indicated their intention in relation to accepting or rejecting the Offer in respect of such Shares as follows:

- (a) As set out in the Offer Document, Mr. Jin Guan Liang has given an Irrevocable Undertaking to, *inter alia*, tender all the 16,649,500 Shares, representing approximately 5.52% of the Shares in issue, held by him in acceptance of the Offer. Further details of this Irrevocable Undertaking are set out in Section 7 of the Letter to Shareholders in the Offer Document, which are reproduced in italics in **Section 4** of this Circular. As at the Latest Practicable Date, Mr. Jin Guan Liang has yet to accept the Offer but will, in any case, accept the Offer prior to the Closing Date, in respect of all his 16,649,500 Shares.

In addition, Mr. Jin Guan Liang is deemed to be interested in the 220,623,000 Shares, representing approximately 73.18% of the Shares in issue, held indirectly by Jin Cheng through DBS Nominees Pte. Ltd. As set out in the Offer Document, Jin Cheng has provided an Irrevocable Undertaking to, *inter alia*, tender all of its Shares in acceptance of the Offer. Further details of this Irrevocable Undertaking are set out in Section 7 of the Letter to Shareholders in the Offer Document, which are reproduced in italics in **Section 4** of this Circular. As at the Latest Practicable Date, Jin Cheng has yet to accept the Offer but will, in any case, accept the Offer prior to the Closing Date, in respect of all its 220,623,000 Shares; and

APPENDIX II – ADDITIONAL GENERAL INFORMATION

- (b) Mr. Yong Kok Hoon has informed the Company that he intends to accept the Offer in respect of all the 15,000 Shares held by him.

6. OTHER DISCLOSURES

6.1 Directors' service contracts

As at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

6.2 Arrangements affecting Directors

As at the Latest Practicable Date,

- (a) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the Irrevocable Undertakings as set out in Section 7 of the Letter to Shareholders in the Offer Document which are reproduced in italics in **Section 4** of this Circular, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and
- (c) save for the making of the Offer by the Offeror and save as otherwise disclosed in this Circular, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in any information on the Company which is publicly available (including, without limitation, the annual reports of the Company, the 2QFY2020 Results and other announcements released by the Company on SGXNET), neither the Company nor any of its subsidiaries has entered into material contracts (other than those entered into in the ordinary course of business) with persons who are Interested Persons during the period commencing three (3) years before the Offer Announcement Date and ending on the Latest Practicable Date.

8. MATERIAL LITIGATION

As at the Latest Practicable Date:

- (a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole; and
- (b) the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

9. SUMMARY OF FINANCIAL INFORMATION

9.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group for FY2017, FY2018, FY2019, and the unaudited consolidated statements of comprehensive income of the Group for 2QFY2020 is set out below.

	Unaudited 2QFY2020 RMB'000	Audited FY2019 RMB'000	Audited FY2018 RMB'000	Audited FY2017 RMB'000
Turnover	17,461	37,721	37,721	35,021
Exceptional items	–	–	–	–
Net profit/ (loss) before tax	(24,679)	(61,568)	23,565	36,181
Net profit/ (loss) after tax	(19,353)	(45,877)	18,263	22,764
Profit/ (loss) attributable to the owners of the Company	(19,353)	(45,877)	18,263	22,764
Minority interests	–	–	–	–
Basic earnings per Share (RMB cents)	(6.42)	(15.22)	6.05	7.55
Diluted earnings per Share (RMB cents)	N/A	N/A	N/A	N/A
Net dividends per Share (RMB cents)	–	9.91	–	–

The above summary financial information for FY2017, FY2018 and FY2019 should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the annual reports of the Company for FY2017, FY2018 and FY2019, and the summary financial information for 2QFY2020 should be read in conjunction with the unaudited 2QFY2020 Results and the accompanying notes as set out therein.

The audited consolidated financial statements of the Group for FY2019 and the unaudited 2QFY2020 Results are reproduced in **Appendices III and IV** to this Circular, respectively.

9.2 Consolidated Statements of Financial Position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2019 (being the date to which the Company's last published audited financial statements were made up) is set out below.

	As at 31 December 2019 RMB'000
Non-current assets	828,625
Current assets	20,799
Total assets	849,424
Current liabilities	602,666
Non-current liabilities	67,124
Total liabilities	669,790
Net assets	179,634

APPENDIX II – ADDITIONAL GENERAL INFORMATION

	As at 31 December 2019 RMB'000
Equity attributable to owners of the Company	
Share capital	125,808
Treasury shares	—
Statutory reserves	21,678
Accumulated profits (losses)	32,148
Total equity	179,634

The above summary financial information should be read together with the annual report of the Company for FY2019, and the audited consolidated statements of financial position of the Group for FY2019 and the related notes thereto.

The audited consolidated financial statements of the Group for FY2019 is reproduced in **Appendix III** to this Circular.

9.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in Note 3 to the audited consolidated financial statements of the Group for FY2019 which are reproduced in **Appendix III** to this Circular, and section 4 of the unaudited 2QFY2020 Results which is reproduced in **Appendix IV** to this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited financial statements of the Group for FY2019 and in the unaudited 2QFY2020 Results), there are no significant accounting policies or any matter from the notes of the financial statements of the Group which are of any major relevance for the interpretation of the accounts.

9.4 Changes in Accounting Policies

The Group has applied the same accounting policies and methods of computation as with those in the audited financial statements of the Group for FY2019, and as at the Latest Practicable Date, there are no changes in the accounting policies of the Group which will cause the financial statements of the Group not to be comparable to a material extent.

9.5 Material Changes in Financial Position

Save as disclosed in this Circular and in publicly available information on the Company (including, without limitation, the announcement released by the Company on 31 July 2020 in respect of its unaudited 2QFY2020 Results as reproduced in **Appendix IV** to this Circular), as at the Latest Practicable Date, there has been no known material change in the financial position of the Company since 31 December 2019, being the date to which the Company's last published audited financial statements were made up.

9.6 Material Changes in Information

Save as disclosed in this Circular and save for the information relation to the Company and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

10. VALUATION

In connection with the Offer, the Group had commissioned the Valuer to perform an independent valuation of the Group's selected assets comprising (i) development properties held for sale; (ii) prepaid leases – land use rights; (iii) investment properties; and (iv) property, plant and equipment (the "**Selected Assets**") as at 30 June 2020. The Valuation Report in respect of the Selected Assets is available for inspection at the registered address of the Company at 112 Robinson Road, #05-01, Singapore 068902.

As disclosed in the Summary Valuation Report as reproduced in **Appendix VI** to this Circular, the basis of the valuation is market value. The valuation of the Selected Assets has been included as part of the IFA's consideration in the IFA Letter as reproduced in **Appendix I** to this Circular.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liabilities which would arise if the Selected Assets, which are the subject of a valuation given in connection with the Offer, were to be sold at the amount of the valuation, accompanied by an appropriate comment as to the likelihood of any such liability crystallising. Based on the Summary Valuation Report as reproduced in **Appendix VI** to this Circular, the potential tax liabilities that may be incurred by the Company on the hypothetical disposal of its interests in the Selected Assets on an "as is" basis is approximately RMB846,623,000. The Company expects the aforesaid tax liabilities to crystallise (if any) as and when the Company disposes of its interests in the Selected Assets.

11. GENERAL

11.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

11.2 Consents

- (a) Novus Corporate Finance Pte. Ltd., named as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto, and (ii) the IFA Letter as reproduced in **Appendix I** to this Circular containing its advice to the Independent Directors in respect of the Offer and all references thereto, in the form and context in which they appear in this Circular.
- (b) Moore Stephens LLP, named as the independent auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto; and (ii) the independent auditor's report in relation to the audited consolidated financial statements of the Group for FY2019 as reproduced in **Appendix III** to this Circular and all references thereto, in the form and context in which they appear in this Circular.
- (c) AVA Associates Limited, named as the Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto; and (ii) the Valuation Report and all references thereto, in the form and context in which they appear in this Circular.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered address of the Company at 112 Robinson Road, #05-01, Singapore 068902 during normal business hours for the period during which the Offer remain open for acceptance:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2017, FY2018 and FY2019, which include the audited consolidated financial statements of the Group for FY2017, FY2018 and FY2019;
- (c) the unaudited 2QFY2020 Results as reproduced in **Appendix IV** to this Circular;
- (d) the IFA Letter as reproduced in **Appendix I** to this Circular;
- (e) the Valuation Report, a summary of which is reproduced in **Appendix VI** to this Circular; and
- (f) the letters of consent referred to in **Paragraphs 11.2** in **Appendix II** to this Circular.

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

The audited consolidated financial statements of the Group for FY2019 which are reproduced below have been extracted from the Company's annual report for FY2019, and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in Notes to the audited consolidated financial statements of the Group for FY2019 set out below shall have the same meanings given to them in the annual report of the Company for FY2019.

