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;

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.

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.

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.

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.

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