

QUERIES FROM THE SINGAPORE EXCHANGE LIMITED ("SGX") ON THE UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Board of Directors (the "**Board**") of China Jishan Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), would like to provide the following information in response to the queries from the SGX regarding the unaudited financial statements of the Group for the financial year ended 31 December 2014 ("**FY2014**"), which was announced on 28 February 2015:

SGX query 1

We note on page 2 that there are prepaid leases of RMB24.207 million in FY2014. Please provide details and provide breakdown and explain the material items.

The Company's response to query 1

The prepaid leases of RMB24.207 million in FY2014 refers to the one-time acquisition cost (including related costs such as taxes) of the land use right for a plot of land located at the Binhai Industrial Zone, Shaoxing City, Zhejiang Province, China, which was purchased by the Group in FY2013 (the "**Binhai Land**").

Please refer to the Company's circulars dated 8 June 2011 ("The proposed acquisition of assets and relocation of existing production facilities and factory buildings", attached herewith as **Annex A**) and 9 October 2013 ("The proposed disposal of the entire equity interest in Zhejiang Jishan Extra Width Co., Ltd and its related assets, as a major transaction", attached herewith as **Annex B**) for more information on the Binhai Land.

SGX query 2

We note on page 1 and 7 that the Group's revenue in FY2014 decreased by 16.4% to RMB364.2 million due to a lower fabric processing volume. Please disclose and elaborate on the significant factors that affect the Company's sales.

The Company's response to query 2

The Group's sales decreased in FY2014 compared to FY2013, mainly due to lower demand from consumers, who are more cautious in spending as a result of the overall further slowdown in China's economy. At the same time, the Group also faced increasingly stiff competition from its competitors for the reduced consumer demand.

SGX query 3

We note on page 8 that the decrease in gross profit margin in FY2014 was mainly due to an increase in raw material prices as well as the manpower costs. Please provide details on this trend and how it will affect the Company in next reporting period and next 12 months.

The Company's response to query 3

The decrease in gross profit margin was mainly due to (i) increase in major raw material prices by suppliers (e.g. dye chemicals which increased by approximately 40-90% in FY2014 as compared to FY2013, and cotton cloth which increased by approximately 30% in FY2014 as compared to FY2013), and (ii) increase in manpower costs due to the tight labour market conditions in Shaoxing, Zhejiang Province, PRC. We believe that the raw material prices and man power costs will continue to increase in the foreseeable future.

SGX query 4

We note on page 8 that the increase in finance costs in FY2014 was mainly due to the non capitalization of interest expense under Development properties held for sales as property development activities were temporarily suspended due to the ongoing economic uncertainties. Please provide details of the Development properties as follows:-

- (a) the rationale, location size, costs, how it is funded, capacity of equipment ordered, payments to-date
- (b) commencement date, percentage completion, original completion date
- (c) details of loan, how loans will be repaid, drawdown of loans and repayment to date, interest rate.

The Company's response to query 4

The land, together with assets and bank loans (amounting to approximately RMB268.0 million), were initially acquired by the Company from Zhejiang Nan Fang Technology Ltd for an effective net consideration of RMB88.8 million in FY2009 (the “**Initial Acquisition**”). The land is located at Anchang Town, Shaoxing County, Zhejiang, China (within the Keqiao Economic Development Zone) (the “**Keqiao Land**”). The Initial Acquisition was funded by the Company’s internal funds and external bank borrowings. The rationale for the Initial Acquisition was to allow the Group to provide print and dye services for home furnishing products, and to increase the Group’s production capacity. The size of the land is approximately 148,073.4 square metres. Please refer to the circular dated 22 April 2009 (“The proposed acquisition of assets and related bank loans of Zhejiang Nan Fang Technology Ltd for a cash consideration of RMB88.8 million”, attached herewith as **Annex C**) for more details on the Initial Acquisition.

The Company was then notified by the local government on 13 August 2009 and 27 August 2009 that the land use right over the Keqiao Land was to be converted from industrial to commercial use. As a result of this proposed conversion, the Company was required to bid for the land again (the “**Bid**”). The Company won the Bid and was given a grace period of 5 years to relocate its industrial operations to another location. This grace period has since been extended to 2017. The Company’s operations are currently still located on the Keqiao Land, and the Company intends to relocate its operations within the grace period granted by the local government. Please refer to the circular dated 23 October 2009 (“The proposed bidding for the land at Anchang Town, Shaoxing City, Zhejiang Province, China at an estimated cost of approximately RMB100.0 million”, attached herewith as **Annex D**) for more details.

As the Company prepares to relocate its operations, it has started planning for the future use of the Keqiao Land. As at the date of this announcement, the Company has only paid some designer fees and other miscellaneous fees related to the planning stage of the development activities of Keqiao Land. The Company has not commenced any physical development of Keqiao Land, which has been temporarily suspended as the Group is focusing its resources on the Group’s other segments, namely printing & dyeing and fabric processing, but the Group hopes to complete the development before 31 December 2020.