A copy of the annual report of the Company for FY2019 is available for inspection at the registered address of the Company at 112 Robinson Road, #05-01, Singapore 068902 during normal business hours until the Closing Date.

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;

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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.

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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.

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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.

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	Group 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

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

Note	Group			Company		
	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000	1 January 2018 RMB'000
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
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
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	4,349
Cash and bank balances	23	7,961	25,415	38,994	1,447	253
		20,799	37,761	60,246	20,960	4,724
Assets classified as held for sale	18	-	-	497,680	-	-
		20,799	37,761	557,926	20,960	4,724
Total assets		849,424	806,484	821,569	165,547	149,311
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	24	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)
Total equity		179,634	255,394	238,238	126,533	113,792
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
Loans from a related party	29	831	872	896	831	872
Income tax payable		24,802	20,692	9,386	-	-
		602,666	484,417	517,338	39,014	35,519
Total liabilities		669,790	551,090	583,331	39,014	35,519
Total equity and liabilities		849,424	806,484	821,569	165,547	149,311

The accompanying notes form integral part of these financial statements

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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.

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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

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For the financial year ended 31 December 2019

6 Other Operating Income

	Group	
	2019 RMB'000	2018 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
	35,636	30,118

* 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 RMB'000	2018 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)
	2,183	2,269

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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	–
	76,328	18,895

* 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
	8,800	7,418
Professional fees*	34,379	6,446

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

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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	–
	(15,691)	5,302

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	–
	(15,691)	5,302

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.

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For the financial year ended 31 December 2019

11 Property, Plant and Equipment

	Construction- in-progress "CIP"	Buildings	Plant and machinery	Motor vehicles	Fixtures and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
<u>2019</u>						
<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
<u>2018</u>						
<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

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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	<u>203,515</u>	<u>198,393</u>	<u>195,670</u>

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).

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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.

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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.

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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	26%	26%	26%
Carrying amount of the Group's interest in Shaoxing Uni-Power	<u>29,832</u>	<u>28,687</u>	<u>28,723</u>

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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

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16 Deferred Tax Assets/(Liabilities)

	At 1 January RMB'000 (Restated)	Recognised in profit or loss RMB'000	Others RMB'000	At 31 December RMB'000
Group				
2019				
<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)
2018				
<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.

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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).

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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.

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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

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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 RMB'000	2018 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 RMB'000	2018 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 RMB'000	2018 RMB'000	1 January 2018 RMB'000	2019 RMB'000	2018 RMB'000	1 January 2018 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

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

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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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.

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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

	2019 RMB'000	Group 2018 RMB'000	1 January 2018 RMB'000	2019 RMB'000	Company 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.

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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
	308,280	353,800	(157,445)	(14)	504,621
<u>2018</u>					
Borrowings	342,890	102,900	(138,382)	–	307,408
Loans from a related party	896	–	(68)	44	872
	343,786	102,900	(138,450)	44	308,280

* 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
	110,828

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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>

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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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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.

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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.

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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

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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.

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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
	17,788	1,357	225	19,370
<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)
	(571,523)	(1,093)	(831)	(573,447)
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	–	264	(606)	(342)

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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				
2018				
<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)
1 January 2018				
<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)

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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				
2019				
<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)
2018				
<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)

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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.

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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		
2019		
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>
2018		
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>
1 January 2018		
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>

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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)

(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.

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38 Fair Value

(a) Fair Value Hierarchy

The Group categorises 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

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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).

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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

APPENDIX III – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

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.

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

CHINA JISHAN HOLDINGS LIMITED (Reg. No. : 200310591E)

Financial Statement And Dividend Announcement for the Period Ended 30 June 2020

PART1 - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group 3 months ended 30 June			The Group 6 months ended 30 June		
	2020 RMB'000	2019 RMB'000	Changes %	2020 RMB'000	2019 RMB'000	Changes %
Revenue	8,631	9,431	(8.5)	17,461	18,861	(7.4)
Cost of sales	(448)	(410)	9.3	(868)	(825)	5.2
Gross profit	8,183	9,021	(9.3)	16,593	18,036	(8.0)
Other operating income	7,254	10,032	(27.7)	10,718	17,075	(37.2)
Sales and marketing expenses	(1,387)	-	NM	(1,387)	-	NM
Administrative expenses	(14,349)	(7,973)	97.4	(19,378)	(14,609)	42.1
Finance costs	(16,124)	(5,784)	178.8	(31,286)	(11,336)	176.0
(Loss)/Profit before income tax	(16,423)	5,296	NM	(24,679)	9,166	NM
Income tax	4,108	(1,552)	NM	5,326	(2,658)	NM
Net (loss)/profit for the period	(12,315)	3,744	NM	(19,353)	6,508	NM
Notes to the above statement of comprehensive income:						
Other operating income including						
Margin on sewage and utilities charged to lessees (N1)	6,309	8,178	(22.9)	10,613	14,557	(27.1)
Gain on disposal of held for trading investments	127	18	605.6	126	79	59.5
Fair value gain/(loss) on held for trading investment	338	(287)	NM	(2)	316	NM
Loss on disposal of plant and equipment	482	21	>100	482	56	>100
Interest on borrowings	(16,124)	(5,784)	178.8	(31,286)	(11,336)	176.0
Depreciation expense	(512)	(2,020)	(74.7)	(1,034)	(4,078)	(76.4)

NM : Not meaningful

(N1) – The margin on recovery of sewage and utilities costs from lessees was derived from the net charges to lessees by the Group after deducting the cost of the sewage processing and utilities costs paid to the local government.

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	30/06/2020 RMB'000	31/12/2019 RMB'000	30/06/2020 RMB'000	31/12/2019 RMB'000
ASSETS				
Current assets:				
Cash and bank balances	15,706	7,961	616	1,447
Held-for-trading investments	3,138	2,652	-	-
Other receivables and prepayments	9,996	9,469	19,547	19,513
Inventories	480	483	-	-
Prepaid leases	234	234	-	-
Total current assets	29,554	20,799	20,163	20,960
Non-current assets:				
Investment in subsidiaries		-	144,587	144,587
Investment in associate	29,832	29,832	-	-
Property, plant and equipment	70,610	56,759	-	-
Investment property	203,515	203,515	-	-
Development properties held for sale	468,281	459,605	-	-
Prepaid leases	9,863	9,981	-	-
Deferred tax assets	73,940	68,933	-	-
Total non-current assets	856,041	828,625	144,587	144,587
Total assets	885,595	849,424	164,750	165,547
LIABILITIES AND EQUITY				
Current liabilities:				
Borrowings	486,791	503,790	-	-
Trade payables	9,071	10,036	-	-
Other payables	112,046	63,207	37,891	38,183
Loans from a related party	25,831	831	831	831
Tax payable	24,451	24,802	-	-
Total current liabilities	658,190	602,666	38,722	39,014
Non-current liabilities:				
Deferred tax liabilities	67,124	67,124	-	-
Total non-current liabilities	67,124	67,124	-	-
Capital and Reserves:				
Issued capital	125,808	125,808	125,808	125,808
Retained earnings	12,795	32,148	220	725
Other reserves	21,678	21,678	-	-
Total equity	160,281	179,634	126,028	126,533
Total liabilities and equity	885,595	849,424	164,750	165,547

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

1(b)(ii) Aggregate amount of group's borrowings and debts securities
Amount repayable in one year or less, or on demand

Amount repayable in one year or less, or on demand			
Group As at 30/06/2020		Group As at 31/12/2019	
Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
486,791	25,831	503,790	831

Details of any collateral

As at 30 June 2020, the Group secured facilities comprising bank loans of RMB 336.8 million (as at 31 December 2019, the figure was RMB293.8 million) and loans from unrelated third party of RMB150.0 million (as at 31 December 2019: RMB210.0 million). These borrowings were secured by equipment, prepaid leases, and the land use rights of the Group's development properties, and guarantees from related parties.

As at 30 June 2020, the unsecured facilities comprised loans of RMB25.8 million from related parties (as at 31 December 2019, the figure was RMB0.8 million).

