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**Issuer:** China Jishan Holdings Limited

**Security:** China Jishan Holdings Limited

**Meeting details:**

Date: 30 April 2019

Time: 10.00 a.m.

Venue: Furama RiverFront Singapore, Jupiter III (Level 3), 405 Havelock Road, Singapore 169633

**Company Description**

China Jishan Holdings Limited (China Jishan) is a Singapore-based investment holding company. The Company is a provider of dyeing and printing services, as well as the sale of print and dye finished products and garments. The Company's segments include Fabric Processing and Printing and Dyeing. The Company operates in four principal geographical areas: the People's Republic of China (PRC), Asia, Europe and the United States. The Company has a production facility is located at the Shaoxing Keqiao Economic Development Zone in China. The Company's subsidiaries include Zhejiang Jishan Printing and Dyeing Co., Ltd, Polar International Trading Company Limited, Fuhua Import & Export Pte Ltd, Zhejiang Jishan Extra Width Co., Ltd, Shaoxing Yu Rong Textile Co., Ltd and Shaoxing Yue Sheng Real Estate Property Development Co. Ltd. Shaoxing Yue Sheng Real Estate Property Development Co. Ltd is engaged in the property development and management for general commercial and residential buildings.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=J18](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=J18))

**Q1.** On 5 April 2019, the company announced that its independent auditor has included an assessment of the Material Uncertainty Related to Going Concern in its audit report on the company's audited consolidated financial statements for the financial year ended 31 December 2018.

As noted by the auditors:

**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.*

- (i) How is the board helping the group with the negotiation with the bank?**
- (ii) What are the group's plans if the bank enforces the judgement for repayment?**
- (iii) Has the board evaluated its option to fund-raise should there be a need to?**
- (iv) What is the experience of the directors with the PRC legal system? What guidance has the board given to management with regard to the dispute with the purchaser in relation to the proposed disposal of its entire equity interest in Shao Xing Yue Sheng Real Estate Property Development Co., Ltd.?**

**Q2.** Would the board/management provide shareholders with better clarity on the following items in the financial statements? Specifically:

- (i) Staff costs (salaries and benefits): Can management provide a breakdown of the RMB5.2 million in salaries and benefits? (Note 9: Profit before income tax – page 64). What is the current staff strength?**

- (ii) **Professional fees:** The group has paid professional fees of RMB6.446 million in 2018 and RMB2.016 million in 2017. **How much of this relates to the ongoing lawsuit with the purchaser of Shaoxing Yue Sheng Real Estate Property Development Co., Ltd.?**
- (iii) **Quoted equity shares:** The group has quoted equity shares of RMB 2.235 million (page 73 – Note 20: Other financial assets). **Is the investment into quoted equity shares aligned with the group’s strategic direction?**
- (iv) **Interest free loan:** In Note 22 (page 75 - Other Receivables and Prepayments), it is shown that the group has made a non-trade, unsecured, interest-free loan to a third party of RMB2 million with a key management personnel of the group undertaking to provide payment in the event that the third party defaults on payment. **What is the rationale of providing a non-trade, unsecured, interest-free loan to a third party? Did the audit and risk committee (ARC) review this transaction?**
- (v) **Due from a related party:** In addition, an amount of RMB3.335 due from a related party has been outstanding for at least two years. This is non-trade, unsecured and interest-free. **Similarly, did the ARC review and approve this? Would this be considered an interested person transaction and should be reported by the company as an interested person transaction?**

**Q3.** In the Corporate Governance Report, under Principle 13: Internal audit, the company has disclosed the following:

**Principle 13: Internal Audit**

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders’ interests and the Group’s assets and business. The Group outsourced its internal audit function to an independent and suitably qualified public accounting firm.

The ARC reviews and approves the internal audit plans, resources and reports, and the internal audit fees. The IA has unfettered access to all the company’s documents, records, properties and personnel, including access to the ARC. The IA reports directly to the chairman of the ARC on audit matters and to the CEO on administrative matters.

An annual review of the internal audit function is carried out. The ARC 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) the IA carry 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.

- (i) **Can management/ARC identify the independent and suitably qualified public accounting firm appointed to carry out the internal audit function?**
- (ii) **What was the scope of the internal audit?**
- (iii) **What were the key findings from the internal audit report?**