
QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 queries from the SGX-ST regarding the unaudited financial statements of the Group for the financial period ended 31 December 2019, which was announced on 31 March 2020 (the “**Previous Announcement**”):

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

SGX query 1

We refer to China Jishan Holdings Limited’s / the Company’s results for the financial period ended 31 December 2019 (“**FY2019**”). Please provide clarification on the following:

The Company reported that revenue remained constant in FY2019 as it consists only of rental income. If this is the case, please provide a breakdown of cost of sales and explain why cost of sales increased in FY2019 to RMB 1.6 million from RMB 1.0 million compared to FY2018 and elaborate on the nature of the additional cost items in FY2019 included in cost of sales.

The Company's response to query 1

The breakdown of cost of sales is as follows:

	FY2019 RMB'million	FY2018 RMB'million
Land use tax	0.8	0.8
Property tax ^(N1)	0.9	0.4
Other write back of miscellaneous taxes	(0.1)	(0.2)
Total	1.6	1.0

Note:

N1 – This is related to property taxes on the Binhai factory. The lower property tax in FY2018 was mainly due to RMB0.5 million being classified under administrative expenses instead of cost of sales in FY2018.

SGX query 2

Please provide a breakdown of Administrative expenses of RMB 60.8 million in FY2019, in comparison to FY2018 amount of RMB 27.8 million and explain for material items and the significant variances.

The Company's response to query 2

The breakdown of the RMB 60.8 million of administrative expenses in FY2019, in comparison to the FY2018 amount of RMB27.8 million, is as follows:

	2019 RMB'million	2018 RMB'million
Audit, legal and tax and other professional fees ^(N1)	36.0	7.5
Directors' fees, remuneration, staff salaries and welfare ^(N2)	7.8	6.3
Business trip and entertainment expenses	2.1	2.6

Depreciation and amortization ^(N3)	3.2	4.2
Tax on land use rights	1.5	1.5
VAT expenses ^(N4)	3.2	1.3
Impairment loss on other receivables ^(N5)	2.0	-
Other miscellaneous expenses ^(N6)	5.0	4.4
Total	60.8	27.8

Notes:

N1 - The increase was mainly due to payment of higher legal fees to PRC lawyer in relation to the court case involving Shanghai Jintumu Real Estate Co., Ltd ("**Jinmutu**"). The total quantum of legal fees paid to the PRC legal counsels in respect of the court case is based on the arrangement in the engagement contracts with the PRC legal counsels..

N2 - The increase was mainly due to the appointment of in-house company secretary and other new staff at subsidiary level, and increment of salaries of various employees during the year.

N3 - The decrease was mainly due to certain machineries were fully depreciated during the year, resulting in lower depreciation expenses.

N4 - VAT expenses were mainly derived from the interest charged by a subsidiary, Zhejiang Jishan Printing and Dyeing Co., Ltd ("**P&D**"), to another subsidiary, Shaoxing Yue Sheng Real Estate Property Development Co., Ltd ("**Yue Sheng**"). The increase was mainly due to higher interest expenses charged by P&D to Yue Sheng during the year.

N5 - The impairment loss on other receivables was related to debtor which the management has identified unrecoverable from the third party

N6 - The miscellaneous expenses are mainly related to SGX listing fees, bank charges, secretarial fees, insurance etc.

SGX query 3

In FY2019, the Group disclosed "write back of other payables" of RMB 2.8 million. Please provide details of these other payables, the identity of the creditor, the nature of the transaction which resulted in the amount payable and the reason for the write-back of RMB 2.8 million.

The Company's response to query 3

The breakdown of the write back of other payables of RMB2.8 million is as follows:

No.	Name of the Creditor	RMB'million
1.	Hangzhou Green Environmental Technology Development Co., Ltd. (杭州绿色环保技术开发有限公司) ^(N1)	0.7
2.	Suzhou Yizheng Textile Machinery Factory (苏州仪征纺织厂) ^(N2)	0.2
3.	Hangzhou Zhineng Dying Machinery Co., Ltd. (杭州智能染整设备有限公司) ^(N2)	0.2
4.	Wuxi Xushi Chemical Machinery Equipment Co., Ltd. (无锡市许氏化机设备有限公司) ^(N2)	0.2
5.	Others miscellaneous payables ^(N3)	1.5
Total		2.8

Notes:

N1 - The amount was related to building costs for building of water treatment plant in an old factory located in Kebei incurred in FY2010. The amount was brought forward since 2010 and due to inaction by the creditor and the long period of inactivity, the management deemed the amount to be no longer payable, hence amount has been written back in the current year.

N2 - These amounts were related to plant and machineries purchased more than 10 years ago. The amount was brought forward since 10 years ago and due to inaction by the creditor and the long period of inactivity, the management deemed the amount to be no longer payable, hence the amount has been written back in the current year.