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group 3 months ended 30 June		The Group 6 months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Operating activities				
(Loss) Profit before income tax	(16,423)	5,296	(24,679)	9,166
Adjustment for:				
Depreciation expense	512	2,020	1,034	4,148
Fair value (gain) loss on held for trading investments	(338)	287	2	(316)
Gain disposal of held for trading investments	(127)	(18)	(126)	(79)
Loss on disposal of property, plant and equipment	482	21	482	56
Interest expense	16,124	5,784	31,286	11,336
Interest income	-	-	-	(1)
Operating cash flows before movements in working	230	13,390	7,999	24,310
Development properties held for sale	(8,676)	-	(8,676)	-
Other receivables and prepayments	(246)	2,301	(527)	1,553
Inventories	5	-	3	2
Trade payables	(1,663)	372	(965)	(230)
Other payables	30,500	(1,100)	48,839	(20,490)
Cash generated from operations	20,150	14,963	46,673	5,145
Interest paid	(16,119)	(5,784)	(31,286)	(11,336)
Income tax paid	(32)	(12)	(32)	(520)
Net cash generated from (used in) operating activities	3,999	9,167	15,355	(6,711)
Prepaid lease	-	130	-	260
Proceed from disposal of investments held for trading	877	182	1,833	1,994
Proceed from disposal of property, plant and equipment	525	8	525	9
Purchase of property, plant and equipment	(3,388)	(445)	(15,774)	(6,586)
Purchase of investments held for trading	(802)	(233)	(2,195)	(2,417)
Net cash used in investing activities	(2,788)	(358)	(15,611)	(6,740)
Financing activities				
Bank borrowings	(16,009)	(2,000)	(16,999)	(2,500)
Loans from related parties	25,000	-	25,000	-
Net cash used in financing activities	8,991	(2,000)	8,991	(2,500)
Net increase (decrease) in cash and cash equivalents	10,202	6,809	7,745	(15,951)
Cash and cash equivalents at beginning of the period	5,504	2,655	7,961	24,415
Cash and cash equivalents at end of the period	15,706	9,464	15,706	9,464

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

The Group	2020			
	Issued Capital	Other Reserves ^(a)	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January	125,808	21,678	32,148	179,634
Net loss for the period	-	-	(19,353)	(19,353)
Balance as at 30 June	125,808	21,678	12,795	160,281

The Group	2019			
	Issued Capital	Other Reserves ^(a)	Accumulated Profits	Total
Balance as at 1 January	125,808	21,678	31,984	179,470
Net profit for the period	-	-	6,508	6,508
Balance as at 30 June	125,808	21,678	38,492	185,978

The Company	2020		
	Issued Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January	125,808	725	126,533
Net loss for the period	-	(505)	(505)
Balance as at 30 June	125,808	220	126,028

The Company	2019		
	Issued Capital	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000
Balance as at 1 January	125,808	(12,016)	113,792
Net loss for the period	-	(1,466)	(1,466)
Balance as at 30 June	125,808	(13,482)	112,326

Note:

The Group's subsidiaries in the PRC Republic of China (the "PRC"), are required to allocate 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations applicable to the PRC subsidiaries, to the statutory surplus reserve ("SSR") until such reserve reaches 50% of the registered capital of the PRC subsidiaries. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of such PRC subsidiaries.

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issues of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The number of issued shares of the Company was 301,500,000 as at 30 June 2020 and 31 December 2019. There was no change in the issued capital and paid-up capital of the Company since end of March 2020. The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 June 2020 and 30 June 2019. There are no treasury shares or no subsidiary holdings as at 30 June 2020 and 30 June 2019.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year,

	30 June 2020	31 December 2019
Number of issued shares excluding treasury shares	301,500,000	301,500,000
Number of treasury shares held	NIL	NIL

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
- (b) Confirmation from the Board that the impact of all outstanding issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable as the latest financial statements for the financial year ended 31 December 2019 was not subject to any adverse opinion, qualified opinion or disclaimer of opinion other than a material uncertainty relating to going concern.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared to the audited financial statements as at 31 December 2019.

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current financial year consistent with those of the audited financial statements for the year ended 31 December 2019.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	3 months ended 30 June		6 months ended 30 June	
	2020	2019	2020	2019
Net (loss)/profit after income tax (RMB'000)	(12,315)	3,744	(19,353)	6,508
Basic basis (RMB cents)	(4.09)	1.24	(6.42)	2.16
On a fully diluted basis (RMB cents) ⁽¹⁾	N.A	N.A	N.A	N.A
Number of shares in calculating EPS ('000)	301,500	301,500	301,500	301,500

⁽¹⁾ Diluted earnings per share have not been calculated, as no dilution events existed during these periods. No share options were granted to any employees during these periods.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Net assets (RMB'000)	160,281	179,634	126,028	126,533
Net asset value per ordinary share (RMB cents)	53.2	59.6	41.8	41.9
Number of shares calculating NAV ('000)	301,500	301,500	301,500	301,500

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business.

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

COMMENTARY ON THE CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD

Revenue

Group revenue for the second quarter ended 30 June 2020 ("Q2 2020") consists of rental income of RMB8.6 million (Q2 2019: RMB9.4 million) for renting out part of the factory space and certain plant and equipment. The Group's revenue for the Q2 2020 decreased by 8.5% mainly due to renewal of new lease agreements with certain lessees which no longer required to lease the older plant and equipment, thus resulted in the lower rental income.

Gross Profit and Gross Profit Margin

The cost of sales of RMB0.4 million (Q2 2019: RMB0.4 million) mainly comprises of taxes such as property tax and land use tax related to the lands.

The decrease in gross profit and gross profit margin of the Group were due to lower rental revenue in Q2 2020 as compared to the prior corresponding period.

Other Operating Income

The other operating income for Q2 2020 comprises mainly of margin recovery of sewage and utilities costs from lessees of RMB6.3 million (Q2 2019: RMB8.2 million), the lower margin recovery of sewage and utilities costs from lessees was largely the result of the significant decline in lessees' business operation arising from the COVID-19 situation during the period.

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

Sales and marketing expenses

The sales and marketing expenses of RMB1.4 million are related to expenses incurred for the preparation of the launch of the pre-sale of the property units of the development of the land assets located in Kebei Industrial Area, Shaoxing City, such as, rental and renovation for the showrooms of RMB1.1 million and other miscellaneous expenses related to sales activities of RMB0.3 million.

Administrative expenses

The higher administrative costs of RMB 6.4 million are mainly attributable to the administrative costs from Shaoxing Yuesheng Real Estate Property Development Co., Ltd (“Yuesheng”) as Yuesheng has started its initial stage of the development activities during the period. The increase is mainly due to increase in staff salaries of RMB2.1 million, consultancy fees of RMB2.0 million payable to professional team hired from one of the Top 5 developers in PRC, entertainment expenses of RMB0.4 million, and miscellaneous office expenses of RMB1.9 million which are related to Yuesheng.

Finance costs

Higher finance costs in Q2 2020 mainly due to higher interest costs for the period as explained in para 1 (b)(ii).

COMMENTARY ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Below is a review of the material changes in key balance sheet items as at 30 June 2020, as compared to 31 December 2019

Property, plant and equipment (“PPE”) increased by RMB13.8 million mainly due to addition of factory building of RMB15.4 million off set with the disposal of PPE of RMB1.0 million and depreciation charge of RMB1.0 million during the period.

Development properties held for sale represents leasehold lands for commercial and residential development which is located at Kebei Industrial Area, Shaoxing City. The increase of RMB8.6 million is mainly due to the capitalisation of certain planning and design fees of RMB3.2 million, initial construction works for the lands and electricity cabling at the construction of RMB3.8 million and other miscellaneous costs of RMB1.6 million.

Deferred tax assets are related to certain subsidiaries' unutilised tax losses which are available for offset against future taxable profits.

Borrowings decreased by RMB17.0 million mainly due to repayment of the Keqiao Huijin's loan of RMB60.0 million and addition of bank borrowings of RMB44.0 million during the period.

Other payables increased by RM49.0 million, mainly due to deposits received from contractors of RMB40.9 million (for construction of residential and commercial properties of Yuesheng) and , increase in rentals advances and other margin recovery on sewage and utilities costs from lessees of RMB8.0 million during the period.

Loans from related parties increased by RMB25,000, mainly due to a short-term advance of RMB25.0 million from a related party, Zhejiang Jishan Group Holdings Co., Ltd, which is controlled by Mr Jin Guan Liang, the major shareholder and director of the Company. The said advance is interest free and repayable on demand.

Deferred tax liabilities mainly included the income tax effect of RMB43.6 million resulting from the temporary difference between the carrying value and the tax written down value of the investment property and property, plant and equipment, which was fully claimed against taxable profit when the government grant was finalised in financial year ended 31 December 2018.

COMMENTARY ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from operating activities were positive during the period of RMB29.0 million mainly due to increase in other payable during the period.

Net cash used in investing activities was RMB3.0 million due mainly to the purchase of property, plant and equipment of RMB3.0 during the period.

Net cash used in financing activities of RMB16.0 million was mainly due to the repayment of Keqiao Huijin's borrowings of RMB60.0 million offset with the addition of bank borrowings of RMB44.0 million during the period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous quarter results announcement.

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

China's economy grew 3.2% in the second quarter of 2020 as it rebounded from the historic contraction in the previous quarter, making it the first major economy to show signs of recovery since the coronavirus outbreak. While there is renewed optimism of a sustained uptrend in the second half of the year, global uncertainties including prolonged and intensifying US-China tensions continue to pose risks to China's economic growth in the longer term.

