

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE COMPANY’S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (“**Board**”) of China Jishan Holdings Limited (“**Company**”) would like to provide the following information in response to queries from the SGX-ST relating to the Company’s annual report for the financial year ended 31 December 2019 (“**AR2019**”), which was released via SGXNet on 8 June 2020.

SGX query 1

Pursuant to Listing Rule 704(6), the Company is required to announce any material adjustments to its preliminary full-year results made subsequently by auditors. For instance, we note that in the audited Statement of Cash Flows, the value for operating (loss)/profit before working capital changes differed by more than 10%. Please disclose all material variances between previously announced unaudited and audited full year results, as well as the reasons for the variances.

The Company's response to query 1

The variances arose mainly due to reclassification of certain cash flow line items in the consolidated statement of cash flows as explained below:

	Unaudited	Audited		
	2019	2019		
	RMB'000	RMB'000	Variance	Note
Cash Flows from Operating Activities				
(Loss) before income tax	(61,567)	(61,568)	1	Rounding
Adjustments for:				
Impairment of other receivables	2,000	2,000	0	
Write back of impairment of trade receivables	-	-	0	
Write back of other payables	(2,813)	(2,371)	-442	(a)
Amortisation of prepaid leases	234	234	0	
Bad debts written-off	-	774	-774	(b)
Depreciation of property, plant and equipment	2,984	2,984	0	
Fair value gain on investment property	(1,803)	(1,803)	0	
Reversal of allowance for impairment of property, plant and equipment	(65)	-	-65	(c)
Fair value (gain) on other financial assets	(486)	(486)	0	
Gain on disposal of other financial assets	(104)	(104)	0	
Loss/(Gain) on disposal of property, plant and equipment	57	(9)	66	(d)
Unrealised gain on foreign exchange	-	(14)	14	(e)
Interest expense	76,328	76,328	0	
Share of profit from associate	(1,145)	(1,145)	0	

Operating cash flows before working capital changes	13,620	14,820	-1,200	
Changes in working capital:				
Trade receivables	-			
Other receivables and prepayments	(2,075)	(2,849)	774	(f)
Trade payables	105	105	0	
Other payables	(79,494)	(75,458)	-4,036	(g)
Cash (used in) operations	(67,844)	(63,382)		
Settlement interest paid	-	(36,693)	36,693	(h)
Income tax	(3,020)	(3,019)	-1	Rounding
Net cash (used in) operating activities	(70,864)	(103,094)	32,230	
Cash Flows from Investing Activities				
Proceed from disposal of held-for-trading investment	2,900	2,900	0	
Proceed from disposal of property, plant and equipment	8	9	-1	Rounding
Additions in property, plant and equipment	(33,851)	(34,265)	414	(i)
Additions in investment property	(3,050)	(8,637)	5,587	(j)
Additions in other financial assets	(2,727)	(2,727)	0	
Net cash used in investing activities	(36,720)	(42,720)	6,000	
Cash Flows from Financing Activities				
Draw down of borrowings	353,800	353,800	0	
Repayment of borrowings	(157,418)	(157,418)	0	
Repayment of loans from a related party	(41)	(27)	-14	(k)
Dividend paid	(29,883)	(29,883)	0	
Interest paid	(76,328)	(38,112)	-38,216	(l)
Net cash generated from financing activities	90,130	128,360	-38,230	
Net decrease in cash and cash equivalents	(17,454)	(17,454)	0	
Cash and cash equivalents at beginning of the year	25,415	25,415	0	
Cash and cash equivalents at end of the year	7,961	7,961	0	

Notes:

- (a) Being reclassification of non-cash transaction for write back of other payables amounted to RMB442,000 to operating cash flows before working capital changes.
- (b) Being reclassification of non-cash transaction for bad debts written off amounted to RMB774,000 to operating cash flows before working capital changes.
- (c) Being reclassification to gain on disposal of property, plant and equipment amounted to RMB65,000.
- (d) See (c) above with rounding difference.

- (e) Being reclassification of unrealised foreign exchange of loans from a related party amounted to RMB14,000 from financing activities to operating cash flows before working capital changes.
- (f) See (b) above.
- (g) Mainly due to the reclassification as explained in (a), (i) and (j).
- (h) Being reclassification of the settlement interest paid in connection with the Legal Claim amounted to RMB36,693,000 from financing activities to operating activities.
- (i) Being reclassification of movement in other payables for additions in property, plant and equipment of RMB414,000 from operating activities to investing activities.
- (j) Being reclassification of movement in other payables for additions in investment property of RMB5,587,000 from operating activities to investing activities.
- (k) See (e) above.
- (l) Mainly due to the reclassification as explained in (h) above.

As shown above, the reclassifications have had no impact on the net decrease in cash and cash equivalents.

SGX query 2

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please provide information on whether the head of the internal audit function team has the relevant experience and qualifications. Please also provide information on the relevant experience of accounting firm and the engagement team.

The Company's response to query 2

As disclosed on page 26 of the AR2019, the Company's audit and risk committee is satisfied that the internal audit function is (i) adequately resourced to perform its function effectively, (ii) has appropriate standing within the Group, (iii) staffed with persons with relevant qualifications and experience and (iv) carries out its function according to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors as the guidance for the outsourcing works and applied COSO Internal Control Frameworks to do its review.

The head of the internal audit function team is Mr. Gang Cai. Mr. Gang Cai has obtained Certified Internal Auditor (CIA) certification, and is a member of the Chinese Institute of Certified Public Accountants (CICPA). He has over 17 years of experience in internal audit and risk management, and was previously working at Protiviti China and Rui Hua CPA firms.

The Company would like to clarify that the internal audit function is outsourced to Shanghai Yao Hong Consulting Co., Ltd., which is a consulting arm of Rongcheng Certified Public Accountants, a member of the RSM International Network. The internal audit function team has many professionals in Shanghai and Hangzhou which provide services relating to internal control, risk management, and internal audit. It has over 12 years of experience in providing internal audit and internal control services to companies listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange with operations in the PRC.

BY ORDER OF THE BOARD

Xiao Ziliang
Executive Director/ Chief Executive Officer

23 June 2020