HAIDA

QUALITY CHOICE • MODERN IMAGE

2017 ANNUAL REPORT

CHINA HAIDA LTD.

ANNUAL REPORT 2017

HAIDA

QUALITY CHOICE • MODERN IMAGE

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SINGAPORE 188727

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Ms Zhao Guiying (Non-Executive Chairman)
Mr Xu Youcai (Chief Executive Officer)
Mr Guo Yun (Executive Director)
Mr Wang Liangfa (Independent Director)
Mr Soh Beng Keng (Independent Director)
Mr Tang Chun Meng (Independent Director)

COMPANY SECRETARY
Mr Kenneth Leong

AUDIT COMMITTEE
Mr Soh Beng Keng
(Chairman, Lead Independent Director)
Mr Tang Chun Meng (member)
Mr Wang Liangfa (member)

NOMINATING COMMITTEE
Mr Wang Liangfa (Chairman)
Mr Guo Yun (member)
Mr Tang Chun Meng (member)

REMUNERATION COMMITTEE
Mr Tang Chun Meng (Chairman)
Mr Wang Liangfa (member)
Mr Soh Beng Keng (member)

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Advisory Services Pte. Ltd.
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Huashi Town, Jiangyin City
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PRC 214421

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Public Accountants and Chartered Accountants
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Singapore 068811

Partner-in-charge: Mr Tan Kuang Hui
Date of Appointment: From financial year ended 31 December 2013

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PRC

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Jiangsu Province
PRC

公司概况
CORPORATE PROFILE

CHINA HAIDA LTD.

China Haida Ltd. (“the Company”), a Singapore investment holding company was listed on the Mainboard of the SGX-ST since 24 November 2004. Our wholly-owned subsidiary in China, Jiangyin Litai Decorative Materials Co., Ltd (“Litai” and collectively, the “Group”) is a leading manufacturer of aluminium panels in the PRC. Litai was established in 1997 by our founder and Chief Executive Officer, Mr Xu Youcai and is based in Jiangyin City, Jiangsu Province in the PRC. Litai is capable of manufacturing a wide range of aluminium panels for various applications in the building and construction industries.

Litai produces a wide range of Aluminium Composite Panels (“ACP”) and Aluminium Single Panels (“ASP”) which are sold under the renowned “Haida” brand, locally and abroad. We have successfully developed ACP of different colour surfaces and various finishes, which are suitable for interior and exterior uses. ASP which are single solid sheets of metal, are also suitable for both interior and exterior applications in the construction of commercial, industrial and residential buildings as well as in infrastructure projects.

Our strengths lie in our established and reputable track record for quality products and innovation that have won many awards and world-class certifications. We are constantly engaged in the design and development of new and innovative aluminium panels as well as improving our existing range of aluminium panels with a view to enhance our competitiveness and provide better products to our customers.

Our aluminium panels are currently sold through an extensive and established network in more than 25 major provinces and cities in China. In addition, we also have an extensive overseas export network in more than 20 countries including North and South America, Asia Pacific and Europe.

中国海达国际有限公司

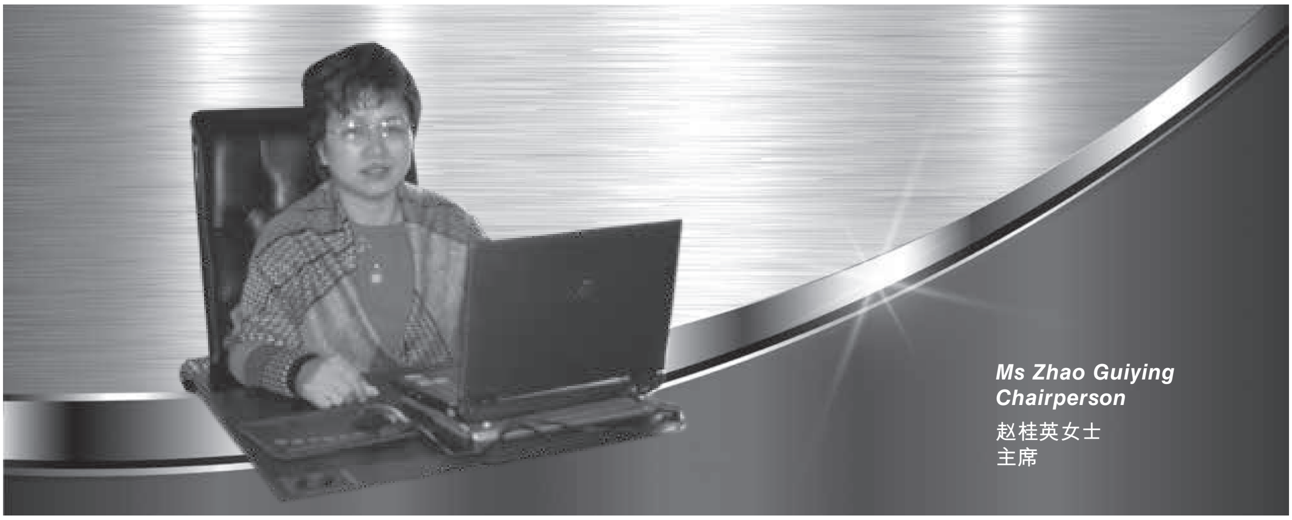
中国海达国际有限公司 , 为一家新加坡投资控股公司，公司于 2004 年 11 月 24 日在新加坡证券交易所主板上市。公司的子公司江阴利泰装饰材料有限公司 (“利泰”合称为“集团”) 为中国铝板的主要生产商。由集团创立人和总裁徐友才先生于 1997 年在中华人民共和国江苏省江阴市设立。 利泰生产一系列铝塑板和铝单板供发展商和承包商广泛使用。

利泰所生产铝塑复合板和铝单板以驰名“海达”品牌销售到海内外。利泰也成功的研发和生产适合用于室内和室外多种颜色和多种表面的铝塑板。铝单板是坚实的金属也适用于室内和室外，可提供建筑商，发展商和承包商广泛使用于建筑商业大厦，工业大厦和基础建设。

本集团的竞争力在于产品质优、深具创意，向来广受好评，为本公司赢得了相当多的奖励和世界级的认证。为了保持我们的竞争优势，我们将继续致力于研究和开发，以提供各种类、高质量的产品，同时加强营销力度，争取在国内外市场上获得更大的市场份额。

本集团已经在国内超过 25 个省份和城市建立了铝塑板的销售网络。另外，我们也在全球 20 个国家建立了广泛的海外出口的销售网络，包括南北美洲，亚太地区和欧洲。

主席致辞
NON-EXECUTIVE CHAIRPERSON'S MESSAGE



Ms Zhao Guiying
Chairperson
赵桂英女士
主席

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the annual report of China Haida Ltd. ("the Company") and its subsidiary, Jiangyin Litai Decorative Materials Co., Ltd. ("Litai", and collectively, the "Group") for the financial year ended December 31, 2017 ("FY2017"). On behalf of the Board and all of the employees of the Group, I wish to express my gratitude to all our shareholders for your continuous support.

Financial Results

Global uncertainty and economic slowdown has continued to affect the demand of our aluminium panels in both the domestic and the overseas markets. For FY2017, the Group achieved total revenue of RMB242.5 million, a decrease of approximately RMB44.1 million or 15.4% as compared to FY2016 revenue of RMB286.6 million. The decrease was attributed mainly to lower demand of both domestic and export sales of aluminium panels.

With lower revenue, the Group registered a net loss after taxation of approximately RMB26.9 million as compared to a net profit after taxation of RMB5.0 million in FY2016. The net loss was attributed to lower gross profit, provision for doubtful debts of RMB6.7 million and an impairment of leasehold building (hostel) of RMB7.1 million.

The loss per ordinary share was RMB10.6 cents as compared to the earnings per ordinary share of RMB2.0 cents in FY2016.

No dividend was declared in FY2017 so as to enable the Group to conserve cash for working capital purposes. Any form, frequency and amount of dividends to be recommended and paid, will depend on the Company's earnings, general financing conditions, capital requirements, cash flow, or factors which the Board may deem appropriate.

尊敬的股东们：

我很荣幸能代表董事会向各位呈现中国海达国际有限公司（“公司”）和她的子公司，江阴利泰装饰材料有限公司（“利泰”，合称为“集团”）截至到2017年12月31日财务年度（“2017财年”）的年报。同时，我谨代表董事会和集团的所有员工，向公司各位股东对我们一直以来的支持表示谢意。

财务状况

全球不确定性和经济放缓继续影响我们在国内和海外市场的铝板的需求。 于2017财年，本集团的总收入为人民币242.5百万元，较2016财年总收人民币286.6百万元减少约人民币44.1百万元或15.4%。减少的主要原因是铝板的内销和出口同时下降。

随着较低的收入，集团也因此遭遇约人民币26.9百万元的税后净亏损，而2016财年的税后净利润为人民币5.0百万元。净亏损的原因除了低收入外，毛利率也下降，还有应收账款的坏账准备约人民币6.7百万元和一笔固定资产（员工宿舍）的减值约人民币7.1百万元。因此，本财年普通股的每股亏损为人民币10.6分，而2016财年普通股的每股收益为人民币2.0分。

截至2017财年，集团将不分发股息，以保留现金作营运资金用途。以任何形式，次数及被推荐股息和支付金额，将取决于公司的盈利，一般为金融条件，资本需求，现金流，或董事局认为适当的因素。

Continuous Commitment in Research and Product Development

The Group is committed in research and development to further expand our existing range of aluminium panels to meet the varied requirements of our customers. We have a wide range of innovative aluminium panels of various designs and colours to cater to their diverse needs and specifications. Over the years, we have rolled out several new panels which have been well received by our customers. The Group has successfully developed the grade A fireproof aluminium composite panels which will be delivered to the markets in 2018.The Haida aluminium panels are renowned for their high quality and reliability standards to be used for both the interior and exterior walls.

我们致力于营业操作和产品研发

本集团致力研究及开发，以进一步扩展我们现有的铝板系列，以满足客户的多样化需求。 我们有各种各样的设计和颜色的创新铝板，适用于内外墙以满足客户的不同需求和规格。多年来，海达铝板以高品质和可靠性的标准而闻名，也深受客户好评。集团也成功的研发 A 级的防火铝塑板，将在 2018 年面世。

Sustainability Reporting

Sustainability is an important aspect of the Company's long term business strategy as this guides the engagement with our shareholders and is the underlying principle when we make business decisions. We will be sharing more in our inaugural sustainability report which will be released separately on SGXNet before 31 December 2018.

可持续发展报告

可持续发展是公司重要的长期业务战略，因为它指导与股东的合作，并且是我们做出业务决策时的基本原则。我们将首次于 2018 年 12 月 31 日前分别在新交所的网站发布并分享更多有关可持续发展报告的内容。

Looking Ahead

The Group's performance will always be impacted by the slowdown and uncertainty in the global economy. The slower demand from our overseas customers will continue to affect our performance in the export market. For the PRC, the tighter control and prudent expenditure by both the government and the private sectors on the building infrastructure projects will prevail and continue to impact the demand of aluminium panels in the domestic market.

To remain competitive, the Group's strategy is focus on enhancing productivity growth, innovate and introduce new designs to meet the changing demands of our customers. We will remain vigilant on internal cost control, cash collection, cash management and will continue to safeguard the assets of the Group.

前景展望

集团的表现将受到全球经济放缓和不确定性的影响。 我们国外客户的需求下降将继续影响我们在出口市场的表现。 至于内销，中国政府和私营部门对建筑基础设施项目的控制和审慎支出将更加严格，并将继续影响国内市场铝板的需求。

为了保持竞争力，集团将继续致力于提高生产力增长，提高我们铝板的质量，创新和引进新设计以满足客户不断变化的需求。我们将继续谨慎管控成本和现金，并继续维护集团的资产。

A Note of Thanks

On behalf of the Board of Directors, I would like to extend my gratitude to all our valued customers, suppliers and business partners for their continuous support and confidence in the Group for the financial year 2017. At the same time, I wish to express my appreciation to the management team and all staff for their dedication, commitment and contribution to the growth of the Group.

We look forward to greater support and success in the future.

Ms Zhao Guiying
Chairperson
4 April 2018

谢函

在此，我谨代表董事局，向我们尊贵的客户、供应商和业务伙伴在 2017 财年里给予海达集团的支持表示真诚的谢意。同时，我也想借此机会感谢管理层和所有员工为集团的成长所付出的努力和贡献。期待大家继续给予我们更大的支持。

赵桂英 女士
主席
2018 年 4 月 4 日

业务运作及财务概况
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Compared to FY2016, the Group's total revenue decreased 15.4% or RMB44.1 million, from approximately RMB286.6 million to RMB242.5 million. The decrease was attributed mainly to lower demand of both domestic and export sales of aluminium panels.

Total revenue comprised domestic sales of approximately RMB143.3 million or 59.1% and export sales approximately RMB99.2 million or 40.9% as compared to FY2016 domestic sales of approximately RMB179.5 million or 62.6% and export sales approximately RMB107.1 million or 37.4% respectively.

Compared to FY2016, domestic sales declined by approximately RMB36.2 million or 20.2%. This was attributed the lower demand of both ASP and ACP within the PRC. Economic slowdown and uncertainty continued throughout the year in 2017. The intense competition and falling selling prices within a shrinking market in both the public and private sectors had not shown signs of improvement. In addition, the stringent governmental control over the large building projects remained unchanged which had adversely affected the demand of our aluminium panels. The auxiliary sales of spray-painting services had similarly declined by approximately RMB14.6 million or 35.0% to RM27.1 million as compared to the previous financial year.

Export sales of ACP declined marginally by approximately RMB8.6 million or 8.1% as compared to FY2016. This was due mainly to the slowdown in global markets and the intense overseas competition.

As a result of the lower revenue, gross profit decreased approximately RMB17.3 million or 57.2%, from RMB30.3 million to RMB13.0 million as compared to FY2016. Gross profit margin had decreased from 10.6% to 5.3% in FY2017. The rising aluminium costs, higher labour and related expenses and other overhead expenses such as utilities, repairs and maintenance and consumables had contributed to the lower gross profit margin.

Total other operating income RMB2.4 million was lower than the previous year (FY2016: RMB4.9 million), attributed mainly to foreign exchange loss and allowance for impairment of trade debts in FY2017. These transactions were recorded under other operating expenses.