Going forward, the Group will remain vigilant in monitoring the impact of the pandemic on China's print and dye market, and in turn on the Group's leasing operations.

As disclosed in the Company's announcement dated 1 July 2020, the Group has obtained a Construction Work Planning Permit (建设工程规划许可证) ("Construction Planning Permit") dated 1 July 2020 issued by Shaoxing Bureau of Natural Resources and Planning (绍兴市自然资源和规划局). The Group has commenced development of the land assets located in Kebei Industrial Area, Shaoxing City into residential and commercial properties ("Proposed Development of Land Assets"), following the receipt of the Construction Planning Permit. As disclosed in the Company's announcement dated 31 July 2020, the Group has also obtained a pre-sale permit (商品房预售证) (the "Pre-Sale Permit") dated 30 July 2020 issued by the Bureau of Housing and Urban-Rural Development of Keqiao District, Shaoxing City (绍兴市柯桥区住房与城乡建设局), and intends to launch a pre-sale of property units following receipt of the Pre-sale Permit on or around 1 August 2020.

As at the date of this announcement, the trading of Company's shares is still suspended pursuant to Rule 1303(3), and the Group has not entered into any supplementary loan agreement(s) with its existing third-party lender (i.e., the individual lender) and/or obtain fresh fundings. As disclosed above under "Commentary on the Consolidated Statement of Financial Position – Borrowings", the Group has repaid the loan from Keqiao Huijin of RMB60.0 million during the period.

The Company will make further announcements to keep Shareholders updated on any material developments as and when appropriate.

11. Dividend

(a) Current Financial Period Reported On

Any dividends declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date Payable

Not applicable

(d) Book Closure Date

Not applicable

12. If no dividend has been declared / recommended, a statement to that effect and the reason(s) for the decision

No dividend is declared for the current period as the Group's priority is to achieve long term growth for the future benefit of its shareholders

13. If the Group has obtained a general mandate from Shareholders for Interested Person Transactions ("IPTs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain any general mandate from its shareholders for IPTs.

Interested Person Transactions ("IPT")

There is no IPT during the period ended 30 June 2020.

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officer in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Xiao Zi Liang
Chief Executive Officer/Executive Director
31 July 2020

APPENDIX IV – UNAUDITED 2QFY2020 RESULTS

Confirmation by the Board of Directors

Pursuant to Rule 705(5) of the SGX-ST Listing Manual, we, XIAO ZI LIANG, and YU MING HAI being two Directors of China Jishan Holdings Limited (the “Company”), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the Group's unaudited financial statements for the 2nd Quarter ended 30 June 2020 to be false or misleading in any material aspect.

On behalf of the Board of Directors:

Xiao Zi Liang
Chief Executive Officer

Yu Ming Hai
Executive Director

APPENDIX V – RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

The provisions in the Company's Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered address of the Company at 112 Robinson Road, #05-01, Singapore 068902 during normal business hours for the period during which the Offer remain open for acceptance.

(A) RIGHTS IN RESPECT OF CAPITAL

"ISSUE OF SHARES

4. (A) *Subject to this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot (with or without conferring a right of renunciation) or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that:-*

- (a) *no shares shall be issued to transfer a controlling interest in the Company without the specific prior approval of the Company in General Meeting; and*
- (b) *no shares shall be issued at a discount or options granted over unissued shares except in accordance with the Act and the Designated Stock Exchange's listing rules.*

(B) *The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.*

(C) *Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be issued subject to the provisions of the Statutes and of this Constitution with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.*

5. (A) *Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).*

APPENDIX V – RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

(B) The Company may, notwithstanding Article 5(A) above, authorize the Directors not to offer new shares to members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such members on such terms and conditions as the Company may direct.

6. The Company may exercise the power of paying commissions in respect of subscription for shares which is conferred by the Act to the full extent thereby permitted, Provided Always that the amount or rate of the commissions paid or agreed to be paid and the number of shares to be subscribed for absolutely shall be disclosed in the manner required by the Act, in the relevant prospectus, statement, circular or notice as the case may be. Such commissions may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful subject to disclosure of the amount or rate thereof in the manner required by the Act in the relevant prospectus, statement, circular or notice as the case may be.

7. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital (except treasury shares) as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.

8. (A) The rights attached to shares issued upon special conditions shall be clearly defined in this Constitution and the rights attaching to shares of a class other than ordinary shares shall be expressed. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.

(B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

VARIATION OF RIGHTS

9. (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of this Constitution relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least one-third of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

APPENDIX V – RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

(B) *The provisions in Article 9(A) shall mutatis mutandis apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.*

(C) *The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pad passu* therewith but in no respect in priority thereto.*

ALTERATION OF SHARE CAPITAL

10. *The Company may from time to time by Ordinary Resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.*

11. *The Company may by Ordinary Resolution:-*

- (a) *consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;*
- (b) *cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled;*
- (c) *subject to the provisions of the Statutes, sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the Constitution; so however that the proportion of the amount paid to the amount unpaid (if any) on each sub-divided share is the same as on the original share from which it was derived; and the resolution whereby any share is sub-divided being otherwise permitted to determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred, qualified or other special rights, or be subject to any such restrictions, as the Company has then the authority to attach to unissued or new shares; and/or*
- (d) *Subject to the provisions of the Statutes, convert or exchange any class of shares into or for any other class of shares.*

12. (A) *The Company may reduce its share capital or any capital redemption reserve fund or other undistributable reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law.*

(B) *Subject to and in accordance with the provisions of the Act, the Company may authorise the Directors in General Meeting to purchase or otherwise acquire any of its shares on such terms as the Company may think fit and in the manner prescribed by the Act. All shares purchased by the Company shall be cancelled. The amount of the Company's issued share capital which is diminished on cancellation shall be transferred to the Company's capital redemption reserve.*

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SHARE CERTIFICATES

13. (A) Every certificate shall be issued under the Seal and shall bear the facsimile signatures or the autographic signatures at least of one of the Director and the Secretary or such other person as may be authorised by the Directors, and shall specify the number and class of shares to which it relates, whether the shares are fully paid up or partly paid up, and the amount (if any) unpaid thereon. The facsimile signatures may be re-produced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the Directors of the Company. No certificate shall be issued representing shares of more than one class.

(B) The provisions in this Article and in Articles 14 to 17 (so far as they are applicable) shall not apply to transfer of book-entry securities.

14. (A) The Company shall not be bound to register more than three persons as joint holders of a share except in the case of executors, trustees or administrators of the estate of a deceased member.

(B) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the joint holders shall be sufficient delivery to all.

15. Every person whose name is entered as a member in the Register of Members shall be entitled, within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the closing date of any application of shares or (as the case may be) the date of lodgement of a registrable transfer, to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.

16. (A) Where a member transfers part only of the shares comprised in a certificate or where a member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares (in the case of transfer) and the whole of such shares (in the case of sub-division) shall be issued in lieu thereof and the member shall pay (in the case of sub-division) a maximum fee of S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange. Where some only of the shares comprised in a share certificate are transferred, the new certificate for the balance of such shares shall be issued in lieu thereof without charge.

(B) Any two or more certificates representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu thereof without charge.

17. Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a written indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Designated Stock Exchange or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate, and in any case on payment of such sum not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to,

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and to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

CALLS ON SHARES

18. *The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed and may be made payable by instalments.*

19. *Each member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.*

20. *If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.*

21. *Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of this Constitution be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.*

22. *The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.*

23. *The Directors may if they think fit receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profits.*

FORFEITURE AND LIEN

24. *If a member fails to pay in full any call or installment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.*

25. *The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit.*

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26. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeit share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be made forfeit hereunder.

27. A share so made forfeit or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorize some person to transfer a share so made forfeit or surrendered to any such other person as aforesaid.

28. A member whose shares have been made forfeit or surrendered shall cease to be a member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.

29. The Company shall have a first and paramount lien on every share (not being a fully paid share) and dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article 29.

30. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

31. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorize some person to transfer the shares sold to the purchaser.

32. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly made forfeit or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser (or where the purchaser is a Depositor) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share, or where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to

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the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

TRANSFER OF SHARES

33. *All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange. An instrument of transfer shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that CDP shall not be required to sign, as transferee, any instrument of transfer relating to any transfer of shares to it during such period as the Directors may think fit. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.*

34. *The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made.*

35. (A) *There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.*

(B) *The Directors may decline to register any instrument of transfer unless:-*

(a) *such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;*

(b) *the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and*

(c) *the instrument of transfer is in respect of only one class of shares.*

36. *All instruments of transfer which are registered may be retained by the Company.*

37. *The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid*

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and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:-

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;*
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and*
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.*

TRANSMISSION OF SHARES

38. (A) In case of the death of a member whose name is registered in the Register of Members, the survivors or survivor, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(B) In the case of the death of a member who is a Depositor, the survivors or survivor, where the deceased is a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder and where such executors or administrators are entered into the Depository Register in respect of any shares to the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(C) Nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.

39. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer executed by such member.

40. Save as otherwise provided by or in accordance with this Constitution, a person becoming entitled to a share in consequence of the death or bankruptcy of a member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in respect of the share.

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41. *There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require.*

STOCK

44. *The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination.*

45. *The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.*

46. *The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.*

47. *An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. The interval between the close of a financial year of the Company and the date of the Company's Annual General Meeting shall not exceed 4 months, or such period as may be prescribed by the Designated Stock Exchange and the provisions of the Act from time to time. All other General Meetings shall be called Extraordinary General Meetings.*

48. *The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.*

CAPITALIZATION OF PROFITS AND RESERVES

134. *The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Article 4(A)), capitalize any sum standing to the credit of any of the Company's reserve accounts as representing profits available for distribution under the provisions of the Statutes or, pursuant to Sections 69 or 70 of the Act, capital redemption reserve, by appropriating such sum to the persons registered as the holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on the date of the resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares or (subject to any special rights previously conferred on any shares or class of shares for the time being issued) unissued shares of any other class not being redeemable shares, for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid. The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalization, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The*

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Directors may authorize any person to enter on behalf of all the members interested into an agreement with the Company providing for any such capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.”

(B) RIGHTS IN RESPECT OF VOTING

“CENTRAL DEPOSITORY SYSTEM

42. *A reference to a member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP, the Depositors on behalf of whom CDP holds the shares, Provided that:-*

- (a) *a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP seventy-two (72) hours before the General Meeting as a Depositor on whose behalf CDP holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP as supplied by CDP to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a Depositor's Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;*
- (b) *the payment by the Company to CDP of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;*
- (c) *the delivery by the Company to CDP of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and*
- (d) *the provisions in this Constitution relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).*

NOTICE OF GENERAL MEETINGS

49. *Any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and an Annual General Meeting or any other Extraordinary General Meeting, by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in manner hereinafter mentioned to all members other than such as are not under the provisions of this*

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Constitution entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-

- (a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and*
- (b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the members having the right to vote at the meeting;*

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days' notice in writing of such Extraordinary General Meeting shall be given to the Designated Stock Exchange.

50. (A) *Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company. However, if a member submits a proxy form and subsequently attends the General Meeting in person and votes, the appointment of such proxy shall be revoked.*

(B) *In the case of an Annual General Meeting, the notice shall also specify the meeting as such.*

(C) *In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.*

51. *Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:-*

- (a) declaring dividends;*
- (b) receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;*
- (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;*
- (d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);*
- (e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and*
- (f) fixing the Directors fees.*

52. *Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.*

APPENDIX V – RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

PROCEEDINGS AT GENERAL MEETINGS

53. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present, shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.

54. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two members present in person or by proxy.

55. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint.

56. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

57. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

58. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

59. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-

- (a) the chairman of the meeting; or
- (b) not less than two members present in person or by proxy and entitled to vote; or
- (c) any member present in person or by proxy, or where such a member has appointed two proxies any one of such proxies, or any number or combination of such members or proxies, holding or representing as the case may be not less than 5 per cent of the total voting rights of all the members having the right to vote at the meeting; or
- (d) any member present in person or by proxy, or where such a member has appointed two proxies any one of such proxies, or any number or combination of such members or proxies, holding or representing as the case may be shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than 5 per cent of the total sum paid on all the shares conferring that right,

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Provided Always that no poll shall be demanded on the choice of the chairman of the meeting or on a question of adjournment. A demand for a poll may be withdrawn only with the approval of the meeting.

60. *Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.*

61. *In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.*

62. *A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman of the meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.*

VOTES OF MEMBERS

63. (A) *If required by the listing rules of any stock exchange upon which the shares of the Company may be listed, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by such stock exchange).*

(B) *Subject to Article 63(A) and any special rights or restrictions as to voting attached by or in accordance with this Constitution to any class of shares, every member who is present in person or by proxy shall*

(a) *on a poll, have one vote for every share which he holds or represents; and*

(b) *on a show of hands, have one vote, provided that:*

(i) *in the case of a Member who is not a relevant intermediary, and who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the General Meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands).*

(ii) *in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.*

(C) *For the purposes of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the references to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by CDP to the Company. A member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a member, or attend, vote or act at any meeting of the Company.*

APPENDIX V – RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

64. *In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.*

65. *Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.*

66. *No member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum payable by him to the Company in respect of such shares remains unpaid.*

67. *No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.*

68. *On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.*

69. (A) *Save as otherwise provided in the Act:*

(a) *a member who is not a relevant intermediary shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting, Provided that if a member shall nominate two proxies then the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.*

(b) *a member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member.*

(B) *A proxy need not be a member of the Company.*

(C) *In any case where a Member is a Depositor, the Company shall be entitled and bound:-*

(a) *to reject any instrument of proxy lodged if the Depositor, is not shown, to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by CDP to the Company; and*

(b) *to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered into against the name of that Depositor in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by CDP to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.*

APPENDIX V – RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

(D) *The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.*

70. (A) *An instrument appointing a proxy for any member shall be in writing in any usual or common form or in any other form which the Directors may approve and:-*

- (a) *in the case of an individual member, shall be signed by the member or his attorney duly authorised in writing; and*
- (b) *in the case of a member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorised in writing or a duly authorized officer of the corporation.*

(B) *The signatures on an instrument of proxy need not be witnessed.*

Where an instrument appointing a proxy is signed on behalf of a member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.

71. *An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than seventy-two hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.*

72. *An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the meeting.*

73. *A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.*

CORPORATIONS ACTING BY REPRESENTATIVES

74. *Any corporation which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of this Constitution be deemed to be present in person at any such meeting if a person so authorized is present thereat."*

APPENDIX V – RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

(C) RIGHTS IN RESPECT OF DIVIDENDS

“RESERVES

122. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.

DIVIDENDS

123. The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

124. If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

125. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article, no amount paid on a share in advance of calls shall be treated as paid on the share.

126. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes or, pursuant to Section 69 of the Act. Any dividend unclaimed after six (6) years from the date of declaration shall be made forfeit and revert to the Company.

127. No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

128. (A) The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

129. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

APPENDIX V – RELEVANT PROVISIONS OF THE CONSTITUTION OF THE COMPANY

130. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

131. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

132. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

133. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.”

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AVA Associates Limited

(Company Number 1292515)

806 Empress Plaza

17-19 Chatham Road South

Tsim Sha Tsui, Hong Kong

10 September 2020

To

Board of Directors

CHINA JISHAN HOLDINGS LIMITED

112 Robinson Road #05-01

Singapore 068902

Dear Sirs,

Pursuant to your instructions, AVA Associates Limited ("**AVA**") has performed a desktop valuation of selected real properties, and plant and equipment belonging to China Jishan Holdings Limited ("**China Jishan**", the "**Company**" or the "**Client**") as at 30 June 2020 ("**Valuation Date**"), for the purpose of presenting the balance sheet of the Company with a Market Value of the selected assets. This engagement is to assist the Board of Directors of the Company (the "**Board**") in their assessment of the revalued net asset value ("**RNAV**") of the Company as at Valuation Date, under certain assumptions, and for inclusion of our report in a circular to the shareholders in relation a voluntary conditional cash offer for the Company (the "**Voluntary Offer**") as prepared by Stirling Coleman Capital Limited for and on behalf of Tianlan Holdings Pte Ltd (the "**Offeror**"). No other use of our valuation report is intended or should be inferred.

Definition of Value

In estimating the value of the assets, our efforts were based on the following premise of value:

Market Value – *"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."* Such value represents an estimate based on the economic theory of equilibrium price for an asset in a perfect market.

The Market Value of the real properties, which we would define as intended to mean "the best price" at which an interest in a property might reasonably be expected to be sold at the date of valuation, assumes:

- a willing seller, willing buyer;
- no account is to be taken of an additional bid by a purchaser with a "special interest";
- that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the negotiation and agreement of price and terms for the completion of the sale; and
- that the price reflects the state of the market and other circumstances at the date of valuation.

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As for the plant and machinery, we have adopted the Market Value In Continued Use, defined the amount of money at which a given property would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that earnings support the value reported. It does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put.

Proposed Transaction

On 20 August 2020, China Jishan announced that the Company received the Voluntary Offer from the Offeror to acquire all the issued and paid-up ordinary shares in the capital of the Company.