N3 - The amount consisted of miscellaneous amounts which were long outstanding for more than 10 years. The amounts were brought forward since 10 years ago and due to inaction by the creditor and the long period of inactivity, the management deemed the amount to be no longer payable, hence the amount has been written back in the current year.

SGX query 4

Impairment loss on other receivables amounted to RMB 2 million in FY2019. In Note 3, the Company disclosed that "The impairment loss on other receivables is related to certain debtors which management has identified as unrecoverable from the third parties."

- (a) Please provide further details of these certain debtors in Note 3, their identities and the nature of the transactions under which these debts arose.
- (b) Please disclose the period under which these debts were incurred and the reason why these other receivables are now uncollectible.
- (c) Please disclose if these debtors are related to any directors, key executives, substantial shareholders or their respective associates.

The Company's response to query 4

- (a) The RMB 2.0 million was related to a short-term advance to Zhejiang Zhongxinlihe Holdings Co., Ltd. (浙江中新力合控股有限公司) (the "**Debtor**") in FY2018. Zhejiang Zhongxinlihe Holdings Co., Ltd is one of the shareholders in P&D's associated company, Shaoxing Keqiao District Jishan Uni-Power Private Capital Management Co., Ltd.
- (b) The advance was made to the Debtor in FY2018. The provision of the impairment loss was due to the Debtor being sued by various parties and the owner of the Debtor being investigated by the PRC government. Hence, the management is of the view that the amount will be unrecoverable.
- (c) The Debtor is not related to any directors, key executives, substantial shareholders of the Company or their respective associates.

SGX query 5

Please explain the reason for the significant increase in borrowings of RMB 200 million as at 31 Dec 2019 and disclose details of the loan, the identity of the lender (and its ultimate beneficial shareholders and directors if this is not a bank) and the use of proceeds from the loan.

The Company's response to query 5

The significant increase in borrowings of RMB200 million as at 31 December 2019 was because significant amount of money was required to repay the deposit of RMB 80.0 million and interest of RMB 36.7 million payable to Jintumu, payment of legal fees of approximately RMB34.7 million to PRC lawyers in relation to the court case involving Jintumu, and construction in progress of approximately RMB 33 million.

The details of the additional loans are as follows:

	Ultimate beneficial shareholders	Directors	RMB'million
Shaoxing County Keqiao Huijin Small Loan Co., Ltd. (绍兴柯桥汇金小额贷款股份有限公司) (" Keqiao Huijin ")	(N1)	(N1)	60.0
An individual (N2)	Not applicable	Not applicable	150.0
			210.0

Notes:

N1 – Kegiao Huijin is a microcredit lender. The ultimate beneficial shareholders and directors of the Kegiao Huijin are all not related to any directors, key executives, substantial shareholders of the Company or their respective associates. Information on the ultimate beneficial shareholders and directors can be searched via the Chinese app 天眼查..

N2 - The name of the individual cannot be disclosed due to privacy and confidentiality reasons. He is not related to any directors, key executives, substantial shareholders of the Company or their respective associates.

SGX query 6

It was disclosed at para 1(b)(ii) that the loans are "secured by equipment, prepaid leases, and the land use rights of the Group's development properties and guarantee from related parties". Please disclose details and a breakdown of the items and value of these assets.

The Company's response to query 6

The details and breakdown of the items and value of the assets are as follows:

	Assets	Book value RMB'million
1	Land use rights in Kebei	459.6
2	Land use rights and factory in Binhai	215.6

SGX query 7

Please clarify if the Company had any trade receivables as at 31 Dec 2019. If so, to clarify if the Company had fully impaired or written off these trade receivables in FY2019. Explain the Board's considerations in writing off these trade receivables and any steps taken to recover the trade receivables.

The Company's response to query 7

The Company has no trade receivables as at 31 December 2019 as the Company has ceased its print and dye business in FY2017. Therefore, the Company has no trade receivables since FY2018.

SGX query 8

Please disclose and provide details of the PPE of RMB 33.8 million that the Company purchased in FY2019. Elaborate on the following:

- (a) Why and When did the Company purchase the PPE when it does not have any active business but only renting out its premises for the same amount of rent as in FY2018;
- (b) To provide a breakdown of the PPE acquired amounting to RMB33.9 million
- (c) The rationale for the significant increase in PPE;
- (d) Please substantiate how the consideration paid is reasonable.

The Company's response to query 8

- (a) The PPE of RMB 33.8 million was related to factory building under construction in FY2019 as the Company needs more factory space to rent out to other lessees to earn extra rental income in future.
- (b) The PPE of RMB33.8 million was related to factory building under construction during FY 2019 in Binhai.

(c) Please refer to answer (a) above.

(d) The consideration paid is reasonable as the selection of contractor to build the factory building was by a proper bidding process which is required by the Company's internal policy.

BY ORDER OF THE BOARD

Xiao Ziliang
Executive Director/ Chief Executive Officer

20 April 2020