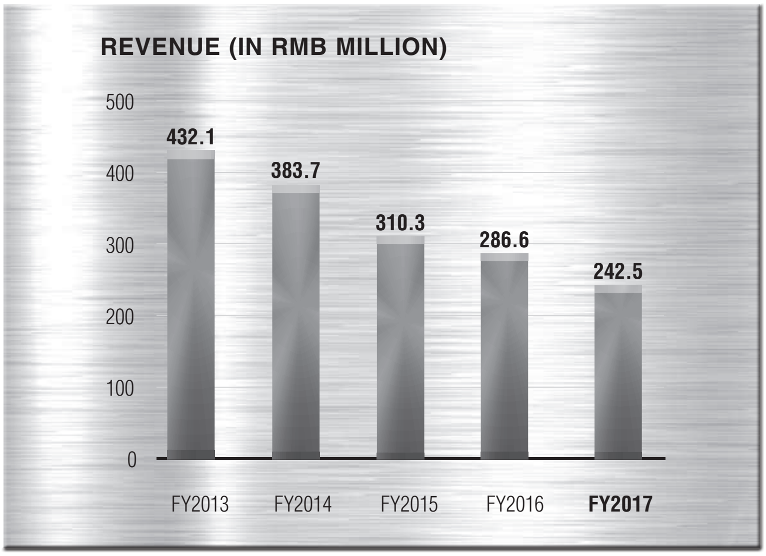
财务概况

与2016财年相比，集团2017财年的总销售额下降了15.4%或约人民币44.1百万元，即从约人民286.6百万元降至人民币242.5百万元。总销售额下降的主要是铝板的内销和出口同时下降。2017财年的总收入是由内销人民币143.3百万元或59.1%和外销约为人民币99.2百万元或40.9%合成。而2016财年的内销是人民币179.5百万元或62.6%和外销约为人民币107.1百万元或37.4%。

同2016财年相比，内销下降约人民币36.2百万元或20.2%。 这是因为铝单板和铝塑板在国内的需求降低。2017年的经济不景气，加上中国政府和私营企业的严格控管对建设基础设施的项目审慎支出保持不变。 铝板的销售竞争激烈和销售价下滑将持续影响铝板的需求。喷漆服务的销售也下降约人民币14.6百万元或35.0%同上个财年相比。铝单板的外销同2016财年相比也下降约人民币8.6百万元或8.1%，主要原因也是同全球经济缓慢和海外市场竞争激烈有关。

由于收入较低，毛利润下降57.2%或约人民币17.3万元，从2016财年的毛利润人民币30.3万元降至人民币13.0百万元。毛利率下降的主要原因是原材料的成本，直接劳务费用，水电费，折旧费，维修费和消耗品都增加。

2017财年的其他营业收入为人民币2.4百万元低于2016财年的其他营业收入的人民币4.9百万元。原因是2017年的外汇损失和坏账准备。这两笔交易记录在其他运营开支。



Total operating expenses increased RMB14.6 million or 55.1%, from RMB26.5 million to RMB41.1 million in FY2017, attributed to both higher sales and administrative expenses.

Despite the lower revenue, selling and distribution expenses increased 22.9% or approximately RMB1.3 million, from RMB5.7 million to RMB7.0 million. The higher expenses were attributed mainly to higher labour costs RMB0.3 million, transport costs of shipment mainly to customers in Europe and South America approximately RMB1.0 million respectively.

Administrative expenses increased approximately RMB0.7 million or 3.4%, from RMB20.8 million to RMB21.5 million in FY2017. The increase was attributed to higher salary and related expenses RMB0.7 million.

In FY2017, the other operating expenses of approximately RMB12.5 million consisted of net allowances for doubtful debt RMB3.8 million, an impairment of leasehold building (hostel) RMB7.1 million and exchange loss of RMB1.6 million. (FY2016: Nil)

Bank interest expenses were comparable to FY2016, attributed mainly to the comparable bank interest rate of 3.99% to 4.79% per annum as compared to 4.82% to 4.85% per annum in the previous year.

The income tax rate applicable to Litai was 25% (FY2016: 25%), and the income tax expenses in FY2017 was related to under provision of tax in prior year and withholding tax on dividend income.

总营业费增加约人民币 14.6 百万元或 55.1%，从 2016 财年约人民币 26.5 百万元升至 2017 财年的约人民币 41.1 百万元。

随著收入下降，营运费用也由人民币 5.7 百万元下增加人民币 6.9 百万元，增加约 22.9%或约人民币 1.3 百万元。 较高的营云费用主要是劳动力成本上升人民币 0.3 百万元，运输费到欧洲和南美的客户上升人民币 1.0 百万元。

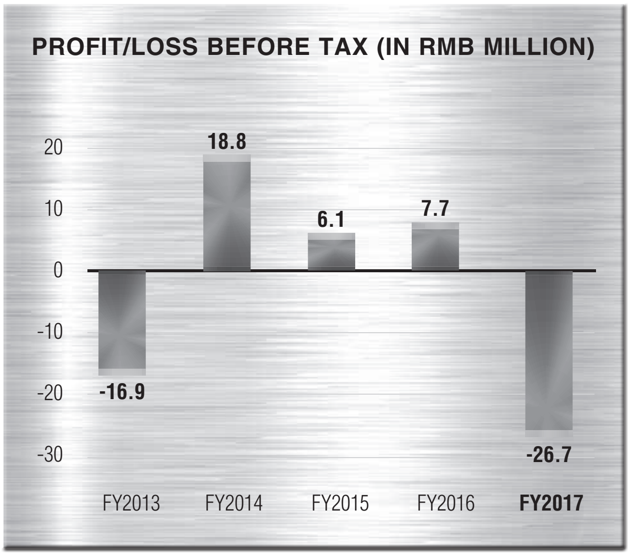
2017 财年，管理费从人民币 20.8 百万元增加到人民币 21.5 百万元，增加约人民币 0.7 百万元或 3.4%，增加的主要原因是工资和工资相关的费用（如社保，公积金等等）增加约人民币 0.7 百万元。

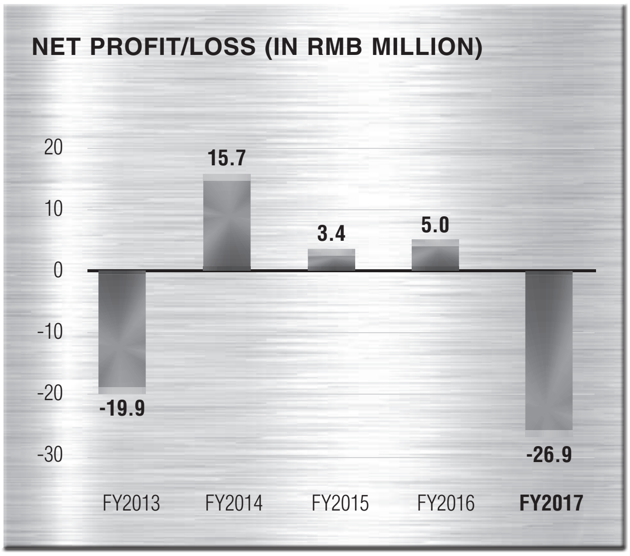
其他营运费用约人民币 12.5 百万元，包含应收账款的坏账准备约人民币 3.8 百万元，固定资产减值（员工宿舍）约人民币 7.1 百万元和外汇亏损约人民币 1.6 百万元。

2017 财年的财务费用同 2016 财年相若，虽然本财年的银行平均贷款年利率为 3.99% 至 4.79%，2016 财年的银行平均贷款年利率约为 4.82% 至 4.85%。

江阴利泰装饰材料有限公司的所得税税率仍是 25% (2016 财年：25%)。2017 财年的所得税开支是同上年度的税项准备不足和股息收入的预扣税有关。

业务运作及财务概况
MANAGEMENT DISCUSSION AND ANALYSIS





With lower revenue and lower gross profit, the Group registered a net loss after taxation of approximately RMB26.9 million as compared to a net profit after taxation of RMB5.0 million in FY2016.

As at 31 December 2017, cash and cash equivalent decreased by approximately RMB19.5 million to RMB52.2 million as compared to RMB71.7 million as at 31 December 2016. The decrease was attributed mainly to cash used in operating activities RMB8.9 million, purchase of PPE approximately RMB12.4 million, offset by cash from financing activities approximately RMB1.9 million. Shareholders' funds decreased by approximately 10% or RMB26.8 million, from RMB279.1 million to RMB252.3 million.

随着较低的收入和毛利，集团的税后亏损约为人民币 26.9 百万元，而 2016 财年的盈利约为人民币 5.0 百万元。

截至 2017 年 12 月 31 日，货币资金减少约为人民币 19.5 百万元，从人民币 71.7 百万元降至人民币 52.2 百万元，减少的主要是现金流入营业活动约为人民币 8.9 百万元，固定资产购入约人民币 12.4 百万元抵消财务活动约为人民币 1.9 百万元。股东总权益从人民币 279.1 百万元降至人民币 252.3 百万元，减约 10% 或约人民币 26.8 百万元。

OPERATIONS REVIEW

Economic slowdown and uncertainty within the PRC and the global markets had continued in FY2017. For the global markets, we were constantly challenged with keen competition, falling selling prices which affected the demand of panels from the overseas customers. Within the PRC, the group was challenged by the shrinking market in both the public and private sectors in the building and construction sectors and in addition to the prevailing tight governmental control on big infrastructure building projects.

运作概况

全球和国内市场的不确定性将继续挑战海内外市场。我们所面对国内的激烈竞争和销售价的压力也影响客户对铝板的需求。国内政府和私人企业对大型基础设施项目和建设也持续的削减开支。

Our strategy has always been to focus on improving the quality of our panels, innovate and introduce new designs to meet with the changing demands of our customers. A flexible approach towards the pricing of our aluminium panels has helped to meet and secure customers' demand. We will continue to exercise vigilant control of operating expenses and prudent cash management.

We will continue to exercise flexibility towards customers' requests and be nimble in our operations and be prudent and selective in selling to potential customers with good credit reputation.

COMMITMENT TO SUSTAINABLE OPERATION

Product innovation and development has been the key to our success and we remained committed to investing time and resources to research and develop new products. We have added new panels of varied types, colours, features to enhance our existing range to cater to customers' demands and specifications. In addition, we have developed and launched the fireproof aluminium panels in 2018. We will continuously strive to ensure that the high quality standards of our 'Haida' aluminium panels are maintained.

We are committed to improve and enhance our production processes and more efficient utilisation of resources. The Group is always committed to nurturing and developing its employees through skills training as it recognises that people are the key to the success of a sustainable operation.

GOING FORWARD

Going forward, the Group will continue to be responsible to our shareholder and be operationally ready to meet the many challenges and opportunities in the future.

我们的策略始终是专注于提高我们面板的质量，创新和引入新设计，以满足客户不断变化的需求。 对我们的铝板定价于灵活方式设定有助于满足和确保客户的需求。我们将继续管控营运开支和谨慎管理集团的资金。

我们也更严格的审核新的客户，选择符合公司的客户评估程序后才接受新客户的订单。

提高我们的生产能力和员工培训

产品的创新和研发一直是我们成功的关键，我们将继续致力于投入时间和资源来研究和开发新产品。在这一年里，我们已经增加了一些新的铝板，以提高我们现有产品种类，以满足客户的需求和规格。我们将继续努力确保我们的“海达”铝板的品质达到最高的标准。

我们致力于改善和提高我们的生产流程和有效的利用现有的资源。在培训人力资源方面，集团相信通过员工技能培训对迈向可持续经营是成功的要键。

前景展望

展望未来，集团将继续努力为股东们负责和管理业务，并在营运操作上做好准备迎接来年的挑战。

BOARD OF DIRECTORS

MS ZHAO GUIYING
NON-EXECUTIVE CHAIRMAN

Ms Zhao Guiying (Age 60) is the Non-Executive Chairman of our Company. She is a substantial shareholder, and she was appointed as a Director on 20 September 2004 and was last re-elected on 26 April 2016. Ms Zhao is currently the Chairman and General Manager of Jiangyin Haida, a position which she has held since 2000. From 1997 to 2000, she was the chief accountant in Jiangyin Haida. She is also the Deputy General Manager of Jiangyin Huayou since 1999 and is responsible for its administrative functions. From 1997 to 1999, she held the position of the Deputy General Manager in Litai and was responsible for its administrative matters. From 1997 to 1998, Ms Zhao was the chief accountant in Jiangyin Haida Agricultural Film Plant.

From 1993 to 1997, she was the chief accountant in Jiangyin Haida Industrial Company. She was the chief accountant in Jiangyin Haida Aluminium Composite Material Plant from 1992 to 1993 and in Jiangyin Haida Fine Chemical Plant from 1988 to 1992. She graduated with a certificate of Administrative Management from Wuxi Light Industry University in 2002. In 2001, she was certified as an assistant accountant by Jiangyin Mid-level Accounting and Statistics Professionals Assessment Committee. Ms Zhao obtained a certificate in Finance and Accounting from Finance and Economics School of Suzhou in 1999. In 1997, she was certified as an accounting professional by Jiangyin Finance Bureau.

MR XU YOUCAI
CHIEF EXECUTIVE OFFICER

Mr Xu Youcai (Age 62) is currently the Chief Executive Officer of our Company. He is a substantial shareholder, and he was appointed as an Executive Director on 20 September 2004. Since he founded Litai in 1997, he has held the position of General Manager of Litai. He is responsible for the formulation and execution of our Group's overall business strategies and policies and is also responsible for the development of our Group's overseas market. Since 1997, he was the General Manager in Jiangyin Haida and was overall in charge of its day-to-day operations until 2000.

From 1996 to 1997, Mr Xu was the plant manager in Jiangyin Huashi Agricultural Film Plant and Jiangyin Haida Fine Chemical Plant. He founded Jiangyin Haida Industrial Co. in 1993 and has remained its General Manager. He founded Jiangyin Huayou in 1999 and Jiangyin Haida Special Artificial Leather Co., Ltd. in 2001. From 1993 to 1996, he was the plant manager of Jiangyin Haida Telecommunication Material Plant. From 1984 to 1988, he was the plant manager of Jiangyin Huashi Fiberglass Plant and Jiangyin Qinyi Chemical Plant from 1988 to 1993. Mr Xu graduated with a diploma in Mechanical Engineering from Mechanical Engineering Institute of Jiangnan University in 1988.

