

QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors (the “**Board**”) of China Jishan Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to its announcement dated 28 February 2019 (the “**Previous Announcement**”).

Unless otherwise stated, all capitalised terms used herein shall have the same meaning ascribed to them in the Previous Announcement.

The Board would like to provide the following information in response to queries from the SGX-ST regarding the full year financial statement and dividend announcement for the year ended 31 December 2018 (“**FY2018**”), which was announced on 28 February 2019:

SGX query 1

We refer to China Jishan Holdings Ltd’s / the Company’s announcement dated 28 February 2019 pertaining to the Company’s unaudited FY2018 financial statements. We note that Group’s FY2018 revenue comprised “rental income of RMB 37.7mil”. As there was no operating revenue from rental income, please explain the cost of sales of ‘RMB 957k’ stated in the Company’s Comprehensive Income Statement. To provide a breakdown of the RMB 957k cost of sales and explain why these costs were classified as cost of sales.

The Company’s response to query 1

The cost of sales comprises taxes related to the investment properties, the breakdown of which is as follows:

	RMB’000
Property tax	436
Land use tax	714
Reversal of other miscellaneous taxes related to the property	(193)
	<u>957</u>

SGX query 2

In FY2018, the Company reported ‘financial assets at fair value through profit or loss’ amounting to RMB 2.2mil. Please provide details of these financial assets and how the fair value was assessed.

The Company’s response to query 2

The “financial assets at fair value through profit or loss” amounting to RMB2.2 million are related to investment in equity shares quoted on China’s stock exchanges. The fair value of these equity shares is based on the quoted closing market prices on the last market day of the financial year.

SGX query 3

The Company’s ‘deferred tax assets’ in FY2018 increased by approx. RMB 46mil, as compared to FY2017, due to “certain subsidiaries’ unutilized tax losses which are available for offset against future taxable profits”.

- a. Please explain the RMB 46mil increase in deferred tax assets. What do these 'unutilized tax losses' relate to? How did they occur and what are the conditions before they can be available for offset against future taxable profits?
- b. Please disclose how these unutilized tax losses available for offset were calculated and how these losses would affect the Company's deferred tax liabilities of RMB 44.1mil.

The Company's response to query 3

- a) The deferred tax assets of RMB 45.7 million was mainly due to tax losses arising from a subsidiary, Shao Xing Yue Sheng Real Estate Property Development Co. Ltd. ("**Yue Sheng**"). The increase was mainly due to the reclassification of RMB 38.1 million of deferred tax assets from Assets classified as held for sales to Deferred tax assets, and increase in tax losses of RMB 6.9 million for the current year. The tax losses are related to losses of Yue Sheng, and they can be offset with the Company's profit in the future when the land is developed.
- b) The unutilized tax losses available for offset were calculated based on the current and prior years losses of Yue Sheng. These tax losses will not be affected by the deferred tax liabilities of RMB44.1 million as the deferred tax liabilities belong to a different subsidiary, Zhejiang Jishan Printing and Dyeing Co., Ltd ("**Jishan P&D**").

SGX query 4

We note that the Company has not been able to renew its bank loans totaling RMB 204.5mil as a result of ongoing legal proceedings with Shanghai Jintumu Real Estate Co. Ltd. When is the maturity date for repayment of these loans? Please clarify whether these bank loans are related to Shao Xing Yue Sheng Real Estate Property Development Co. Ltd. If not, how did the legal proceedings affect the ability of the Company to roll over the RMB 204.5mil loan?

The Company's response to query 4

The maturity dates for repayment of the loans of RMB204.5 million are as follows:

Name	Loan amount RMB' million	Maturity date
Shaoxing Branch of the Industry and Commercial Bank of China (中国工商银行股份有限公司绍兴分行)	132.0	Oct 2018-Jan 2019
Shaoxing China Textile City Branch of the Bank of Communications (交通银行股份有限公司绍兴分行)	27.9	June 2018
Bank of Shaoxing Emerging industries Branch(绍兴银行股份有限公司新兴产业支行)	35.0	July 2018
Shaoxing Chengxi Branch of the Agricultural Bank of China (中国农业银行股份有限公司绍兴城西支行)	9.6	Oct 2018-Nov 2018
Total	<u>204.5</u>	

The above loans are secured by land held by Yue Sheng, which has since been frozen by the court due to the ongoing legal proceedings with Shanghai Jintumu Real Estate Co. Ltd. ("**Jintumu**") which we had announced previously.

SGX query 5

The Company has also indicated that one of the banks, Shaoxing China Textile City Branch of the Bank of Communications ("**Shaoxing China Bank**"), had obtained a court judgment against the Company for

an outstanding bank loan of RMB 27.9mil with interest. Please quantify the interest payable by the Company to date.

The Company's response to query 5

As mentioned in the Previous Announcement, the above bank loan of RMB27.9 million is currently subsisting. The Company has been servicing the interest promptly on a monthly basis. Therefore, there is no outstanding interest payable to date related to the above bank loan.

SGX query 6

We note that several banks had imposed higher interest rates on the Company in FY2018, including Shaoxing China Bank. Please provide details of the 'higher interest rates' payable by the Company to the various banks. To quantify the respective increases in interest rate(s) and aggregate interest accruing and payable by the Company to date.

The Company's response to query 6

The several banks have imposed a 50% interest in addition to the existing interest rates of approximately 5.5% on an average basis. The impact to profit and loss as at 31 December 2018 due to the 50% hike in the interest rate mentioned above was approximately RMB 1.3 million, and it has been included in the finance cost of RMB18.9 million which was disclosed in the Previous Announcement. The Company has been servicing all the interests payable to the banks promptly on a monthly basis. Therefore, there is no outstanding interest payable to date.

BY ORDER OF THE BOARD

Xiao Ziliang
Executive Director/ Chief Executive Officer
11 March 2019