

CHINA JISHAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company registration no.: 200310591E)

**ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL – EMPHASIS OF MATTER
BY THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR
ENDED 31 DECEMBER 2016**

Pursuant to Rule 704(5) of the Listing Manual of the SGX-ST, the Board of Directors of China Jishan Holdings Limited (the “**Company**”) wishes to announce that the Company’s independent auditors, Moore Stephens LLP, had included an emphasis of matter in the Independent Auditors’ Report on the financial statements for the financial year ended 31 December 2016 (“**FY2016**”). An extract of the Independent Auditors’ Report is attached to this announcement for shareholders’ reference.

Shareholders of the Company are advised to read the Independent Auditors’ Report and the Group’s financial statements for FY2016 in the Company’s annual report, which will be despatched in due course.

BY ORDER OF THE BOARD

Xiao Ziliang

Executive Director/ Chief Executive Officer

6 April 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of China Jishan Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) to the financial statements, which indicates that for the financial year ended 31 December 2016, the Group incurred a net loss of RMB10,382,000 (2015: a net profit of RMB61,154,000), and as of that date, the Group has net current liabilities of RMB534,838,000 excluding assets classified as held for sale, which are subject to the approval by the shareholders of the Company as disclosed in Note 16 to the financial statements (2015: net current liabilities of RMB400,826,000 excluding development properties held for sale, which are expected to be realised longer than twelve months). Further, the Group has bank borrowings of RMB379,000,000 (2015: RMB379,000,000) that are due within the next twelve months from 31 December 2016. As stated in Note 2(b) to the financial statements, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Key Audit Matters (cont'd)

Recognition of compensation received from government

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

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

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

Our response:

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

Our findings:

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Key Audit Matters (cont'd)

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

Our response:

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

Our findings:

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report on pages 1 to 31, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary company incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Chiou Gee Willy.

Moore Stephens LLP

Public Accountants and
Chartered Accountants

Singapore

6 April 2017