BOARD OF DIRECTORS

MR GUO YUN
EXECUTIVE DIRECTOR

Mr Guo Yun (Age 54) is an Executive Director of our Company. He was appointed on 20 September 2004 and was last re-elected on 28 April 2017. Mr Guo is responsible for all legal and financial matters, investor relations, formulating and implementing our Company's business policies and expansion plans. Prior to joining Litai as a Deputy General Manager in 2003, Mr Guo was the President of Agricultural Bank of China, Jiangyin Huashi Subbranch from 2000 to 2003.

From 1992 to 2000, he was the Deputy Director of Agricultural Bank of China, Jiangyin Branch, Changjing Town Office. From 1986 to 1992, he was the Deputy Director of Agricultural Bank of China, Jiangyin Branch, Gushan Town Office. From 1980 to 1986, he was the Chief Accountant of Agricultural Bank of China, Jiangyin Branch, Hetang Town Office. Mr Guo graduated with a diploma in Party and Political Administration from Jiangsu Province Wuxi Light Industry University in 1998.

MR WANG LIANGFA
INDEPENDENT DIRECTOR

Mr Wang Liangfa (Age 65) is an Independent Director of our Company. He was appointed on 27 April 2005 and was last re-elected on 26 April 2016. Mr Wang Liangfa is the founder and the Managing Director of Jiangyin Gaofeng Printing Textile Co., Ltd, a position which he has held since 1997. Jiangyin Gaofeng Printing Textile Co., Ltd is principally engaged in the production and sales of quality blankets, carpets and other related textile products for the PRC and overseas markets. Mr Wang is responsible for the formulation and execution of the company's overall business strategies and policies, the development of its overseas market, as well as overseeing the day-to-day operations. Mr Wang has completed his high school education in the PRC.

BOARD OF DIRECTORS

MR SOH BENG KENG
LEAD INDEPENDENT DIRECTOR

Mr Soh Beng Keng (Age 64) is our Company's Lead Independent Director. He was appointed to our Board on 27 April 2007 and was last re-elected on 28 April 2017. Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. Mr Soh is also an independent director of the following public listed companies, namely ISDN Holdings Ltd, Sino Grandness Food Industry Group Ltd and BM Mobility Ltd. He is also a full member of the Singapore Institute of Directors and a fellow member of the Institute of Singapore Chartered Accountants. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

MR TANG CHUN MENG
INDEPENDENT DIRECTOR

Mr Tang Chun Meng (Age 64) was appointed on 2 June 2015 as an independent director and was last re-elected on 26 April 2016. He also sits on the Remuneration Committee as Chairman and is a member of Audit Committee.

Mr Tang has more than 30 years of working experience, which includes audit, accounting, public listings, mergers and acquisitions and general business advisory services. He first started work with one of the international accounting firms in Singapore and has held various management positions. From 1996 to 2003, he was the Chief Financial Officer and Company Secretary of a Singapore listed company.

Mr Tang graduated with the professional qualification from the Association of Chartered Certified Accountants and is a fellow member of the Institute of Singapore Chartered Accountants (FCA Singapore).

KEY MANAGEMENT

MR WANG ZAIQUAN

Mr Wang Zaiquan was appointed in 2011 as the Sales and Marketing Manager of Litai and is overall in charge of the sales and marketing activities within the PRC and the overseas markets. Mr Wang is also responsible for developing business relationships with prospective customers. He joined the marketing department of Litai in 1998 and was promoted to the position of marketing manager in 2010. He attended the Jiangsu economics college in 2008 and graduated with a diploma in 2010.

MR GONG GUOHONG

Mr Gong Guohong was promoted to the Chief Production Officer of our Group in 2011. Mr Gong first joined Litai as a Supervisor of the production department in 2000 and has held various positions in the production department. He is responsible for the day-to-day operations of Litai's manufacturing plant. Since 2009, he was assisting the Chief Production Officer for the smooth operations of the plant. Prior to joining Litai, he was employed in similar capacity in the Jiangsu Sunlight Group. He graduated from QinFeng College.

MR XU GANG

Mr Xu Gang was appointed in 2011 as the Chief Engineering Officer of our Group. He is responsible for Litai's production, technology and quality control. Prior to joining Litai in 2004, Mr Xu has several years of experience working in the engineering departments of factories in Chengdu and the Canton Province. He graduated from the University of Szechuan.

MS CHAN LAI YOKE

Ms Chan Lai Yoke is the Chief Financial Officer of our Group and is responsible for the Group's financial and treasury matters. She is also responsible for the Company's administrative, personnel and management information system functions. Prior to joining the Company in August 2005, Ms Chan was the Senior Vice President of a Public Listed Company with several subsidiaries in Asia and was overall responsible for the Group's financial and treasury matters besides having overall responsibility of the day-to-day operations of the Company's administrative, human resources and management information system functions. Ms Chan had more than ten years of experience in a senior management position in listed companies. Ms Chan obtained her Bachelor of Accountancy from the University of Singapore in 1975.

MR ZHANG QINYU

Mr Zhang Qinyu was promoted to be the General Manager of Litai in 2011. He reports to the CEO and is responsible for the overall operational, financial and administrative functions of Litai. Prior to joining Litai as an accountant in 2001, Mr Zhang spent three years with Jiangyin Huashi Automobile Seat Manufacturing Co., Ltd. as an accountant. From 1986 to 1997, Mr Zhang worked with Jiangyin Huagao Group Company as an accountant. Mr Zhang holds a professional qualification in accounting from Zhonghua Accounting School in Jiangsu Province, PRC.

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REPORT ON CORPORATE GOVERNANCE

The Directors and Management believes in having high standards of corporate governance, and is committed to achieving the recommendations as set out within the Code of Corporate Governance 2012 (the "Code") effective from financial year commencing on or after 1 November 2012. This report describes the main corporate governance framework and the practices of the Company with specific reference to the Code, and where appropriate, the Company will explain the deviation from the Code.

PRINCIPLES 1 AND 2: BOARD MATTERS

The Board's Conduct of Affairs

Board Composition and Guidance

Presently, the Board of Directors ("Board") consists of six Directors, of whom one is Non-Executive Director, two are Executive Directors and three are Independent Directors.

Non-Executive Director

Ms Zhao Guiying (Chairman)

Executive Directors

Mr Xu Youcai (Chief Executive Officer, "CEO")
Mr Guo Yun

Independent Directors

Mr Soh Beng Keng
Mr Tang Chun Meng
Mr Wang Liangfa

The Board, through the delegation of its authority to the Nominating Committee ("NC"), has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in business, industry, legal, finance and management skill critical to the Group's business to enable the Board to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals is allowed to dominate the Board's decision-making.

The composition of the Board is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. Profiles of the Directors are set out from page 8 to page 10 of this Annual Report.

REPORT ON CORPORATE GOVERNANCE

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2017

	Board Meetings		Audit Committee Meeting		Remuneration Committee Meeting		Nominating Committee Meeting	
Name of Directors	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**
Zhao Guiying	2	2	–	–	–	–	–	–
Xu Youcai	2	2	–	–	–	–	–	–
Guo Yun	2	2	–	–	–	–	1	1
Wang Liangfa	2	2	2	2	1	1	1	1
Soh Beng Keng	2	2	2	2	1	1	–	–
Tang Chun Meng	2	2	2	2	1	1	1	1

The Board, taking into consideration the scope and nature of the operations of the Group, considered its current composition of six Directors to be adequate for effective decision-making.

The primary role of the Board is to protect the interests of shareholders and to enhance their long-term value. It sets the overall strategy for the Group, establishing goals for executive management and supervises and monitors the achievement of these goals.

The Board's principal functions include the following:

- reviewing and approving corporate strategies, financial objectives and directions of the Group;
- establishing goals for management and monitoring the achievement of these goals;
- ensuring management leadership of high quality, effectiveness and integrity;
- approving annual budgets and investment and divestment proposals;
- reviewing internal controls, risk management, financial performance and reporting compliance by establishing a framework of prudent and effective controls which enables risks to be assessed and managed;
- assuming responsibility for good corporate governance; and
- approving corporate or financial restructuring, share issuance, dividends and other returns to shareholders and Interested Person Transactions.

The Board discharges its responsibilities either directly or indirectly through the various Board committees. The Board conducts regular scheduled meetings two times a year. Ad-hoc meetings are convened as and when required. The Company's Constitution allows a Board Meeting to be conducted by way of a tele-conference or any other electronic means of communications. The attendance of the Directors at meetings of the Board and Board committees, as well as the frequency of such meetings, is disclosed in this Report.

REPORT ON CORPORATE GOVERNANCE

An orientation programme will be organised for new Director to ensure that incoming Directors are familiar with the Group's key business and governance practices. Prior to their appointment, new Directors are provided with the relevant information on their duties as Directors, the Company's governance processes as well as relevant statutory and regulatory compliance issues. Directors may request further explanations, briefings and informal discussions on any aspects of the Group's operations or business issues. On an ongoing basis, the Company updates the Directors regarding new legislation and/or regulations which are relevant to the Group. During the financial year ended 31 December 2017, Directors were provided with information such as updates on consultation papers issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") as well as the changes to the Singapore's Financial Reporting Standards.

PRINCIPLE 3: ROLE OF NON-EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The functions of Chairman and CEO are assumed by two individuals.

Ms Zhao Guiying, Non-Executive Chairman and Mr Xu Youcai, the CEO of the Company. Both are substantial shareholders of the Company and held the directorship since September 2004. Nevertheless, there is a clear division of responsibilities between the Chairman and the CEO. Furthermore, the roles of Chairman and CEO are segregated to ensure an appropriate balance of power, increased accountability and greater capacity to the Board for independent decision-making.

Our Non-Executive Chairman, Ms Zhao Guiying is responsible for exercising control over the quality and timeliness of the flow of information between Management and the Board and ensuring compliance with the Group's guidelines on corporate governance. She ensures that Board meetings are held regularly in accordance with an agreed schedule of meetings.

The CEO of the Group, Mr Xu Youcai is responsible for the day-to-day management of the Company and works with the Board on strategic planning, business development and charting the growth of the Group. All major decisions made by CEO are endorsed by the Board. His performance is reviewed periodically by the NC and remuneration package is also reviewed periodically by the RC. As such, the Board believes that there are adequate safeguards in place against an imbalance concentration of power and authority in any single individual.

Lead Independent Director

As recommended by the Code, the Board has also appointed Mr Soh Beng Keng the Lead Independent Director on 2 June 2015. Shareholders of the Company with concerns that could have a material impact on the Group; are able to voice their concern to Mr Soh Beng Keng at the forthcoming annual general meeting ("AGM").

BOARD COMMITTEES

To assist the execution of the responsibilities of the Board, a number of Board Committees were established, namely the Nominating Committee, Remuneration Committee and Audit Committee. These sub-committees function under clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

REPORT ON CORPORATE GOVERNANCE

The compositions of each of the committee are as follows:

Name of Directors	Nominating Committee ("NC")	Remuneration Committee ("RC")	Audit Committee ("AC")
Mr Guo Yun	Member	–	–
Mr Wang Liangfa	Chairman	Member	Member
Mr Soh Beng Keng	–	Member	Chairman
Mr Tang Chun Meng	Member	Chairman	Member

PRINCIPLES 4 AND 5:

Board Membership

Board Performance

The NC comprises of one Executive Director and two Independent Directors. The members of the NC at the date of this report are as follows:

Mr Wang Liangfa (Chairman)
Mr Guo Yun (Member)
Mr Tang Chun Meng (Member)

The NC decides how the Board should be evaluated and selects a set of performance criteria that is linked to long-term shareholders' value, to be used for performance evaluation of the Board. The NC has put in place a Board performance evaluation whereby the Board will complete a group assessment collectively given that the decision of the Board are often made collectively. The Company Secretary was requested to collate the Board's evaluations and table the summary observations for the NC Chairman and Board Chairman. The performance of the Board's committee was also asked in the evaluation form where each member would evaluate whether the committee was effective.

The Board evaluation parameters include areas such as Board Structure, Board information, Board processes, Board accountability, assessment of management and the Board standards of conduct.

The NC has adopted written terms of reference, and performs the following principal functions:

- To review, assess, make recommendations to the Board on the appointment of directors including making recommendations on the composition of the Board generally taking into account guidelines of the Code, progressive renewal of the Board, each Director's qualifications, competencies, the number of other listed company board representations and whether he/she is independent.

- To regularly review the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the directors as a group.

REPORT ON CORPORATE GOVERNANCE

- To make recommendations to the Board on the appointment of new directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board.

- To review, assess and recommend nominee(s) or candidate(s) for re-appointment or re-election to the Board and to consider his/her competencies, commitment, contribution, performance and whether or not he/she is independent.

- To make plans for succession, in particular for the Chairman and CEO.

- To determine, on an annual basis, if a Director is independent considering the circumstances set forth in guidelines of the Code and other salient factors.

- To recommend Directors who are retiring by rotation to be put forward for re-election.

- To be responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board.

- To decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations, and/or other principal commitments.

- To recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold.

- To assess the effectiveness of the Board as a whole, and Board Committees and the contribution of each individual Director to the effectiveness of the Board.

- To recommend to the Board comprehensive induction training programmes for new directors and to review training and professional development programmes for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risks.

New Directors are presently appointed by way of board resolution or board meeting, after the NC recommends and supports their appointments. Such new Directors must submit themselves for re-election at the next AGM of the Company, pursuant to the Company's Constitution. One third of the Directors must retire by rotation at each AGM and are eligible for re-election. As the CEO is instrumental to the Group in driving continually long term strategies and vision, the Company has not adopted the recommendation for our CEO to retire once every 3 years.

The NC has recommended the re-elections of Mdm Zhao Guiying and Mr Tang Chun Meng in accordance with Article 107 of the Company's Constitution respectively, at the forthcoming AGM of the Company. In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and efforts devoted to the Group's business and affairs. The Board recognises the invaluable contributions by Mdm Zhao Guiying in her in depth knowledge of the Company's business and industry; and the key corporate governance role played by Mr Tang Chun Meng as an independent director and member on the various Board committees.

REPORT ON CORPORATE GOVERNANCE

As each Director has been able to commit his time and avails himself to attend every Board or committee meeting, no recommendation has been made by NC to cap the number of board directorship.