Scope of Work

To comply with the Singapore Takeover Code, the Company instructed AVA to estimate, on a desktop basis, the Market Value of selected real properties, and plant and equipment belonging to the Company as at Valuation Date for internal reference and disclosure in a shareholder's circular in relation to the Voluntary Offer. The assets for this valuation exercise are as follows:

- **Prepaid Leases – Land Use Rights**
Land use right to 2 plots of leasehold land, measuring 37,925 square metres, in Hai Tu Jiu San, Keqiao, Shaoxing City, Zhejiang Province, the People's Republic of China ("PRC") belonging to Zhejiang Jishan Printing and Dyeing Co., Ltd 浙江稽山印染有限公司 ("Zhejiang Jishan"), a wholly-owned subsidiary of the Company;
- **Investment Properties**
3 blocks of industrial building at Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC with gross floor area of 77,659.75 square metres, on 2 plots of industrial land measuring 46,075 square metres belonging to Zhejiang Jishan;
- **Development Properties Held For Sale**
Land use right to 7 plots of leasehold land at No. 426, Feng Lin Road, Kebei Industrial Area, Shaoxing City, Zhejiang Province, PRC belonging to Shaoxing Yuesheng Real Estate Development Co., Ltd. 绍兴越胜房地产开发有限公司 ("Shaoxing Yuesheng"), a wholly-owned subsidiary of the Company; and
- **Property, Plant & Equipment**
1 block of dormitory, plant and equipment belonging to Zhejiang Jishan.

(collectively, the "**Selected Assets**")

Our valuation and reports will be prepared in accordance with the International Valuation Standards (2020 edition) as published by the International Valuation Standard Committee and relevant standards adopted by the Royal Institution of Chartered Surveyors.

The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Preparation of an information checklist for information gathering;

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- Discussion with the appropriate parties regarding the identified assets, adopted/proposed valuation methodologies, current/proposed operations and historical/forecast financials of the Company, as well as its prospects, etc;
- Development of appropriate valuation models pertinent to the exercise;
- Preparation of draft reports for discussion with the Company; and
- Submission of the final report for the purpose of this exercise.

Sources of Information

As part of our due diligence, we relied upon documents supplied by the management of the Company, including, but not limited to, the following:

- Annual financial statements of the Company, as announced on SGX's portal;
- Unaudited financial statements of the Company, for the first 6 months of 2020, as announced on SGX's portal;
- Various announcements of the Company, as published on SGX's portal;
- Details of the plant and equipment as at 30 June 2020;
- Details of the properties and land use rights as at 30 June 2020;
- The Company's development plans and budget for its "Development Properties Held For Sale 发展土地";
- Tax report by Shaoxing Oriental Tax Advisory Co., Ltd 绍兴东方税务师事务所有限公司 ("Shaoxing Tax Agent"), dated 9 September 2020; and
- Other relevant documentations.

We planned and performed our review and valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. In the course of our work, we held discussions with the management concerning the history and current conditions of the Company's assets, financial and general outlook of the business. We assumed that the data we obtained in the course of the valuation, along with the opinions and representations provided to us are true and accurate. We also used financial and other information obtained from private and public sources we considered reliable. Our conclusions are dependent on such information being complete and accurate in all material respects. We believe the review and valuation procedures we employed provide a reasonable basis for our opinion.

Valuation Theory

Our approach in valuing the identified asset relies on using the appropriate techniques to arrive at our conclusion of value. We considered the three generally recognized approaches to value: the income, market and cost approaches.

An overview of the three approaches considered is as follows:

- The *Income Approach* focuses on the income-producing capability of a business or asset. The income approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment.

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The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.

- The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. In estimating the value of a business under the market approach there are two methodologies: the publicly-traded guideline company methodology and the recent transaction methodology. The publicly traded guideline company methodology develops an indication of value for the subject company by calculating market pricing multiples for selected publicly-traded guideline companies and applying these multiples to the appropriate financial measures of the subject company. The recent transaction methodology develops an indication of value for the subject company by calculating market pricing multiples based on actual acquisitions of similar businesses and applying these multiples to the appropriate financial measures of the subject company. After deriving a value, adjustments are then made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.
- The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The cost approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

Description of the Selected Assets

Below is a brief description of each asset covered in this valuation.

Property No. 1

This refers to the land use right to 2 plots of leasehold land, measuring 37,925 square metres, in Hai Tu Jiu San, Keqiao, Shaoxing City, Zhejiang Province, PRC 绍兴市柯桥区海涂九三丘1幢 classified under “Prepaid Leases – Land Use Rights”, together with the 1 block of dormitory, with gross floor area of 9,033.3 square metres, grouped in the balance sheet account of “Property, plant and equipment” under “Buildings”.

Property No. 2

Under the balance sheet account of “Investment Properties”, Zhejiang Jishan owns 3 blocks of industrial building at Hai Tu Jiu San Qiu, Keqiao, Shaoxing City, Zhejiang Province, PRC 绍兴市柯桥区海涂九三丘1幢 with gross floor area of 77,659.75 square metres, on 2 plots of industrial land measuring 46,075 square metres. As at Valuation Date, the 6 units at the properties are individually leased to 5 parties.

Property No. 3

Classified as “Development Properties Held For Sale”, Shaoxing Yuesheng owns the land use right to 7 plots of leasehold land at No. 426, Feng Lin Road, Kebei Industrial Area, Shaoxing City, Zhejiang Province, PRC.

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Property No. 4

In “Property, plant and equipment” under “Construction-in-progress” (“CIP”), the Company records its on-going capital investment in the construction of buildings on Property No. 1.

Plant & Equipment

The plant and machinery considered in this valuation, classified under “Property, Plant & Equipment”, refers to the equipment shown on lists supplied to AVA at the beginning of the valuation project and through other information provided during the engagement. The plant and machinery under review comprise mainly of certain designated equipment such as shaping machine, dyeing vat, and power transmission and distribution project.

We did not estimate the Market Value of motor vehicles, fixtures and equipment under “Property, Plant & Equipment” given the relatively low significance of the assets in totality. Given the nature of these items, we have assumed their respective book value approximates its Market Value.

General Assumptions

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts neither owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

As the property is held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term of the land use rights.

We have assumed the design and construction of the subject development are in compliance with the local planning regulations and have been approved by the relevant authorities.

Inspections

No personal physical inspection was made on the subject assets as per the Company’s instruction to carry out a desktop valuation.

- We did not conduct site surveys or site investigations, as these do not form part of our terms of reference and therefore we cannot report that the subject property is free from rot, infestation or any other structural defects.
- We did not carry out a building or land survey, and we assume that the subject properties are in a fair state of repair and condition.
- No tests have been carried out to any of the building services.
- We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents and

APPENDIX VI – THE SUMMARY VALUATION REPORT

official site plans handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

- We did not carry out investigation to determine the suitability of the ground conditions and services for the on-going development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction.

Our valuation is based on a desktop analysis and we did not carry out a full mechanical survey, nor inspected machinery and equipment which are covered, unexposed or inaccessible. Our assessment is based on the premise that the items are in a condition commensurate with age and usage. We have relied to a considerable extent on information such as machinery and equipment list, and when available to us, equipment specifications, drawings, contract invoices and other documents furnished to us by the Company. We have not investigated the title or any liabilities affecting the machinery and equipment appraised. No consideration was made for any outstanding amount owed under financing agreements, if any.

However, in the course of our valuation, we held discussions with the management to understand the history and current conditions of the assets. We assumed that the data we obtained, along with the opinions and representations provided to us by the Company during our enquiries, are true, accurate and reliable. We believe the valuation procedures we employed and judgement exercised provide a reasonable basis for our opinion.

Valuation Methodologies – Real Properties

Below describe the approaches taken to estimate the Market Value of each property.

Property No. 1

We have valued the dormitory building at Property No. 1 based on the depreciated replacement cost approach. Depreciated replacement cost is defined as “the current cost of replacement of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. As for the land use rights to the leasehold land, we have adopted the comparison approach to value the land elements of the property by making reference to comparable transactions in our assessment of the market values of the property interests. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Property No. 2

We have valued Property No. 2 by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair values at an appropriate capitalization rates. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Property No. 3

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This property is essentially a development property, defined as follows:

A development property is defined as an interest where redevelopment is required to achieve the highest and best use, or where improvements are either being contemplated or are in progress at the valuation date.

Valuation of development property are normally undertaken based on comparison method, a form of market approach, and the residual method, a form of income approach.

Market Approach

We have valued Property No. 3 using the market approach employing the comparison method assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions in the last 12 months, as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. In addition to general specifications of the comparable properties selected, factors considered in our analysis include adjustment for location and plot ratio of each of the properties to arrive at our opinion of the Market Value of this property.

Income Approach

We understand the Company has development plans for this property. As at our Report Date, the Company has made the following announcements on SGX's portal in relation to their proposed development.

