

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 2018, 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 financial positions of the Group and the Company as at 31 December 2018 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 indicates that as of the financial year ended 31 December 2018, the Group and the Company has net current liabilities of RMB446,371,000 and RMB30,795,000 (2017: net current liabilities of RMB480,134,000 excluding assets classified as held for sale and RMB27,256,000), respectively. In addition, the Group has been unable to renew bank loans amounting RMB204,500,000 (2017: RMB nil), which were secured by the Group's development properties held for sale, as a result of the legal case with a third party (Note 38). As at 31 December 2018, one of the banks has obtained a Court judgement for the repayment of the outstanding loan principal of RMB27,900,000 and the accrued interest. The bank has not enforced the judgement and the Group is still in discussion with the bank regarding the repayment of the loan.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability 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.

Nevertheless, in the preparation of the financial statements, the management believes that the use of the going concern assumption is appropriate after taking into the following considerations:

- (i) The management is of the view that the Group would be able to maintain its credit facilities with the financial institutions as the fair value of the secured development properties held for sale is substantially higher than the outstanding bank borrowings; and
- (ii) The Group has sufficient cash flows to satisfy the interest payments of the bank borrowings while the legal case is ongoing.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter was 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 the matter. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Key Audit Matter (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p>Classification of development properties and legal claim</p> <p>We refer to Notes 4, 17, 18, 38 and 39 to the consolidated financial statements.</p> <p>As at 31 December 2018, the Group has development properties held for sale amounting to approximately RMB459,605,000 (Note 17).</p> <p>The Group has classified these properties as “Assets classified as held for sale” as at the previous financial year ended 31 December 2017 in accordance with SFRS(I) 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> (Note 18).</p> <p>As disclosed in Note 38 to the consolidated financial statements, on 25 October 2018, the Higher People’s Court of Zhejiang Province issued a first-instance judgement whereby:</p> <ul style="list-style-type: none"> (i) The Agreement and the Supplemental Agreement between Zhejiang Jishan Printing & Dyeing Co., Ltd (“P&D”), a subsidiary of the Company and the Purchaser have since been terminated; (ii) P&D shall repay to the Purchaser the initial deposit amounting to RMB80,000,000 (Note 28) together with an interest of 24% per annum; and (iii) The Purchaser’s claim has been dismissed. <p>Subsequent to the first-instance judgement, the management has changed its intention and made the decision to reclassify the properties from “Asset classified as held for sale” to “Development properties held for sale” as it no longer meets the recognition criteria for SFRS(I) 5.</p> <p>The Purchaser has subsequently filed an appeal to the Supreme People’s Court of the PRC on 12 November 2018. Consequently, the first-instance judgement has not taken effect.</p> <p>The legal claim by the Purchaser requires management’s critical judgement (Note 4) on the classification of the development properties held for sale and increases the risk that the potential legal liabilities (Note 39) arising from the legal claim may not be appropriately provided or adequately disclosed.</p>	<p>Our response:</p> <p>We reviewed and assessed the amount to be reclassified from “Assets classified as held for sale” to “Development properties held for sale” upon the change in management’s intention.</p> <p>We discussed with management their assumptions and estimates on the likely financial outcome of the legal claim. We reviewed the adequacy of the disclosures made in the financial statements.</p> <p>We found management’s assessment and the judgement on the classification of the development properties held for sale to be appropriate.</p> <p>We found the disclosures on the Group’s exposure to the potential legal liabilities arising from the legal claim to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

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.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Jishan Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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.

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 Neo Keng Jin.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2019