Review on Directors' Independence

The independence of each Director is reviewed annually by the NC. Based on the criterion of independence provided by the Code, the Board adopted the view that an "independent" director is one who has no relationship with the Company, or its related Corporations, or its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Group.

Such independence of each Independent Director is reviewed annually by the NC. For the financial year ended 31 December 2017, the NC had applied scrutiny when assessing the continued independence of a Director whom had served beyond 9 years from the date of his first appointment. Each independent director is required to complete a declaration to confirm his independence based on the guidelines as set out in the Code.

By the forthcoming AGM, Mr Wang Liangfa ("Mr Wang") and Mr Soh Beng Keng ("Mr Soh"), the Independent Directors would have served closed to 13 years and 11 years respectively. As such, the NC had taken the opportunity to consider and assess Mr Wang and Mr Soh specifically on their length of service, character and judgement. Based on the oral and written submissions from Mr Wang and Mr Soh, the NC concurred that there were no relationships or circumstances which were likely to affect, or could appear to affect their independent judgment.

Mr Wang and Mr Soh had submitted to the NC a declaration of independence which confirmed their independence in a manner as prescribed in accordance with paragraph 2.3 of the Code of Corporate Governance 2012 (the "Code"). In addition, the NC (save for Mr Wang) had also taken the opportunity to consider and assess Mr Wang and Mr Soh specifically on their length of service, judgement and character.

(i) The NC (save for Mr Wang) noted that Mr Wang is the managing director and founder of a company where he is responsible for the formulation and execution of the company's overall business strategies and policies. Having received Mr Wang's affirmation on his independence, the NC (save for Mr Wang) was of the view that notwithstanding his long tenure, he is and has been able to maintain independence in his deliberation on the Group's matters. Further, Mr Wang's experience in the formulation and execution of his company's business strategies is value adding to the mix of experience for the Board. The Company's executive directors have also made their own assessment and shared the same views. Following the rigorous review, the NC, with Mr Wang abstaining, deliberated and concluded that the issue of independence has not been compromised and Mr Wang is considered by the Board to be still independent.

(ii) Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. Mr Soh is also an independent director of several other listed companies in Singapore. In reviewing his independence, the NC notes that given Mr Soh's extensive experience in the areas of auditing, accounting and financial management in both private and listed companies in Singapore, he continues to be an invaluable member of the AC providing guidance to the Board in the areas of financial management and key corporate governance issues. Notwithstanding his long tenure as a Board member and having received Mr Soh's affirmation on his independence, Company's executive directors and independent directors (save for Mr Soh) have also made their own assessment and are of the view that Mr Soh continues to provide independent views and opinions on all key matters deliberated by the Board.

REPORT ON CORPORATE GOVERNANCE

As such, the NC had recommended to the Board and the Board had accepted NC recommendation that Mr Wang and Mr Soh continue to display an independence of character and judgement and was not in any way affected or impaired by the reason of their length of service.

In addition, with half the Board comprising of Independent Directors, the Board is of the view that the current Board membership is adequate and as recommended by the Code. Notwithstanding, the Board notes the importance of Board renewal in order to maintain fresh perspectives and shall bear in mind the possibility of appointing new directors at the appropriate juncture and when suitable and adequately qualified candidates can be identified.

PRINCIPLE 6: ACCESS TO INFORMATION

To enable the Board to function effectively and to fulfill its responsibilities, Management strives to provide Board members with adequate information for Board meetings and on an ongoing basis. Financial information and relevant reports are provided to the Directors in advance of each Board meeting.

The Board has separate and independent access to the Company's key executives and the Company Secretary. The Company Secretary is represented at all Board and Board Committees meetings and is responsible for ensuring that board procedures are followed in accordance with the Constitution of the Company and the requirements of the Companies Act, Cap. 50 and that all other applicable rules and regulations of the SGX-ST are complied with.

Management will, upon direction by the Board, assists the Directors, either individually or as a group, to get independent professional advice in furtherance of their duties, at the Company's expense.

PRINCIPLES 7, 8 AND 9:

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

LEVEL AND MIX OF REMUNERATION

DISCLOSURE OF REMUNERATION

The RC comprises three Independent Directors. The members of the RC at the date of this report are as follows:

Mr Tang Chun Meng (Chairman)
Mr Wang Liangfa (Member)
Mr Soh Beng Keng (Member)

The RC has adopted written terms of reference and has reviewed the changes to the terms of reference to be in line with the Code.

The RC and the Board are of the view that the remuneration of the Directors is adequate but not excessive in order to attract, retain and motivate them to run the Company successfully. The RC has also reviewed the performance-based compensation package for Executive Directors where the remuneration structure for Executive Directors is based on service contracts. The remuneration packages of the Executive Directors and key executives (who are not directors or the CEO) are based on key performance indicators including but not limited to the financial performance, operational efficiency targets as well as compliance with all relevant laws and regulations. The RC believes that such performance indicators provide a comprehensive measurement of the Company's performance across financial, operational and compliance objectives.

REPORT ON CORPORATE GOVERNANCE

Primary functions to be performed by RC:

- To review and submit its recommendations for endorsement by the entire Board, a general framework of remuneration for the Board, the specific remuneration packages and terms of employment (where applicable) for each director, the CEO and key management personnel including but not limited to senior executives/ divisional directors/those reporting directly to the Chairman/CEO/employees related to the executive directors and controlling shareholders of the Group.

- To review and submit its recommendations for endorsement by the entire Board, share-based incentives or awards or any long term incentive schemes, review whether directors and key management personnel should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith.

- To carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

- Reviews the level of remuneration that is appropriate to attract, retain and motivate the Directors and key executives.

The RC has recommended to the Board that the Independent Directors be paid directors' fees for the financial year ended 31 December 2017. The Board has considered and has recommended the proposed payment of directors' fees for shareholders' approval at the forthcoming AGM. There was no increment in fees to be paid to our Independent Directors for the financial year ended 31 December 2017. No external remuneration consultant was engaged to assist in the review of remuneration packages.

A breakdown, showing the level and mix of each individual Director's remuneration payable for the financial year ended 31 December 2017 is as follows:

Remuneration Band and Name of Directors	**Directors' Fee**	**Salary**(1)	**Bonus**	**Benefits in Kind**	**Total**	**Total**
	%	**%**	**%**	**%**	**%**	**S$**
S$250,000 – S$499,000						
Executive						
Mr Guo Yun	–	77.2	8.3	14.5	100.0	381,000
Below S$250,000						
Executive						
Mr Xu Youcai	–	34.7	65.3	–	100.0	243,000
Non Executive						
Ms Zhao Guiying	–	–	–	–	N.A.	N.A.
Mr Soh Beng Keng(2)	100.0	–	–	–	100.0	35,000
Mr Tang Chun Meng(2)	100.0	–	–	–	100.0	30,000
Mr Wang Liangfa(2)	100.0	–	–	–	100.0	30,000

(1) The salary amount shown is inclusive of allowances, statutory contributions, all fees other than Directors' fees and other emoluments.

(2) Directors' fees to the Independent Directors for the financial year ended 31 December 2017 have been recommended for shareholders' approval at the forthcoming AGM.

REPORT ON CORPORATE GOVERNANCE

The RC ensures that the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. Given the highly competitive conditions of the manufacturing industry in China, and the prevalent poaching of experienced executives, the Company believes that the disclosure of the total remuneration of each individual executive (who are not directors or the CEO) ("Key Management Personnel") as recommended by the Code may not be in the best of the Group's interests. The Company has sought to provide the remuneration of these Key Management Personnel in the bands of S$250,000. All of the top five Key Management Personnel (who are not directors) of the Company are within the band of less than S$250,000. The aggregate remuneration paid to the top 5 Key Management Personnel for the financial year ended 31 December 2017 was S$276,000.

Remuneration Band and Name of Key Management Personnel	Salary[1]	Bonus	Benefits in Kind	Total
	%	%	%	%
Below S$250,000				
Executive				
Wang Zaiquan (Sales and Marketing Manager, Litai)	100.0	–	–	100.0
Gong Guohong (Chief Production Officer, Litai)	62.3	37.7	–	100.0
Xu Gang (Chief Engineering Officer, Litai)	67.4	32.6	–	100.0
Chan Lai Yoke (Chief Financial Officer)	86.5	13.5	–	100.0
Zhang Qinyu (General Manager, Litai)	51.2	48.8	–	100.0

There is also no employee who is an immediate family member of a director or CEO whose remuneration exceeds S$50,000 during the financial year ended 31 December 2017.

The Company does not have an Employee Share Option Scheme or any Employee Performance Share Plan.

PRINCIPLE 10: ACCOUNTABILITY OF THE BOARD AND MANAGEMENT

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balance and understandable assessment of the Company's and Group's performance, position and prospects. The Management will present to the Board, management accounts of the Company's performance, position and prospects on a regular basis.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

RULE 1207(10): ADEQUACY OF COMPANY'S INTERNAL CONTROLS ON FINANCIAL, OPERATIONAL AND COMPLIANCE RISKS

OPINION BY THE BOARD

The Board acknowledges that it is responsible for the overall internal control framework and fully aware of the need to put in place a sound system of internal controls within the Group to safeguard shareholders' interests and the Group's assets as well as to manage risks. The Board also recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

REPORT ON CORPORATE GOVERNANCE

The Management reviews and improves its business and operational activities to identify areas of significant business risks and takes appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board. The Company has implemented a whistle blowing policy which provides the mechanisms for which staff of the Company may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Both the Company's internal auditors and external auditors (to the extent as required by them to form an audit opinion on the statutory financial statements) have conducted an annual review of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls and risk management. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

This was further supported by the assurance given by the CEO and the Chief Financial Officer during the full year results meeting that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards; and proper systems of risk management and internal controls are put in place within the Group, and are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the reports of the external and internal auditors and the various management controls put in place, the Board with the concurrence of the AC, is of the opinion that there are adequate and effective internal controls in place within the Group addressing financial, operational, compliance and information technology risks throughout the year and up to the date of this report.

PRINCIPLE 12: AUDIT COMMITTEE

The AC comprises three members, all of whom are independent. Two members of the AC, including the Chairman, are fellow members of the Institute of Singapore Chartered Accountants and have recent and relevant accounting or financial management experience. The members of the AC at the date of this report are as follows:

Mr Soh Beng Keng (Chairman)
Mr Wang Liangfa (Member)
Mr Tang Chun Meng (Member)

The AC meets with both the external and internal auditors, without the presence of management, at least once a year. The AC had also reviewed the non-audit services provided by the external auditors, which comprise services such as tax and was satisfied that the independence of the external auditors would not be impaired.

The AC also monitors proposed changes in accounting policies, reviews internal audit functions and discusses accounting implications of major transactions. In addition, the AC advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its reports. During the financial year ended 31 December 2017, the AC was provided with updates on the changes in connection with the Singapore's Financial Reporting Standards as well as amendments to the Singapore Companies Act Cap. 50.

REPORT ON CORPORATE GOVERNANCE

The AC has adopted written terms of reference.

The functions of the AC include:

- To review with the external auditors on the audit plan, including the nature and scope of the audit before the audit commences, their evaluation of the system of internal accounting controls, audit report and management letter and Management's response.
- To ensure co-ordination where more than one audit firm is involved.
- To review the half-year and annual financial statements to ensure integrity of the financial statements before submission to the Board for approval.
- To meet with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have.
- To review annually the scope and results of the external audit and its cost effectiveness as well as the independence and objectivity of the external auditors.
- To review the non-audit services to the Company.
- To review the internal audit program and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure co-ordination between the internal and external auditors and Management.
- To review the adequacy of the Company's internal controls as set out in the Code.
- To review scope and results of the internal audit procedures including the effectiveness of the internal audit functions.
- To review the adequacy and effectiveness of the Company's risk management and internal control systems and to report to the Board annually.
- To oversee and advise the Board in formulating its risks policies to effectively identify and manage the Company's current (and future) risks.
- To oversee design and implementation of the overall risk management systems and internal control systems.
- To administer the Whistle Blowing Policy.
- To review interested person transactions (IPTs).
- To recommend to the Board the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.

REPORT ON CORPORATE GOVERNANCE

- To approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting firm/auditing firm or corporation to which the internal audit function is outsourced. To ensure that the internal audit function is staffed with persons with the relevant qualification and experience and that they carry out their functions according to the standards set by nationally or internationally recognised professional bodies, including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The Company has in place a whistle-blowing policy to provide a channel for employees to report in confidence, their concern about possible improprieties for investigation. No incidence or report of whistle blowing was noted by the AC during the financial year ended 31 December 2017.

The AC will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on an annual basis. The external auditors of the Company have confirmed that they are Public Accounting Firms registered with the Accounting & Corporate Regulatory Authority and provided a confirmation of their independence to the AC.

The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group. Accordingly, the AC is satisfied that Rules 712 and 715 of the Listing Manual of the SGX-ST are complied with and has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM.

The AC conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the external auditors.

For the financial year ended 31 December 2017, the total audit fees paid to the external auditors of the Company was S$96,600 (equivalent to RMB473,000), of which the non-audit fees paid to the external auditors of the Company for income tax compliance service was approximately S$1,600 (equivalent to RMB8,000). For audit fees paid to our external auditors, please refer to page 65 of the Annual Report.

PRINCIPLE 13: INTERNAL AUDIT

The Group has outsourced its internal audit function to an external professional firm, who reports primarily to the Chairman of the AC and administratively, to the CEO. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

During the year under review, the internal auditors have conducted reviews of the control procedures relating to a review of interested person transactions, and have also followed up on the outstanding matters of their previous review to ensure implementation and compliance by the Management. The work undertaken by the internal auditors are carried out in accordance with the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. They have reported and recommended to the AC on the required areas of improvement. The AC had also reviewed the internal audit function annually, and is of the view that the internal audit function has appropriate standing within the Company and is adequate and effective.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 14 AND 15: SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

The Board ensures that shareholders are fully informed of all major developments that impact the Group. The results and other relevant information of the Group are disseminated to the shareholders and public on a timely basis through the following channels:

(i) SGXNET announcements and press releases;

(ii) Annual Report and Notice of AGM that are issued to all shareholders; and

(iii) Press and analysts briefings as may be appropriate.