- 1 July 2020, the Company announced that its subsidiary, Shaoxing Yuesheng, has obtained a Construction Work Planning Permit (建设工程规划许可证) (“**Construction Planning Permit**”) dated 1 July 2020 issued by Shaoxing Bureau of Natural Resources and Planning (绍兴市自然资源和规划局), being one of the requisite permits, in relation to the Proposed Development of Land Assets.
- On 31 July 2020, it was announced that Shaoxing Yuesheng obtained a pre-sale permit (商品房预售证) (the “**Pre-Sale Permit**”) dated 30 July 2020 issued by the Bureau of Housing and Urban-Rural Development of Keqiao District, Shaoxing City (绍兴市柯桥区住房与城乡建设局).
- On 17 August 2020, it was further announced that Shaoxing Yuesheng has secured the sale of selected residential units in its proposed development for approximately RMB 330.7 million.

It is worth noting that the Construction Planning Permit and Pre-Sale Permit are part of a series of permits required for a property development project in the PRC. While these permits allow the Company to proceed with its proposed plans, the Company is still at the initial stage of development planning and there are various uncertainties and execution risks, such as those listed below, from this stage to completion of the development project.

- The Company may be unable to obtain, or may suffer material delays in obtaining, the relevant government approvals;
- The development relies on external construction companies for the construction-related works and these construction companies may fail to provide satisfactory services which adhere to our quality and safety standards and in a timely manner, or at all;
- Increase in the costs of construction materials and the use of substandard construction materials by its contractors may have an adverse impact on the development;
- The profitability of the development is dependent on the economic conditions in PRC, particularly the performance of the real estate industry in Shaoxing City, Zhejiang Province, PRC; and

APPENDIX VI – THE SUMMARY VALUATION REPORT

- The Company or its subsidiaries are subject to financing risks and may not have adequate capital resources to finance the development.

However, as guided by the valuation standards requiring a sanity check on our valuation conclusion from the use of the market approach earlier, we proceeded to perform another calculation, based on the income approach, to determine the residual value of the proposed mixed commercial and residential development project. This is to corroborate and ensure the reliability and reasonableness of our valuation conclusion for this property.

As noted in the valuation standards, “the residual method is based on the concept that the value of a property with development potential is derived from the value of the property after development minus the cost of undertaking that development, including a profit for the developer.” The formula is as follows:

$$\text{Gross development value (GDV)} - \text{Total development costs} - \text{Developer's profit} = \text{Residual land value}$$

We requested and were provided with information on the Company's preliminary development plan that has an initial gross development value of about RMB6 billion. Our income approach analysis of the development plan yielded a residual land value of RMB1,787,000,000. This residual amount can be used to infer the value of the land use rights, on an as-is basis, that a developer will pay in order to undertake and realize the development project. This income approach estimation yielded a value of RMB1,787,000,000, as compared to RMB1,789,000,000 derived from the market approach's comparison method, thus satisfying the theory of market equilibrium of prices.

It must be noted that while we concluded the Market Value is RMB1,789,000,000 in a hypothetical transaction between a willing buyer and willing seller, the net amount due to the Company, as the seller, is about RMB984 million, a result of the calculated tax liabilities of RMB805 million from the sale of the property, as presented in the table below. The tax liabilities amount is based on estimation by Shaoxing Tax Agent.

Item	Amount (RMB)
<u>Market Approach</u>	
Market Value of “Development Properties Held For Sale”	1,789,000,000
<u>Shaoxing Tax Agent</u>	
Potential tax liabilities related to sale of “Development Properties Held For Sale”	(805,000,000)
Residual value to the Company from sale of the land	984,000,000

Property No. 4

This asset refers to the on-going construction of buildings and structures. As at Valuation Date, the Company has incurred an investment of RMB50,667,000. For the purpose of this exercise, the Market Value of this item is assumed to approximate the recorded book value of RMB50,667,000.

Valuation Details – Property No. 1

I. PROPERTY DETAILS	
1. The Subject Property	: The property comprises 2 parcels of land with a total site area of approximately 37,925 sq.m. and a building which is completed in 2017.

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2.	Site Area	: 37,925 sq.m.
3.	Area of the Property	: Approximately 9,033.30 sq.m. (Gross Floor Area)
4.	Year of Completion	: 2017.
5.	Title Certificate of Building	: Zhe (2017) Shao Xing Shi Ke Qiao Qu Bu Dong Chan Quan Di No. 0025022 浙 (2017) 绍兴市柯桥区不动产权第 0025022 号.
6.	Land Use Rights Certificate	: Zhe (2017) Shao Xing Shi Ke Qiao Qu Bu Dong Chan Quan Di No. 0025022 浙 (2017) 绍兴市柯桥区不动产权第 0025022 号 and Ke Qiao Qu Guo Yong (2016) Di No. 01171 柯桥区国用 (2016) 第 01171 号.
7.	Registered Owner	: Zhejiang Jishan Printing and Dyeing Co., Ltd.
II.	PARTICULARS OF OCCUPANCY	
8.	Occupancy Status	: The property is currently held and occupied by the Company.
III.	VALUATION	
We are of the opinion that the market value of the property in its existing state as at 30 June 2020 is RMB37,400,000.		

Valuation Details – Property No. 2

I.	PROPERTY DETAILS	
1.	The Subject Property	: The property comprises 2 parcels of land with a total site area of approximately 46,075 sq.m. and 3 buildings which are completed in 2017.
2.	Site Area	: 46,075 sq.m.
3.	Area of the Property	: Approximately 77,659.75 sq.m. (Gross Floor Area)
4.	Year of Completion	: 2017.
5.	Title Certificates	: Zhe (2017) Shao Xing Shi Ke Qiao Qu Bu Dong Chan Quan Di No. 0025060 浙 (2017) 绍兴市柯桥区不动产权第 0025060 号 and Zhe (2017) Shao Xing Shi Ke Qiao Qu Bu Dong Chan Quan Di No. 0025062 浙 (2017) 绍兴市柯桥区不动产权第 0025062 号.

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6.	Registered Owner	: Zhejiang Jishan Printing and Dyeing Co., Ltd.
II.	PARTICULARS OF OCCUPANCY	
7.	Occupancy Status	: The property is currently held by the Company for investment purpose.
III.	VALUATION	
We are of the opinion that the market value of the property in its existing state as at 30 June 2020 is RMB235,410,000.		

Valuation Details – Property No. 3

I.	PROPERTY DETAILS	
1.	The Subject Property	: The property comprises 7 parcels of land with a total site area of approximately 146,650 sq.m..
2.	Site Area	: 146,650 sq.m.
3.	Title Certificates	: Shao Xing Xian Guo Yong 绍兴县国用（2010）Di Nos. 14-22, 14-23, 14-24, 14-25, 14-26, 14-27 and 14-28.
4.	Registered Owner	: Shaoxing Yuesheng Real Estate Development Limited
II.	PARTICULARS OF OCCUPANCY	
5.	Occupancy Status	: The property is currently held by the Company for development purpose.
III.	VALUATION	
We are of the opinion that the market value of the property in its existing state as at 30 June 2020 is RMB1,789,000,000.		

Valuation Methodology – Plant & Machinery

This valuation assumes that each of the plant and machinery, unless identified otherwise in this report, will continue to be used ‘as is’ and as part of an ongoing business. Therefore, the assets have been valued under an in-use premise, which recognizes the additional value related to the freight, tax, and installation (including engineering and installation) costs that were incurred when the assets were placed into service.

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We have considered and excluded the income approach due to difficulty in determining income that can be directly related to specific equipment. We have appraised the plant and machinery based on the assumption that all the appraised equipment are in existing use and in good operational condition. Our assessment is based on the premise that the assets are in a condition commensurate with age and usage.

In arriving at our opinion of value, we have given consideration to the cost of similar used asset in the second hand market, current cost new, accrued depreciation, extent, character, utility, lack of improved features of new equipment and continuation of use of the assets in their present location.

The cost approach establishes value based on the cost of reproducing or replacing the asset, less depreciation from physical deterioration, and functional and economic/external obsolescence.

Cost of Reproduction New is defined as the estimated amount required to reproduce the asset at one time in like kind and materials in accordance with current market prices for materials, labor, and manufactured equipment, contractors' overhead and profit, and fees, but without provision for overtime, bonuses for labor, or premiums for materials or equipment.

Physical Deterioration is the loss in value resulting from wear and tear in operation and exposure to the elements.

Functional Obsolescence is the loss in value caused by conditions within the asset such as changes in design, materials, or process that result in inadequacy, overcapacity, lack of utility, or excess operating costs.

Economic/External Obsolescence is an incurable loss in value caused by unfavorable conditions external to the asset such as the local economy, economics of the industry, availability of financing, encroachment of objectionable enterprises, loss of material and labor sources, lack of efficient transportation, shifting of business centers, passage of new legislation, and changes in ordinances.