Loans of RMB84.6 million were obtained from various banks in the financial year ended 31 December 2010 for the financing of the Bid. This is in addition to the loans of approximately RMB268.0 million which the Company took over from Zhejiang Nan Fang Technology Ltd in the original acquisition, both of which are intended to be repaid by the Group’s internal funds. The aggregate repayment to date of both loans is approximately RMB54.6 million, while the balance of the loans are renewed and rolled over as and when the loans fall due. The interest rates for the loans are approximately 7% per annum for FY2014.

SGX query 5

We note on page 8 that Deferred income comprises of the sale consideration received from the disposal of Zhejiang Jishan Extra Width Co., Ltd in FY2013. We note that the disposal is in FY2013, please explain why Deferred income is still held in the Company’s books in FY2014. To provide details.

The Company's response to query 5

The consideration received for the disposal of the entire equity interest in Zhejiang Jishan Extra Width Co., Ltd is classified as deferred income in FY2014 as the disposal was only completed in January 2015.

SGX query 6

We note on page 9 that the Group's print and dye business continues to face challenges such as higher cost of labor, raw materials, as well as energy and environmental protection. To elaborate on challenges of raw materials and energy and environmental protection

The Company's response to query 6

We are currently facing cost pressures stemming from the increase in raw materials prices set by our suppliers, and also tighter regulation on environmental protection which requires the Group to incur expenses relating to environmental protection, e.g. treating wastewater. Energy costs have also increased due to the higher cost of electricity.

SGX query 7

We note on page 9 that the Group remains cautious on its textile print and dye business outlook for the next 12 months. To elaborate on "remain cautious" and this will affect the Group in next reporting period and next 12 months.

The Company's response to query 7

Due to the moderation in China's overall economic growth, on top of a slowdown in the textile market, earnings visibility remain unclear and thus we remain cautious of the Group's business outlook in the next reporting period and next 12 months.

SGX query 8

We refer to page 10 on "Interested Person Transactions".

(a) We note that amount receivables from Zhejiang Jishan Industry Co., Ltd of RMB3,334,778 and amounts due to Thriving Pte. Ltd of RMB853,853 add up to a total of RMB4,188,631. How much is this amount as a percentage of the group's latest audited net tangible assets. To show the computation. To clarify whether the Company has complied with Rule 917 of the Listing Manual.

(b) We note investment in Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd with Zhejiang Jishan Holdings Group Co., Ltd of RMB26 million. To clarify whether shareholders' approval have been sought pursuant to Chapter 9 of the Listing Manual for this investment.

The Company's response to query 8

(a) The Company wishes to clarify that the guarantees by Jin Guan Liang, Jin Yao Jun, Jishan House Estate Ltd were guarantees in favour of the Company. Similarly, the amount due to Thriving Pte. Ltd. was an interest-free loan to the Company. Pursuant to Rule 909 of the Listing Manual, the values at risk to the Company arising from these transactions are nil, and thus do not cross the applicable thresholds of Chapter 9 of the Listing Manual. These transactions will therefore no longer be disclosed in the IPT section of future financial announcements of the Company unless they cross the applicable thresholds of Chapter 9 of the Listing Manual.

The amount receivables from Zhejiang Jishan Industry Co., Ltd was in relation to a sale of property, plant and equipment from the Group to associates of Mr. Jin Guan Liang (the Executive Chairman and controlling shareholder of the Company), namely, Shanghai Recently Green Weaving Co., Ltd ("**SRGW**") and Shaoxing Jishan Garment Co., Ltd ("**SJG**"), for a total consideration of RMB5,941,074 (or 3.76% of the Group's net tangible assets of RMB158.14 million as at 31 December 2007). This disposal was announced on 30 June 2008 and 9 July 2008 (attached herewith as **Annex E** and **Annex F**).

Out of the total consideration of RMB5,941,074, RMB2,606,296 was due from SRGW, while RMB3,334,778 was due from SJG. As at the date of this response, the full amount due from SRGW has been repaid, while the full amount due from SJG was novated to Zhejiang Jishan Industry Co., Ltd (also an associate of Mr. Jin Guan Liang) in FY2012, and remains outstanding. Therefore, this transaction was

not an IPT that was carried out during FY2014, and will no longer be disclosed in the IPT section of future financial announcements of the Company.

(b) Yes, shareholders' approval was obtained for the investment in Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd of RMB26 million at an EGM dated 26 March 2014. Please refer to the circular dated 10 March 2014 (attached herewith as **Annex G**) for more details on this IPT.

SGX query 9

We refer to paragraph 9 of the Results Announcement. Please comment on whether the current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous quarterly results announcement and if there is a variance, to explain why.

The Company's response to query 9

The current results are in line with the Company's commentary on prospects or previous quarter outlook in paragraph 10 of its previous quarterly results announcement, where the Company had stated that the Group continues to face challenges in terms of higher costs pertaining to labour, raw materials and environmental protection, and that as growth in the Chinese economy continues to moderate as a result of changes in its economic model, the Group remains cautious on its textile print and dye business outlook for the next 12 months.

BY ORDER OF THE BOARD

Jin Rong Hai
Executive Director/ Chief Executive Officer

27 March 2015