The Company ensures that it does not practice selective disclosure of material information. Material information is publicly released before the Company meets with investors or analysts or simultaneously with such meetings. In the event an investor relations briefing is held, the Company will engage an external investor relations consultant to facilitate and gather the exchange of views and queries of shareholders at such events. Shareholders are also encouraged to attend the AGM, to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The notice of the AGM together with the annual report will be dispatched to shareholders. At the AGM, shareholders are given the opportunity to communicate their views to the Directors and Management on matters relating to the Company and the Group.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

All shareholders are welcomed to attend the AGM. The Board, Chairman and members of the AC, RC and NC, Executive Directors, executive officers, external auditors and the company secretary will be present and available at the forthcoming AGM to address any question from the shareholders regarding the Group.

The Constitution of the Company allows a shareholder (who is not a relevant intermediary as defined in S.181 of the Companies Act) of the Company to appoint up to two proxies to attend and vote in his/her stead at general meetings. A shareholder who is a relevant intermediary, can appoint more than two proxies to attend and vote in his/her stead at general meetings. The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through digital media or the internet is not compromised.

Separate resolutions are tabled and passed at every general meeting on each distinct issue. All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings are available to shareholders for inspection upon request.

The Company does not have a fixed dividend policy at present. The declaration and payment of dividends by the Company from time to time is subject to many factors, including but not limited to, the Company's results of operations, cash flows and financial position, the Company's expansion requirements and working capital requirements. The Company did not declare dividends for the financial year ended 31 December 2017 due to the losses recorded, as well as the conditions in which it operates in remains challenging and competitive and a conservative approach to cash flow would be prudent.

REPORT ON CORPORATE GOVERNANCE

DEALINGS IN SECURITIES

The Group has in place internal policies in line with the requirements of Rule 1207(19) regarding the dealing in securities by its Directors and Employees. The Group discourages its Directors and Employees from trading in the Company's securities on short-term considerations. In addition, the Group prohibits its Directors and Employees to trade in the Company's securities during the period beginning one month before the date of the announcement of the full-year or half-year results respectively and ending on the following day of the announcement date of the relevant results.

Directors and Employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group.

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Group's interested person transactions.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) RMB'000
Jiangyin Haida Caitu Co., Ltd		
– Reimbursements of utility	–	1,620
– Advances paid for purchase of raw materials	–	(132,427)
– Purchase of raw materials	–	(111,227)
– Sales of paint	–	1,231
Jiangyin East-China Aluminium Technology Co., Ltd.		
– Spray-painting income	–	25,235
– Reimbursement of utility	–	867
– Purchase of raw materials	–	(1,953)
Jiangyin Comat Metal Products Co., Ltd.*		
– Sales of aluminium panels	1,587	–

* During the year under review, there was a sales of aluminium panels of approximately RMB1.59 million to Jiangying Comat Products Co., Ltd. ("Jiangyin Comat") for the renovation of their office premises. This one-off transaction which was non-recurring in nature has not been included in the Shareholder's mandate pursuant to Rule 920 of the listing manual.

The sales were carried out on an arm's length basis and on normal commercial terms which were not prejudicial to the interest of the Company and its minority Shareholders.

Jiangyin Comat, a company established in the PRC, is a manufacturer of tinned metal strips and steel products. Jiangyin Comat is 55%, 20% and 25% owned by Jiangyin Haida Technology Group Co., Ltd, Xu Qiang (son of the CEO, Xu Youcai) and Chen Yong respectively.

Footnote: Please refer to Note 27 of pages 67 and 68.

REPORT ON CORPORATE GOVERNANCE

The Board and the AC will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the SGX-ST Listing Manual are complied with. Apart from the aforesaid transactions, there was no other material contract entered into by the Company and/or any of its subsidiaries involving the interests of any director or controlling shareholder during the year under review. The Company is seeking a renewal of the Shareholders' Mandate for Interested Person Transactions at the forthcoming AGM.

RISK MANAGEMENT

The Group's main business and operational risks include unpredictable prices of raw materials, shortage of raw materials supplies, and dependence on Jiangyin Haida Caitu Co., Ltd. for the supply of aluminium coils and aluminium sheets and a competitive environment.

The Group's revenue is also dependent on the infrastructure and construction industry. Any significant downturn in the growth of this industry will result in a decrease in demand for our aluminium panels. In particular, any measures to be taken by the relevant authorities in the PRC to slowdown the growth of the PRC economy may have an adverse impact on the industry.

Other business and operational risks the Group may experience include:

- the use of aluminium panels as building materials is subject to changing trends in architectural and building designs;
- the unauthorised use of our trademarks, brand names and other intellectual property may damage the brand and name recognition and reputation of our Group;
- any prolonged significant equipment downturn as a result of our incapacity or uncontrollable external factors. This will adversely affect our operations; and
- customer default risk as a result of our credit terms extended to our customers.

Other than the risks arising from business operations, the Group's main financial operations risks are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Group's financial risk management objectives and policies are discussed in the notes to the financial statements found on pages 70 to 78 of the Annual Report.

The Group's overall risk management policy aims to minimise potential adverse effects of the financial performance of the Group. The Group has adopted risk management policies and processes that seek to mitigate these risks in a cost-effective manner.

The Management will regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

MATERIAL CONTRACTS

Except as disclosed above and in the financial statements of the Group and the service agreements between the Executive Directors and the Company, there were no material contracts entered into by the Company and its subsidiary involving the interest of its Directors or controlling shareholders which are either still subsisting as at 31 December 2017 or if not then subsisting, entered into since the end of the previous financial year.

Dated 4 April 2018

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of China Haida Ltd. (the "Company") and its subsidiary (the "Group") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 35 to 78 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are as follows:

Zhao Guiying
Xu Youcai
Guo Yun
Wang Liangfa
Soh Beng Keng
Tang Chun Meng

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		**Deemed interests**	
	At 1 January 2017	**At 31 December 2017**	**At 1 January 2017**	**At 31 December 2017**
Company				
Ordinary shares				
Zhao Guiying	–	–	74,425,700	74,425,700
Xu Youcai	–	–	74,425,700	74,425,700
Guo Yun	–	–	14,439,020	14,439,020

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

Directors' interests in shares or debentures (Continued)

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Zhao Guiying and Xu Youcai are deemed to have interest in the entire capital of the Company's wholly-owned subsidiary at the beginning and at the end of the financial year.

There were no changes in any of the above-mentioned interests in the Company and its related corporation between the end of the financial year and 21 January 2018.

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share options

During the financial year, no options to take up unissued shares of the Company or subsidiary were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or subsidiary. There were no unissued shares of the Company or subsidiary under option at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year are as follows:

Soh Beng Keng (Chairman)
Tang Chun Meng (Member)
Wang Liangfa (Member)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's external auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

Audit committee (Continued)

The Audit Committee meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee.

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and its subsidiary, the Company has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

XU YOUCAI
Director

GUO YUN
Director

4 April 2018

INDEPENDENT AUDITOR'S REPORT

To the members of China Haida Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of China Haida Ltd. (the Company) and its subsidiary (the Group), set out on pages 35 to 78, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were 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 these matters.

INDEPENDENT AUDITOR'S REPORT

To the members of China Haida Ltd.

Key Audit Matters *(Continued)*

<table>
<tr><td colspan="2">Impairment of trade receivables
Refer to Note 30(iii) – Financial risk management objectives and policies credit risk and Note 2 – Critical accounting estimates and assumptions on impairment of trade receivables.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has trade receivables amounting to RMB119,537,000, representing 39% of the Group's total assets as at 31 December 2017.

Management determines at the end of each reporting period the existence of any objective evidence where the Group's trade receivables may be impaired. Impairment of trade receivables requires significant management's judgement in assessing the ultimate realisation of the trade receivables, including the creditworthiness, past collection history and ongoing dealings with these customers.

As at 31 December 2017, the Group's allowance for impairment of trade receivables amounted to RMB14,634,000, which includes a net allowance of RMB3,765,000 recognised in profit or loss during the financial year.</td><td>We reviewed management's assessment on the recoverability of the trade receivables.

We assessed and corroborated management's judgement, taking into consideration of any indication of impairment by reviewing customers' collection track records, subsequent collections, and ongoing business relationship.

We also reviewed the profile and financial standing of the Group's major debtors and considered that payment plans, if any, are duly adhered to.

We found management's assessment of the recoverability of trade receivables to be reasonable and the relevant disclosures to be appropriate.</td></tr>
</table>

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 auditors' 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.

INDEPENDENT AUDITOR'S REPORT

To the members of China Haida Ltd.

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 FRSs, 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.

Auditors' 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 auditors' 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 the 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 controls.

- Obtain an understanding of internal controls 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 controls.

- 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 auditors' 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 Haida Ltd.

Auditors' Responsibilities for the Audit of the Financial Statements *(Continued)*

- 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 controls 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 auditors' 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 have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Kuang Hui.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

4 April 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group		Company	
		2017	2016	2017	2016
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	3	**140,543**	140,543	**140,543**	140,543
Statutory reserve fund	4	**23,367**	23,367	**–**	–
Capital reserve	5	**47,946**	47,946	**–**	–
Currency translation deficit	6	**(776)**	(843)	**(3,135)**	(4,766)
Retained earnings/(Accumulated losses)	7	**41,177**	68,118	**(17,358)**	(17,338)
TOTAL EQUITY		**252,257**	279,131	**120,050**	118,439
ASSETS					
Non-current assets					
Property, plant and equipment	8	**49,870**	51,218	**760**	139
Investment in a subsidiary	9	**–**	–	**115,194**	113,631
Lease prepayments	10	**10,513**	10,815	**–**	–
Current assets					
Lease prepayments	10	**302**	302	**–**	–
Inventories	11	**54,948**	53,055	**–**	–
Trade receivables	12	**119,537**	122,827	**–**	–
Due from a related party (trade)		**2,063**	11,126	**–**	–
Other receivables, deposits and prepayments	13	**3,442**	3,319	**117**	125
Advance payments to a related party	14	**14,211**	11,950	**–**	–
Cash and bank balances	15	**52,193**	73,523	**7,276**	7,729
		246,696	276,102	**7,393**	7,854
TOTAL ASSETS		**307,079**	338,135	**123,347**	121,624
LIABILITIES					
Current liabilities					
Trade payables		**17,664**	24,431	**–**	–
Other payables and accruals	16	**13,976**	10,617	**1,023**	903
Due to a subsidiary (non-trade)	17	**–**	–	**2,274**	2,282
Short term bank loans	18	**22,000**	22,000	**–**	–
Income tax payable		**–**	774	**–**	–
		53,640	57,822	**3,297**	3,185
Non-current liability					
Deferred tax liabilities	19	**1,182**	1,182	**–**	–
TOTAL LIABILITIES		**54,822**	59,004	**3,297**	3,185
NET ASSETS		**252,257**	279,131	**120,050**	118,439

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group	
		2017	**2016**
		RMB'000	**RMB'000**
Revenue	20	**242,545**	286,556
Cost of sales		**(229,575)**	(256,241)
Gross profit		**12,970**	30,315
Other operating income	21	**2,431**	4,926
Selling and distribution expenses		**(6,967)**	(5,670)
Administrative expenses		**(21,542)**	(20,821)
Other operating expense	21	**(12,546)**	–
Finance costs	23	**(1,060)**	(1,059)
(Loss)/Profit before tax	24	**(26,714)**	7,691
Tax	25	**(227)**	(2,663)
(Loss)/Profit for the year		**(26,941)**	5,028
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**67**	205
Total comprehensive (loss)/income for the year		**(26,874)**	5,233
(Loss)/Profit attributable to:			
Equity holders of the Company		**(26,941)**	5,028
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(26,874)**	5,233
(Loss)/Earnings per share (RMB cents)			
Basic and diluted	26	**(10.6)**	2.0

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Attributable to equity holders of the Company					
	Share capital RMB'000	**Statutory reserve fund RMB'000**	**Capital reserve RMB'000**	**Currency translation deficit RMB'000**	**Retained earnings RMB'000**	**Total equity RMB'000**
Balance at 1.1.2016	140,543	22,634	47,946	(1,048)	63,823	273,898
Profit for the year	–	–	–	–	5,028	5,028
Other comprehensive income, net of tax						
– Currency translation differences arising from consolidation	–	–	–	205	–	205
Total comprehensive income	–	–	–	205	5,028	5,233
Transfer to statutory reserve fund	–	733	–	–	(733)	–
Balance at 31.12.2016	140,543	23,367	47,946	(843)	68,118	279,131
Balance at 1.1.2017	140,543	23,367	47,946	(843)	68,118	279,131
Loss for the year	–	–	–	–	(26,941)	(26,941)
Other comprehensive income, net of tax						
– Currency translation differences arising from consolidation	–	–	–	67	–	67
Total comprehensive income/(loss)	–	–	–	67	(26,941)	(26,874)
Balance at 31.12.2017	140,543	23,367	47,946	(776)	41,177	252,257

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group	
		2017	**2016**
		RMB'000	**RMB'000**
Cash flows from operating activities			
(Loss)/Profit before tax		**(26,714)**	7,691
Adjustments:			
Allowance for impairment of trade debts	21	**6,661**	–
Write back of allowance for impairment of trade debts	21	**(2,896)**	(1,475)
Amortisation of lease prepayments	10	**302**	302
Depreciation of property, plant and equipment	8	**6,567**	7,423
Impairment of property, plant and equipment	8	**7,143**	–
(Gain)/Loss on disposal of property, plant and equipment		**(149)**	171
Property, plant and equipment written off		**–**	813
Tender deposit written off	24	**216**	–
Interest expense	23	**1,060**	1,059
Interest income	21	**(187)**	(137)
Translation difference		**300**	(240)
Operating (loss)/profit before working capital changes		**(7,697)**	15,607
Inventories		**(1,893)**	(2,277)
Trade receivables		**(475)**	(2,724)
Other receivables, deposits and prepayments		**(339)**	(111)
Due from a related party (trade)		**9,063**	7,089
Trade and other payables		**(3,408)**	328
Advance payments to a related party		**(2,261)**	16,136
Cash (used in)/generated from operations		**(7,010)**	34,048
Interest paid		**(1,060)**	(1,059)
Interest received		**187**	137
Income tax paid		**(1,001)**	(1,962)
Net cash (used in)/from operating activities		**(8,884)**	31,164
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(12,362)**	(1,806)
Proceeds from disposal of property, plant and equipment		**149**	122
Net cash used in investing activities		**(12,213)**	(1,684)
Cash flows from financing activities			
Proceeds from short term bank loans		**22,000**	22,000
Repayment of short term bank loans		**(22,000)**	(15,000)
Deposit released/(pledged)	15	**1,849**	(1,849)
Net cash from financing activities		**1,849**	5,151
Net (decrease)/increase in cash and cash equivalents		**(19,248)**	34,631
Cash and cash equivalents at beginning of year		**71,674**	36,598
Effect of exchange rate changes in cash and cash equivalents		**(233)**	445
Cash and cash equivalents at end of year	15	**52,193**	71,674

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

China Haida Ltd. (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of the Company's registered office and principal place of business is at 420 North Bridge Road, #04-06 North Bridge Centre, Singapore 188727. The address of the principal place of business of its subsidiary is at 388 Qinfeng Lu, Huashi Town, Jiangyin City, Jiangsu Province, the People's Republic of China ("PRC") 214421.