In estimating the Market Value under the premise of continued use, we assumed it to be offered in the open market and considered the following factors:

- The extent, character and utility of the assets
- The estimated cost to acquire new or construct, or acquire used if comparable asset was available, plus the cost to erect or install as an integrated entity
- From current cost new, a deduction for depreciation, or loss of value, arising from condition, utility, age, wear and tear, obsolescence and lack of improved features of new asset currently in the market
- For the cost of comparable used asset, a positive or negative adjustment to the market price to reflect the difference in condition and utility between the item under appraisal and its comparable
- Dealers' prices for machinery and equipment in operative condition, plus allowances for freight and installation

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The term “current cost new” as used herein is defined as the amount required to reproduce or replace in like kind and new condition an asset, or group of assets, taking into account current costs of materials and labour and including all attendant costs associated with its acquisition.

Valuation Conclusion – Selected Assets

Market Value of the Selected Assets

Based on the information provided, our analyses and conclusions of the various approaches, and subject to the attached Statement of General Assumptions and Limiting Conditions, we are of the opinion that, as at Valuation Date, the Market Value of the Selected Assets of the Company, before consideration of the potential tax liabilities of the Company in the event of a sale, are reasonably represented as follows.

Item	30 June 2020 Unaudited Book Value (RMB)	30 June 2020 Market Value (RMB)
Prepaid Leases - Land Use Rights	10,097,000	26,500,000
Investment Properties - Land Use Rights and Buildings	203,515,000	235,410,000
Development Properties Held For Sale - Land Use Rights	468,281,000	1,789,000,000
Property, Plant & Equipment - Buildings	9,321,000	10,900,000
- Plant & Equipment	8,757,000	9,578,000
- Motor vehicles	1,563,000	1,563,000
- Fixtures and equipment	301,000	301,000
- Construction-in-progress	50,667,000	50,667,000

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuations of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

We hereby certify that we have neither present nor prospective interest in the assets appraised or on the value reported.

RNAV of the Company

For illustrative and comparative purposes, we present the balance sheet of the Company as at Valuation Date under 2 scenarios.

Scenario A - includes the Market Value of the Selected Assets, as estimated by us, and their associated potential tax liabilities, as prepared by Shaoxing Tax Agent, to derive the RNAV of RMB685 million. In relation to “Development properties held for sale”, the Market Value of the land is estimated based on its sale, using the Market Approach, supplemented by the Income Approach to corroborate the

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result. Under the Market Approach, we considered selected market transactions over the last 12 months.

Scenario B - considers the value of the land listed as “Development properties held for sale” as a development property held for development by the Company, based on its proposed mixed development project on the land and sale of the properties by themselves, to derive the RNAV of RMB701 million. The calculated value of the land is estimated through the Income Approach, taking into account items such as gross development value, development costs and taxes that include land appreciation tax payable by the Company as owner of the land.

The breakdown of the unaudited net book value of RMB160 million, RNAV of RMB685 million under Scenario A and RNAV of RMB701 million under Scenario B, as at Valuation Date, are presented in table below.

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China Jishan Holdings Limited	Book Value		Scenario A	Scenario B
	Unaudited		Revalued	Revalued
(RMB '000)	30-06-20		30-06-20	30-06-20
Non-current Assets				
Property, plant and equipment	70,610		71,127	71,127
Investment properties	203,515		202,525	202,525
Investment in associate	29,832		29,832	29,832
Prepaid leases - Land use rights	9,863		19,270	19,270
Deferred tax assets	73,940		73,940	73,940
Development properties held for sale	468,281		984,375	1,000,430
-Development properties held for sale		1,789,000		
Less: Indicative potential tax liabilities on sale		(804,625)		
	856,041		1,381,069	1,397,124
Current Assets				
Inventories	480		480	480
Prepaid leases - Land use rights	234		-	-
Other receivables and prepayments	9,996		9,996	9,996
Held-for-trading investments	3,138		3,138	3,138
Cash	15,706		15,706	15,706
	29,554		29,320	29,320
Total Assets	885,595		1,410,389	1,426,444
Non-current Liabilities				
Deferred tax liabilities	67,124		67,124	67,124
	67,124		67,124	67,124
Current Liabilities				
Borrowings	486,791		486,791	486,791
Trade payables	9,071		9,071	9,071
Other payables	112,046		112,046	112,046
Loans from related party	25,831		25,831	25,831
Tax payable	24,451		24,451	24,451
	658,190		658,190	658,190
Net Asset Value	160,281		685,075	701,130

Note:

Scenario A - Value of each of the Selected Assets is updated with its Market Value and potential tax liabilities.

Scenario B - Value of each of the Selected Assets, except "Development properties held for sale", is updated with its Market Value and potential tax liabilities. The value of the development properties is the calculated value based on the development of the properties as undertaken by the Company.

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The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Company.

This report is issued based on the understanding that management has drawn our attention to all material matters which may have an impact on our report up to the date of this report. We are not required to update our report or any other information provided to you for events and circumstances arising after the issue of our final report.

Respectfully submitted,

AVA Associates Limited

AVA Associates Limited, based in Hong Kong and Singapore, has been providing independent valuation services to clients in Asia since 2008. We provide transaction-based advisory services, primarily focusing on independent valuation services to assist its clients to comply with internal and external requirements. Our valuation team, made up of qualified professionals in their respective fields, has the expertise covering various classifications of tangible and intangible assets, focusing on four key competencies of business valuation, financial instrument valuation, intellectual property valuation and fixed asset valuation.

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Statement of General Assumption and Limiting Conditions

This analysis is subject to the following general assumptions and limiting conditions:

Valuation - Property

1. This valuation is prepared in accordance with the Valuation Standards and Guidelines published by the Singapore Institute of Surveyors and Valuers.
2. Our responsibility in connection with this valuation report is limited to our client or person to whom this report is addressed and to that client only. We disclaim all responsibility and accept no liability to any other person(s) or party should this report be used by any such person(s) or party or for any.
3. Any action, claim or proceedings arising out of the engagement of services shall be brought against the Firm with whom the Client has engaged and not against any employee, director or sub-contractor of the Firm involved directly or indirectly in the delivery of the Services.
4. Any liability arising from the Valuer's negligence (if any) in connection with this engagement shall be limited to the amount of fees received for this engagement.
5. The report is considered invalid if there is non-payment of the valuation fees. We shall not be responsible and accept no liability of the report if payment is not received within 30 days from the date of report.
6. Each valuation is current as at the Valuation Date only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. We also do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the Valuation Date.
7. The values assessed in this report for the subject property and any allocation of values between parts of the property applies strictly on the terms of and for the purpose of the valuation stated in the report and may not be used for any other purpose.
8. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable and accurate and we accept no responsibility if this information should later prove not to be so.
9. We may adopt assumptions in the valuation being carried out as some matters cannot be calculated accurately or fall outside the scope of our expertise. The risk that any of the assumptions adopted in our valuation may be incorrect should be taken into account. While all reasonable care is taken, we does not warrant or represent that the assumptions on which this valuation is based are accurate or correct.
10. Neither the whole nor any part of this report nor any reference to it may be included in any document, circular or statement nor published in any way without our prior written approval of the form and context in which it may appear.
11. While due care is taken in the course of inspection to note serious building defects, no structural survey has been made and no guarantee is given that the building is free from rot, termite, pest infestation of other hidden defects. We have also not made any tests to the building services (e.g. air-conditioning, fire-fighting systems, lifts, escalators, plumbing and lighting etc.) and these services are presumed to be in good working order.

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12. Our valuation assumes that the title(s) is(are) in good order and marketable, free from any liens, mortgages, encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title(s), searches, legal requisitions, legal validity of title or any charges, claims, liabilities registered against the title(s). The client is advised to consult his solicitors on any matter concerning the title(s).
13. We have not conducted a land survey to verify the land boundaries and site areas and whether all developments and improvements are within such boundaries. We have assumed, unless otherwise stated, that all developments and improvements are within the boundaries of such land parcel as described in this report and the land parcel is fully owned by the property owner.
14. Any plans or map included in this report are meant for identification purposes and to assist the reader in visualizing the subject property. We have not made any survey of the property and assume no responsibility in connection with such matters.
15. Unless otherwise instructed, we do not carry out requisition with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road improvements, drainage proposal, etc.
16. Our valuation presumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.
17. Our valuation is prepared on the basis that the premises and any works (e.g. alterations and additions) thereto comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a statutory completion by the Building Authority.
18. Our valuation assumes that all development charges and maintenance/service/conservancy charges, if any, whether outstanding or payable as at the date of valuation, have already been fully paid.
19. Our valuation further assumes that, as at the date of valuation, there are no outstanding liabilities or charges attached to the property(ies).
20. In the event that we are instructed to provide a valuation based on kerb-side inspection and/or without the extent of information normally available, our valuation will be dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should the information prove to be incorrect or inadequate, the accuracy of the valuation may be affected and we shall not be held responsible for the inaccuracy of the valuation.
21. We shall not be required to give testimony or to appear in court for any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed.
22. This is a Summary Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the valuation professional's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the valuation professional's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The valuation professional is not responsible for unauthorized use of this report.