The principal activity of the Company is investment holding. The principal activities of its subsidiary are shown in Note 9.

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 4 April 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("SFRS"). The financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousands (RMB'000) as indicated.

The preparation of the financial statements in conformity with SFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2017, the Group adopted the new or amended SFRS and Interpretations of SFRS ("INT SFRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS and INT SFRS. The adoption of these new or amended SFRS and INT SFRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards, Singapore Financial Reporting Standards (International) (SFRS(I)). The Group has adopted the new financial reporting framework on 1 January 2018. The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

The Group is currently performing an analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under *SFRS(I) 1 First-time Adoption of Financial Reporting Standards*.

In addition to the adoption of the new framework, the Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Descriptions	Effective for annual periods beginning on or after
SFRS(I) 15 *Revenue from Contracts with Customers (including Clarifications)*	1 January 2018
SFRS(I) 9 *Financial Instruments*	1 January 2018
Amendments to SFRS(I) 2: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to SFRS(I) 1-40: *Transfers of Investment Property*	1 January 2018
Improvements to IFRS Standards 2014-2016 cycle (December 2016)	
– SFRS(I) 1 *First-time Adoption of Financial Reporting Standards*	1 January 2018
– SFRS(I) 1-28 *Investments in Associates and Joint Ventures*	1 January 2018
SFRS(I) INT 22: *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to SFRS(I) 4: *Applying SFRS (I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts*	1 January 2018
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to SFRS(I)s 2015-2017 cycle (March 2018)	
– SFRS(I) 3 *Business Combinations*	1 January 2019
– SFRS(I) 11 *Joint Arrangements*	1 January 2019
– SFRS(I) 1-12 *Income Taxes*	1 January 2019
– SFRS(I) 1-23 *Borrowing Costs*	1 January 2019
SFRS(I) 17 *Insurance Contracts*	1 January 2021

Except for SFRS(I) 15 and SFRS(I) 9, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 15 and SFRS(I) 9 are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including SFRS 18 *Revenue*, SFRS 11 *Construction Contracts* and the related Interpretations when it becomes effective in 2018.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under SFRS (I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

SFRS(I) 15 will take effect from financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively. Based on the Group's assessment, the Group does not expect any significant adjustments to revenue recognition policy relating to domestic revenue. The Group is still in the process of analysing the sales terms and contracts with overseas customers in determining any separate performance obligations which may have an impact to revenue upon adoption of SFRS(1) 15.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 replaces SFRS 39 *Financial Instruments: Recognition and Measurement,* and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. SFRS(I) 9 also introduces a new forward-looking expected credit loss (ECL) impairment model and adds detailed guidance on impairment-related presentation and disclosures. SFRS(I) 9 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of SFRS(I) 9 or continue to apply the existing hedge accounting requirements in SFRS (I) 1-39 for all hedge accounting.

SFRS(I) 9 will take effect from financial years beginning on or after 1 January 2018. On adoption of SFRS(I) 9, the Group does not expect changes in measurement basis for the financial assets and liabilities. The Group plans to apply the simplified approach and record lifetime ECL on its trade and other receivables and is in the process of calculating the impact of SFRS(I) 9 on impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting

Subsidiaries

(a) *Basis of consolidation*

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is consolidated from the date on which control is transferred to the Group and is de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) *Acquisition of businesses*

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

(c) *Disposals of subsidiaries or businesses*

The assets and liabilities of the subsidiary are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

Subsidiaries (Continued)

(c) Disposals of subsidiaries or businesses (Continued)

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Subsidiary

Investment in a subsidiary is carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investment in subsidiary, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is Singapore dollars ("SGD").

As the Group's operations are principally conducted in the PRC, the consolidated financial statements and the statement of financial position of the Company are presented in Chinese Renminbi ("RMB"). All values are rounded to the nearest thousands ("RMB'000") as indicated.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency translation (Continued)

(iii) Translation of Group's financial statements

The assets and liabilities of the Company and any foreign operations are translated into RMB at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

Share capital

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

All items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets less estimated residual value over their estimated useful lives as follows:

	Useful lives (Years)	Estimated residual value as a percentage of cost*
Leasehold buildings	20	5 to 10%
Machinery and equipment	5 to 10	5 to 10%
Motor vehicles	4 to 10	5 to 10%
Furniture and fittings, office equipment and renovation	3 to 10	5 to 10%

* Only for PRC subsidiary. There is no residual value for the Company's property, plant and equipment.

The estimated useful life, depreciation method and the residual value are reviewed, and adjusted as appropriate at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within other income/(expenses).

Lease prepayments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayment for land use rights is stated at cost less accumulated amortisation and accumulated impairment loss. The land use rights are amortised on a straight-line basis over their respective lease term of 43 and 48 years. The remaining lease term range from 33 to 39 years.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In accessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Where necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every reporting date. As at the reporting date, the Group did not have other categories of financial assets except for loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents, trade and other receivables, including amounts due from a related party.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the reporting date, the Group did not have any financial liabilities in the category of financial liabilities at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

(ii) Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities. Borrowings are initially recorded at fair value, net of transaction costs incurred and carried for at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and the associated costs can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognised criteria must also be met before revenue is recognised.

Revenue from sale of goods (including aluminium panels, scraps and raw materials) is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or when the amount of revenue and costs incurred or to be incurred in respects of the transaction cannot be measured reliably. It is recorded net of returns, trade allowances, duties and taxes and after eliminating sales within the Group.

Spray-painting income is recognised when the spray-painting services have been rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where the grant relates to income, the government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss under a general heading “Other operating income”.

Employees’ benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company makes contribution to the Central Provident Fund (“CPF”) Scheme in Singapore, a defined contribution pension schemes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (Continued)

(i) Retirement benefits (Continued)

People's Republic of China ("PRC")

The subsidiary, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under the existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the periods in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Operating lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income tax

(i) Current income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

(i) Current income tax (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(ii) Value-added-tax ("VAT")

The Group's sales of goods in the PRC are subjected to VAT at the applicable rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other receivables" or "Other payables" in the statement of financial position. The Group's export sales are not subjected to VAT.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of the trade receivables, including the current creditworthiness, the past collection history of each customer and on-going dealings with these customers.

During the year, the management performed a credit evaluation process to review the recoverability of the trade receivables balances based on their judgement. The Group first assesses whether objective evidence of impairment exists for individually significant debtors and collectively for debtors which are not individually significant. The impairment loss is then calculated as the difference between the carrying amount and the present value of estimated future cashflows. The assessment has led to a net allowance for impairment for trade receivables of approximately RMB3,765,000 (2016: write back of allowance RMB1,475,000) during the financial year. The total allowance for impairment for trade receivables as at 31 December 2017 stood at RMB14,634,000 (2016: RMB10,869,000).

Major customers whose balance were past due as at reporting dates usually settle within one year of invoice date. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The total carrying amounts of trade receivables which is past due but not impaired as at 31 December 2017 amounted to approximately RMB60,132,000 (2016: RMB60,659,000), out of which RMB44,996,000 (2016: RMB43,891,000) were past due more than 3 months.

The carrying amounts of the trade receivables as at 31 December 2017 and the relevant credit risk information is disclosed in Note 30 (iii).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and assumptions (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(b) Income tax

Current tax

The Group has exposure to income taxes in Singapore and PRC. Significant judgement is involved in determining the Group's provision for income taxes, including the deductibility of certain expenses. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax in the period in which such determination is made. The carrying amount of the Group's income tax payable at 31 December 2017 was Nil (2016: RMB774,000).

Deferred tax

In determining the amount of deferred tax liabilities on the undistributed earnings of the subsidiary, the management considers the dividend policy and cash flows needs for the corporate and treasury functions at the holding company level for the foreseeable future. Such deferred tax liabilities stood at RMB1,182,000 (2016: RMB1,182,000) as at 31 December 2017 (Note 19), which arose from retained earnings of the subsidiary totalling RMB23,646,000 (2016: RMB23,646,000). Deferred tax liabilities are not recognised on the remaining undistributed earnings amounting to RMB33,443,000 (2016: RMB55,175,000) as it is probable that such undistributed earnings will be reinvested for the foreseeable future as part of the Company's continuing investment in the subsidiary. Had the subsidiary increases its expected dividend pay-out for the foreseeable future by 10%, the deferred tax liabilities would have increased by RMB118,000 (2016:RMB118,000).

The group has tax losses carried forward amounting to RMB9,463,000 (2016: Nil), which expires on year 2022, for which no deferred tax asset is recognised due to uncertainty of its recoverability in view of the loss-making position. If the Group was to recognise all unrecognised deferred tax assets, loss for the year would reduce by RMB2,366,000 (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and assumptions (Continued)

(ii) Critical judgements in applying the entity's accounting policies

(c) Useful lives of plant and equipment

The cost of plant and equipment for the manufacture of aluminium panels is depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these machines to be within 5 to 10 years and that the residual value to be 5% to 10% of the cost of these assets. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's machinery and equipment at reporting date was approximately RMB23,430,000 (2016: RMB17,559,000) (Note 8).

The management is of the opinion that any instances of judgements, other than those arising from the estimates describe above, are not expected to have significant effect on the amounts recognised in the financial statements.

3. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of ordinary shares	RMB'000	Number of ordinary shares	RMB'000
Issued and fully paid				
At beginning and end of the year	**254,880,660**	**140,543**	254,880,660	140,543

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

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4. STATUTORY RESERVE FUND

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China ("PRC"), the subsidiary, a wholly foreign-owned enterprise is required to make appropriation to a statutory reserve fund ("SRF"). At least 10 percent of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF. If the cumulative total of the SRF reaches 50% of the subsidiary's registered capital, the subsidiary will not be required to make any further appropriation. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

The SRF is non-distributable and the transfers to the SRF must be made before the distribution of dividends to shareholders.

5. CAPITAL RESERVE

In 2009, the subsidiary increased its paid-up capital by capitalising its retained profits as required by the relevant PRC rules and regulations. On consolidation, the capitalised retained profits were reflected as a capital reserve of the Group. The capital reserve is non-distributable.

6. CURRENCY TRANSLATION DEFICIT

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At the beginning of the year	**(843)**	(1,048)	**(4,766)**	(10,008)
Foreign currency translation difference for the financial year	**67**	205	**1,631**	5,242
At the end of the year	**(776)**	(843)	**(3,135)**	(4,766)

Currency translation deficit arose from translation of the Company's financial statements from its functional currency (SGD) to presentation currency (RMB). The deficit balance on the Company's statement of financial position is mainly attributed to exchange differences related to investment in a subsidiary which is eliminated in the consolidated financial statements.

7. ACCUMULATED LOSSES

	Company	
	2017	**2016**
	RMB'000	**RMB'000**
At the beginning of the year	**(17,338)**	(17,406)
(Loss)/Profit for the year	**(20)**	68
At the end of the year	**(17,358)**	(17,338)

NOTES TO THE FINANCIAL STATEMENTS

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8. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture and fittings, office equipment and renovation RMB'000	Total RMB'000
Cost					
As at 1 January 2016	61,429	77,304	4,913	3,543	147,189
Additions	–	1,084	425	297	1,806
Disposal	–	(1,442)	(634)	–	(2,076)
Written off	–	(4,647)	–	–	(4,647)
Translation differences	–	–	18	4	22
As at 31 December 2016	61,429	72,299	4,722	3,844	142,294
Additions	1,945	9,199	744	474	12,362
Disposal	–	–	(460)	–	(460)
Written off	–	–	–	(10)	(10)
Translation differences	–	–	5	5	10
As at 31 December 2017	63,374	81,498	5,011	4,313	154,196
Accumulated depreciation and impairment					
As at 1 January 2016	26,235	55,696	4,163	3,158	89,252
Charge for the year	2,765	4,090	348	220	7,423
Disposal	–	(1,212)	(571)	–	(1,783)
Written off	–	(3,834)	–	–	(3,834)
Translation differences	–	–	12	6	18
As at 31 December 2016	29,000	54,740	3,952	3,384	91,076
Charge for the year	2,786	3,328	254	199	6,567
Disposal	–	–	(460)	–	(460)
Written off	–	–	–	(10)	(10)
Impairment	7,143	–	–	–	7,143
Translation differences	–	–	5	5	10
As at 31 December 2017	38,929	58,068	3,751	3,578	104,326
Net carrying amount					
As at 31 December 2017	24,445	23,430	1,260	735	49,870
As at 31 December 2016	32,429	17,559	770	460	51,218

NOTES TO THE FINANCIAL STATEMENTS

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8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of asset (hostel)

In 2014, the subsidiary identified a potential fire hazard and temporarily vacated its employees from the hostel. During this period, management continuously assessed the value in use of the hostel, taking into consideration, the estimated modification costs and explored other options, including changing the functionality of the hostel. During the financial year, the management conducted a cost-benefit analysis and concluded not to proceed with the modifications to the hostel as such changes will require significant investment cost on the existing hostel. An impairment loss of RMB7,140,000 (2016: Nil), representing full write-down of the hostel was recognise in "Other operating expenses" line item of profit or loss for the financial year ended 31 December 2017 (Note 21).

As at 31 December 2017, leasehold buildings with carrying amount of approximately RMB3,390,000 (2016: RMB4,006,000) was pledged as security for the Group's bank loans (Note 18).

Company	**Motor vehicles RMB'000**	**Furniture and fittings and office equipment RMB'000**	**Total RMB'000**
Cost			
As at 1 January 2016	432	194	626
Additions	–	30	30
Translation differences	18	4	22
As at 31 December 2016	450	228	678
Additions	748	15	763
Disposal	(460)	–	(460)
Written off	–	(10)	(10)
Translation differences	5	5	10
As at 31 December 2017	743	238	981
Accumulated depreciation			
As at 1 January 2016	239	167	406
Charge for the year	101	14	115
Translation differences	12	6	18
As at 31 December 2016	352	187	539
Charge for the year	122	20	142
Disposal	(460)	–	(460)
Written off	–	(10)	(10)
Translation differences	5	5	10
As at 31 December 2017	19	202	221
Net carrying amount			
As at 31 December 2017	724	36	760
As at 31 December 2016	98	41	139

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENT IN A SUBSIDIARY

	Company	
	2017 RMB'000	2016 RMB'000
Unquoted equity shares, at cost – at beginning of year	**113,631**	108,594
Translation differences	**1,563**	5,037
Unquoted equity, at cost – at end of year	**115,194**	113,631

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2017 %	2016 %
Held by the Company				
Jiangyin Litai Decorative Materials Co., Ltd.*	Manufacturing and sale of aluminium composite panels and aluminium single panels and spray painting	PRC	**100**	100

* Audited by Wuxi Dejia Certified Public Accountants registered in the PRC for local statutory purposes and audited by Crowe Horwath First Trust LLP, for the purpose of expressing an opinion on the consolidated financial statements.

10. LEASE PREPAYMENTS

Group	Land use right(i) RMB'000	Land use rights(ii) RMB'000	Total RMB'000
Cost			
As at 31 December 2016 and 31 December 2017	1,753	12,322	14,075
Accumulated amortisation			
As at 1 January 2016	512	2,144	2,656
Charge for the year	37	265	302
As at 31 December 2016	549	2,409	2,958
Charge for the year	37	265	302
As at 31 December 2017	586	2,674	3,260
Net carrying amount			
As at 31 December 2017	1,167	9,648	10,815
As at 31 December 2016	1,204	9,913	11,117

(i) The lease prepayment represents payment for land use right of a piece of land on which the building of the subsidiary is erected. The leases for the land use right expire on 23 May 2050.

As at 31 December 2017, the land use rights were pledged as security for the Group's short term bank loans (Note 18).

(ii) The lease prepayment represents payment for land use right of a piece of land on which the building of the subsidiary is erected. The leases for these two land use rights with the carrying amount of RMB6,428,000 and RMB3,220,000 (2016: RMB6,594,000 and RMB3,319,000) expire on 5 September 2056 and 23 May 2050 respectively.

NOTES TO THE FINANCIAL STATEMENTS

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10. LEASE PREPAYMENTS (CONTINUED)

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Amount to be amortised		
Current portion	**302**	302
Non-current portion		
– Later than one year but not later than five years	**1,207**	1,207
– Later than five years	**9,306**	9,608
	10,513	10,815
	10,815	11,117

11. INVENTORIES

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Finished goods	**12,373**	12,981
Work-in-progress	**3,126**	956
Raw materials	**38,276**	38,035
Consumables	**1,173**	1,083
	54,948	53,055

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB192,196,000 (2016: RMB216,327,000).

12. TRADE RECEIVABLES

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Trade receivables	**132,728**	130,646
Allowance for impairment of trade receivables (Note 30 (iii))	**(14,634)**	(10,869)
	118,094	119,777
Bills receivables	**1,443**	3,050
	119,537	122,827

NOTES TO THE FINANCIAL STATEMENTS

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13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits	**384**	273	**49**	48
Prepayments	**1,339**	1,178	**68**	68
Advance payments to third party trade suppliers	**450**	81	**–**	–
Other receivables	**1,269**	891	**–**	9
VAT receivable	**–**	896	**–**	–
	3,442	3,319	**117**	125

14. ADVANCE PAYMENTS TO A RELATED PARTY

Advance payments were made to a related party for purchases of raw materials, as disclosed in Note 27.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	**47,283**	71,094	**2,405**	5,326
Fixed deposit	**4,870**	2,402	**4,870**	2,402
Cash in hand	**40**	27	**1**	1
Cash and bank balances in the statements of financial position	**52,193**	73,523	**7,276**	7,729
Deposit pledged	**–**	(1,849)	**–**	–
Cash and cash equivalents per consolidated statement of cash flows	**52,193**	71,674	**7,276**	7,729

As at 31 December 2017, the Group has cash on hand and bank balances deposited with banks in the People's Republic of China denominated in Renminbi ("RMB"), amounting to approximately RMB36,424,000 (2016: RMB63,896,000). The RMB is not freely convertible into foreign currencies. Under the People's Republic of China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Deposit pledged as at 31 December 2016 represented cash at bank pledged as security for banker's guarantees issued by a financial institution.

The fixed deposit bear effective interest rate of 1.2% to 1.3% (2016: 1.88%) per annum and mature within 7 to 10 months (2016: 2 months) from the financial year end.

NOTES TO THE FINANCIAL STATEMENTS

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16. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Other taxes payable	**390**	317	**–**	–
Payables in connection with purchase of equipment	**50**	50	**–**	–
Accrued operating expenses	**7,037**	7,102	**29**	26
Advances from customers	**2,362**	1,443	**–**	–
Provision for directors' fees	**463**	456	**463**	456
Other payables	**1,931**	1,249	**531**	421
VAT payables	**1,743**	–	**–**	–
	13,976	10,617	**1,023**	903

17. DUE TO A SUBSIDIARY (NON-TRADE)

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

18. SHORT TERM BANK LOANS

	Group	
	2017	2016
	RMB'000	RMB'000
Total bank loans due within one year (secured)	**22,000**	22,000

Secured loan

The bank loans of RMB22,000,000 are secured by a pledge of the Group's leasehold buildings and land use right with net carrying amounts of approximately RMB3,390,000 (2016: RMB4,006,000) (Note 8) and RMB1,167,000 (2016: RMB1,204,000) (Note 10) respectively.

The Chief Executive Officer and an unrelated business associate has provided a guarantee for the loans in favour of the bank, for the period of 1 year from September 2017, up to a maximum of RMB22,000,000 and RMB15,000,000 respectively.

Interest on secured bank loans were charged at the rate of 3.99% to 4.79% (2016: 4.82% to 4.85%) per annum and repayable in 2018.

The above loans represent the only liabilities arising from financial activities and the movement during the year represents cash flow changes from repayment and drawdown of the short-term loans.

Subsequent to the financial year, on 24 January 2018, one of the bank loan amounting to RMB7,000,000 has matured and has been renewed for one year with the similar securities, and at an interest of 3.99% per annum.

NOTES TO THE FINANCIAL STATEMENTS

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19. DEFERRED TAX LIABILITIES

	Group	
	2017 RMB'000	2016 RMB'000
Undistributed earnings of the subsidiary		
At beginning of the year	**1,182**	1,072
Recognised in profit or loss (Note 25)	**–**	110
At end of year	**1,182**	1,182

No deferred tax liabilities has been recognised on the remaining undistributed earnings of the subsidiary amounting to RMB33,443,000 (2016: RMB55,175,000) as it is probable that such undistributed earnings will be reinvested for the foreseeable future as part of the Company's continuing investment in the subsidiary.

20. REVENUE

	Group	
	2017 RMB'000	2016 RMB'000
Sale of aluminium panels		
– Aluminium single panel	**78,279**	94,534
– Aluminium composite panel	**137,204**	150,366
Spray-painting income	**27,062**	41,656
	242,545	286,556

21. OTHER OPERATING INCOME/(EXPENSE)

	Group	
	2017 RMB'000	2016 RMB'000
Other operating income		
Sale of scraps	**1,575**	1,462
Government grants	**669**	212
Interest income on bank deposits	**187**	137
Foreign exchange gain, net	**–**	1,640
Write back of allowance for impairment of trade debts (Note 30 (iii))	**–**	1,475
	2,431	4,926

	Group	
	2017 RMB'000	2016 RMB'000
Other operating expense		
Impairment of property, plant and equipment	**7,143**	–
Allowance for impairment of trade debts, net (Note 30 (iii))	**3,765**	–
Foreign exchange loss, net	**1,638**	–
	12,546	–

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22. PERSONNEL EXPENSES

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Wages, salaries and bonuses*	**29,850**	30,003
Contributions to defined contribution plan*	**3,209**	2,965
Other payroll related expenses	**1,337**	1,175
	34,396	34,143

* Included directors' fees and directors' remuneration of approximately RMB465,000 and RMB3,060,000 (2016: RMB456,000 and RMB3,025,000) as disclosed in Note 24 respectively.

23. FINANCE COSTS

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Interest on bank loans	**1,060**	1,059

24. (LOSS)/PROFIT BEFORE TAX

This is determined after charging/(crediting) the following:

	Note	Group	
		2017	**2016**
		RMB'000	**RMB'000**
Audit fees			
– Auditor of the Company		**465**	444
– Other auditors		**67**	25
Non-audit fees paid/payable to auditors of the Company		**8**	7
Depreciation of property, plant and equipment	8	**6,567**	7,423
(Gain)/Loss on disposal of property, plant and equipment		**(149)**	171
Property, plant & equipment written off	8	**–**	813
Impairment of property, plant and equipment	21	**7,143**	–
Amortisation of lease prepayments	10	**302**	302
Tender deposits written off		**216**	–
Provision/(Write back) of allowance for impairment of trade debts, net	30 (iii)	**3,765**	(1,475)
Directors of the Company:			
– Directors' fees		**465**	456
– Directors' remuneration		**3,060**	3,025
Personnel expenses*	22	**34,396**	34,143
Foreign exchange loss/(gain), net		**1,638**	(1,640)
Operating lease expenses		**259**	260
Cost of inventories recognised as cost of sales	11	**192,196**	216,327

* This includes the amount shown as directors' fees and remuneration in this Note.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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25. TAX

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Current tax		
– Current year	**–**	2,545
– Deferred tax (Note 19)	**–**	110
– Under provision in prior years	**6**	8
– Withholding tax on dividend income	**221**	–
	227	2,663

The reconciliations of the tax expense and the product of accounting profit multiplied by the applicable rate is as follows:

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Accounting (loss)/profit before tax	**(26,714)**	7,691
Tax at the domestic rates applicable to (loss)/profits in the countries where the Group operates	**(6,281)**	2,289
Tax effect of:		
– non-deductible expenses	**4,671**	878
– non-taxable income	**(750)**	(369)
– tax exemption	**(6)**	(1)
Under provision in prior years	**6**	8
Deferred tax liability on undistributed earnings of the subsidiary	**–**	110
Deferred tax asset not recognised	**2,366**	–
Withholding tax on dividend income	**221**	–
Others	**–**	(252)
Tax expenses	**227**	2,663

The subsidiary in PRC is subject to an applicable tax rate of 25%.

The subsidiary has unused tax losses of RMB 9,463,000 (2016: Nil), which expires on year 2022, for which no deferred tax asset is recognised due to uncertainty of its recoverability in view of the loss-making position for the current financial year. The use of these balances is subject to the agreement of the PRC tax authorities.

The Company's applicable tax rate is 17%. However, the Company has no material Singapore-sourced chargeable income, and hence the administrative expenses representing corporate expenses are not tax deductible.

NOTES TO THE FINANCIAL STATEMENTS

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26. (LOSS)/EARNINGS PER SHARE

(Loss)/Earnings per share is calculated by dividing the Group's loss for the year of approximately RMB26,941,000 (2016: profit of RMB5,028,000) by the weighted average number of shares in issue during the financial year of 254,880,660 (2016: 254,880,660).

There is no dilutive earnings per share of the Company as there is no dilutive potential ordinary share issued.

27. RELATED PARTY INFORMATION

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiary, have been eliminated on consolidation and are not disclosed in this Note. Details of transactions between the Group and other related parties are disclosed below.

		Group	
		2017	**2016**
		RMB'000	**RMB'000**
(a)	**Purchase of goods and services**		
	Subcontracting costs paid/payable	**1**	54
	Purchase of raw materials and consumables	**113,191**	130,574
	Rental expenses	**30**	30
(b)	**Sale of goods and services**		
	Spray-painting income included in revenue	**(25,235)**	(39,379)
	Sales of aluminium panels included in revenue	**(1,751)**	(256)
	Sales of raw material	**(1,600)**	(4,402)
	Other income from sub-processing fee	**(127)**	(171)
(c)	**Advances and reimbursements**		
	Payments made in advance to purchase raw materials*	**132,427**	134,095
	Reimbursement received for utilities expenses	**(2,487)**	(3,058)
(d)	**Key management personnel compensation**		
	Short-term employee benefits	**4,733**	4,667
	Contribution to defined contribution plan	**146**	142

* Recognised as purchases once the raw materials are received. This includes the amount shown as purchase of raw materials and consumables in part (a) of this Note.

The transactions as disclosed in (a), (b) and (c) above are entered into with companies in which two directors of the Company have controlling financial interests.

NOTES TO THE FINANCIAL STATEMENTS

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27. RELATED PARTY INFORMATION (CONTINUED)

Net outstanding balances as at 31 December 2017 and 2016 arising from sale/purchase of goods and services, advances for purchases and reimbursement of utilities expenses are disclosed as amount due to/from a related party and advance payments to a related party (Note 14) on the face of the consolidated statement of financial position. No expense has been recognised for the year for bad or doubtful debts in respect of balances with related parties.

The Chief Executive Officer had provided personal financial guarantee of RMB22,000,000 in favour of a financial institution for facilities granted to a subsidiary (Note 18) at no charge.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company.

Note: Please refer to page 26 on interested person transactions.

28. COMMITMENTS

Non-cancellable operating lease commitments

The Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of rental of office and factory spaces. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Future minimum lease payments				
– Within 1 year	**144**	256	**114**	226
– 1 year to 5 years	**–**	143	**–**	113
	144	399	**114**	339

29. SEGMENT INFORMATION

Business segment

The Group operates in only one operating segment which focuses on the manufacture and sale of aluminium composite panels and aluminium single panels. The business segment also include the spray-painting services predominantly provided to a related party, which are considered ancillary services to the aluminium panel products. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by management of the Group. Management of the Group reviews the overall results of the Group as a whole to make decisions about resource allocation. Accordingly, no further analysis of this single reporting segment has been prepared. A breakdown of the Group's revenue by major products/services is disclosed in Note 20.

Management monitors the operating results of its business in a manner consistent with that in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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29. SEGMENT INFORMATION (CONTINUED)

Geographical segments

Revenue earned from external customers are based on the geographical location of the Group's external customers. Non-current assets are based on the location of these assets.

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Revenue		
People's Republic of China	**143,358**	179,517
USA	**7,971**	10,178
Brazil	**11,783**	14,271
UK	**17,305**	16,346
Ukraine	**12,182**	16,463
Mexico	**6,121**	5,823
Australia	**4,626**	8,614
Italy	**5,930**	3,717
Spain	**–**	309
Israel	**102**	880
Tunisia	**4,502**	6,168
Austria	**6,481**	4,368
Saudi Arabia	**396**	3,271
South Africa	**4,161**	1,953
Other countries	**17,627**	14,678
Total	**242,545**	286,556
Non-current asset		
People's Republic of China	**59,623**	61,894
Singapore	**760**	139
Total	**60,383**	62,033

Information about major customers

Revenue from 3 (2016: 3) major third party customers in Europe and America, arising from sales of aluminium panels, amounted to approximately RMB36,292,000 (2016: RMB42,022,000), representing 15% (2016: 15%) of the Group's revenue. Revenue from these customers individually does not exceed 10% of Group's revenue.

Another major customer is a related party, who contributed 11% (2016: 14%) or approximately RMB26,515,000 (2016: RMB39,635,000) to the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are market risks (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is the Group's policy not to trade in derivative contracts.

(i) Market risk

(a) Foreign exchange risk

The Group operates mainly in Singapore and China and the Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily United States dollars ("USD"). Approximately 41% (2016: 37%) of the Group's sales are denominated in foreign currencies. The Group's trade receivables at the end of financial year are also subject to foreign currencies exposure. The Group also hold cash and short-term deposits denominated in foreign currencies for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 31 December 2017	Singapore dollars	United States dollars	Chinese Renminbi	Euro	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and bank balances	7,276	8,493	36,424	–	52,193
Trade receivables	–	17,382	102,137	18	119,537
Other receivables and deposits	49	–	1,604	–	1,653
Due from a related party (trade)	–	–	2,063	–	2,063
Intra-group receivables (non-trade)	–	–	2,274	–	2,274
	7,325	25,875	144,502	18	177,720
Financial liabilities					
Trade payables	–	–	17,664	–	17,664
Other payables and accruals	1,023	–	8,458	–	9,481
Short term bank loans	–	–	22,000	–	22,000
Intra-group payables (non-trade)	–	–	2,274	–	2,274
	1,023	–	50,396	–	51,419
Net financial assets	6,302	25,875	94,106	18	126,301
Less: Net financial assets denominated in the respective entities' functional currencies	(6,302)	–	(96,380)	–	(102,682)
Foreign currency exposure	–	25,875	(2,274)	18	23,619

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 31 December 2016	Singapore dollars	United States dollars	Chinese Renminbi	Euro	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Cash and bank balances	7,729	1,898	63,896	–	73,523
Trade receivables	–	19,730	103,080	17	122,827
Other receivables and deposits	57	–	1,107	–	1,164
Due from a related party (trade)	–	–	11,126	–	11,126
Intra-group receivables (non-trade)	–	–	2,282	–	2,282
	7,786	21,628	181,491	17	210,922
Financial liabilities					
Trade payables	–	492	23,939	–	24,431
Other payables and accruals	903	–	7,954	–	8,857
Short term bank loans	–	–	22,000	–	22,000
Intra-group payables (non-trade)	–	–	2,282	–	2,282
	903	492	56,175	–	57,570
Net financial assets	6,883	21,136	125,316	17	153,352
Less: Net financial assets denominated in the respective entities' functional currencies	(6,883)	–	(127,598)	–	(134,481)
Foreign currency exposure	–	21,136	(2,282)	17	18,871

As at 31 December 2016 and 2017, the Company has no financial instruments denominated in foreign currency, except for an amount due to subsidiary of approximately RMB2,274,000 (2016: RMB2,282,000) which is denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 5% increase and decrease in the Chinese Renminbi and Singapore dollars against the relevant foreign currencies. 5% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans.

If the United States dollars, Chinese Renminbi and Euro strengthen/weaken by 5% (2016: 5%) against the respective functional currencies of the Group entities, with all other variables held constant, the profit for the year will increase/(decrease) by:

	2017 Profit net of tax RMB'000	**2016 Profit net of tax RMB'000**
Group		
USD against RMB		
– strengthened	**970**	793
– weakened	**(970)**	(793)
RMB against SGD		
– strengthened	**(113)**	(114)
– weakened	**113**	114
Euro against RMB		
– strengthened	**1**	1
– weakened	**(1)**	(1)
Company		
RMB against SGD		
– strengthened	**(113)**	(114)
– weakened	**113**	114

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

The Group obtains additional financing through bank borrowings.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise interest rate swap or other arrangements for trading or speculative purposes. As at 31 December 2017, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The Group's total comprehensive income is not affected by changes in interest rates as the interest-bearing financial instruments carry fixed interest (Note 18) and are measured at amortised cost. As such, sensitivity analysis is not provided.

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Management monitors rolling forecasts of the Group's and the Company's liquidity reserve, comprising cash and cash equivalents (Note 15) on the basis of expected cash flows.

The remaining contractual maturity for all financial liabilities of the Group and Company is on demand or due within 1 year from the reporting date. The average credit period for trade payables from non-related parties is 60 days (2016: 60 days). Trade purchases from a related party are mostly paid in advance.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's major classes of financial assets are bank deposits and trade receivables. Cash and cash equivalents are placed with reputable financial institutions in Singapore and People's Republic of China. Bills receivables are issued by reputable financial institutions of good credit standing. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

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For the financial year ended 31 December 2017
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30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

At the end of the reporting period, out of the Group's third party trade receivables (excluding bills receivables):

– 23% (2016: 23%) were due from 3 (2016: 3) major PRC customers who are established companies engaged in the construction and building material sector.

– 54% (2016: 62%) were due from customers located in Jiangsu province and Shanghai in PRC which are companies engaged in construction and building material sector.

– 11% (2016: 9%) were due from 5 (2016: 3) major overseas customers (located in North & South America and Europe) who are engaged in the construction industry sector.

The average credit period on sales of goods and spray painting income is 90 days (2016: 90 days). No interest is imposed on overdue trade receivables.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The credit risk for trade and bills receivables, including amount due from a related party (trade), based on the information provided to key management is as follows:

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
By geographical areas		
– PRC	**104,825**	116,626
– UK	**4,239**	3,130
– USA	**2,210**	668
– Brazil	**2,537**	3,306
– Ukraine	**3,627**	5,533
– Austria	**1,037**	898
– Mexico	**1,343**	764
– Other countries*	**1,782**	3,028
	121,600	133,953

* Other countries includes Africa, Australia, Italy, Norway, Tunisia and Uruguay.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017
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30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

	Group	
	2017	2016
	RMB'000	RMB'000
By types of customers		
– Related parties	**2,063**	11,126
– Third parties	**119,537**	122,827
	121,600	133,953

The amounts presented in the statements of financial position are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

The age analysis of trade receivables (excluding bills receivables) and amount due from a related party (trade) is as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Not past due and not impaired	**59,715**	69,920
Past due but not impaired		
– Past due 0 to 3 months	**15,136**	16,768
– Past due 3 to 9 months	**27,659**	23,129
– Past due over 9 months	**17,337**	20,762
	60,132	60,659
Impaired trade receivables (gross)	**14,944**	11,193
Less: Allowance for impairment of trade receivables	**(14,634)**	(10,869)
	120,157	130,903
Represented by:		
– Third parties (Note 12)	**118,094**	119,777
– Related party	**2,063**	11,126
	120,157	130,903

Included in the Group's trade receivable balance are debtors with total carrying amount of approximately RMB60,132,000 (2016: RMB60,659,000) which are past due but not impaired as these debtors are established domestic customers with continuous transactions with the Group and/or collection track record and not known to be in significant financial difficulty. Accordingly, the management is of the view that there has been no changes in credit quality and the amounts are considered recoverable.

The amounts that are neither past due nor impaired mainly represents balances owing from long-term domestic customers with active frequent transactions that have no history of default and these amounts are deemed fully recoverable.

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30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment loss are as follows:

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Not past due	**217**	274
Past due 0 to 9 months	**292**	263
Past due 9 months to 21 months	**1,037**	200
Past due over 21 months	**13,398**	10,456
	14,944	11,193
Less: Allowance for impairment	**(14,634)**	(10,869)
	310	324

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Balance at beginning of the year	**10,869**	12,344
Allowance during the financial year	**6,661**	–
Written back during the financial year	**(2,896)**	(1,475)
Allowance for doubtful trade debts, net	**3,765**	(1,475)
Balance at end of the year	**14,634**	10,869

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have delayed payments significantly.

As other receivables are not significant, no detailed age analysis has been set out as above.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category

The following table sets out the carrying amounts of the different categories of financial instruments as at reporting date:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Loans and receivables	**175,446**	208,640	**7,325**	7,786
Financial liabilities at amortised cost	**49,145**	55,288	**3,297**	3,185

Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group and the Company consist of debt, which includes the borrowings disclosed in Note 18, net of cash and cash equivalents and the equity attributable to equity holders of the parent, comprising issued capital, statutory reserve fund, capital reserve, currency translation reserve and revenue reserve. The Group's and Company's strategies were unchanged from 2016.

The Board of Directors reviews the capital structure on a semi-annual basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital and monitors the gearing ratio. Based on guidance of the board, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

As disclosed in Note 4, the subsidiary of the Group is required by the relevant law and regulations of the PRC to contribute and to maintain a non-distributable statutory reserve fund, the utilisation of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2017 and 2016.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair value in 2017 and 2016.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, including related parties balances, are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2018

Issued and Fully Paid Capital	:	**RMB140,543,000**
Class of shares	:	**Ordinary Shares**
Voting rights	:	**1 vote per share**
Total no. of issued Ordinary Shares	:	**254,880,660**
Total no. of Treasury Shares	:	**Nil**
Total no. of Subsidiary Holdings	:	**Nil**

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.35	160	0.00
100 – 1,000	33	5.81	30,456	0.01
1,001 – 10,000	175	30.81	1,140,713	0.45
10,001 – 1,000,000	345	60.74	35,123,900	13.78
1,000,001 AND ABOVE	13	2.29	218,585,431	85.76
TOTAL	**568**	**100.00**	**254,880,660**	**100.00**

Substantial Shareholders

As shown in the Register of Substantial Shareholders

		Direct Interest		Deemed Interest	
No.	**Name**	**No. of Shares**	**%**	**No. of Shares**	**%**
1	China Delta Limited[(1)]	74,425,700	29.20%	–	–
2	Lai Shih-Wei[(1)]	30,236,540	11.86%	–	–
3	Forbury Investments Limited[(1)]	14,439,020	5.67%	–	–
4	Xu Youcai[(2)]	–	–	74,425,700	29.20%
5	Zhao Guiying[(3)]	–	–	74,425,700	29.20%
6	Guo Yun[(4)]	–	–	14,439,020	5.67%

(1) These shares are held through a nominee bank account.

(2) Mr Xu Youcai is deemed to have an interest of 74,425,700 ordinary shares in the Company via his 60% shareholding in China Delta Limited.

(3) Ms Zhao Guiying is deemed to have an interest of 74,425,700 ordinary shares in the Company via her 30% shareholding in China Delta Limited.

(4) Mr Guo Yun is deemed to have an interest of 14,439,020 ordinary shares in the Company via his 100% shareholding in Forbury Investments Limited.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2018

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HL BANK NOMINEES (SINGAPORE) PTE LTD	124,201,260	48.73
2	DBS NOMINEES (PRIVATE) LIMITED	48,020,649	18.84
3	RAFFLES NOMINEES (PTE) LIMITED	15,967,000	6.26
4	OCBC SECURITIES PRIVATE LIMITED	9,576,700	3.76
5	PHILLIP SECURITIES PTE LTD	5,541,000	2.17
6	LAW PENG KWEE	3,000,000	1.18
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,519,100	0.99
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,169,022	0.85
9	RONNIE POH TIAN PENG	2,100,000	0.82
10	CHOY WEE CHIAP	1,913,000	0.75
11	KALANDORO TJITRA SIANTAR	1,286,700	0.50
12	ABN AMRO CLEARING BANK N.V.	1,216,500	0.48
13	MAH QUEE YONG (MA GUIRONG)	1,074,500	0.42
14	CHOY SHIEN YANG	1,000,000	0.39
15	QUEY SEW LENG @ QUEK SIEW LENG	1,000,000	0.39
16	WEE THIAM CHYE	910,000	0.36
17	YUEN CHOOI YENG	900,000	0.35
18	TAN GUAN HENG (CHEN YUANXING)	862,500	0.34
19	LOW HWA BENG	800,000	0.31
20	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	725,000	0.28
	TOTAL	**224,782,931**	**88.17**

RULE 723 OF THE SGX LISTING MANUAL – FREE FLOAT

As at 16 March 2018, approximately 53.27% of the total number of issued shares, excluding treasury shares and subsidiary holdings, of the Company was held in the hands of the public.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The Company did not hold any treasury shares and subsidiary holdings as at 16 March 2018.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of CHINA HAIDA LTD. ("the Company") will be held at Chartroom, Level 2, Raffles Marina 10 Tuas West Drive Singapore 638404 on Friday, 27 April 2018 at 2.00 p.m. for the following purposes:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to the Company's Constitution:–

   (a) Mdm Zhao Guiying (Retiring under Article 107) **(Resolution 2)**

   (b) Mr Tang Chun Meng (Retiring under Article 107) **(Resolution 3)**

   [Please refer to Explanatory Note (i)]

3. To approve Directors' fees of S$95,000 for the financial year ended 31 December 2017. (2016: S$95,000) **(Resolution 4)**

4. To re-appoint Messrs Crowe Horwath First Trust LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:–

6. **Authority to Issue Shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the directors of the Company to issue shares (whether by way of rights, bonus or otherwise) and convertible securities in the Company at any time to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities to be issued pursuant to this resolution does not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings issued by the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares and subsidiary holdings issued by the Company. For the purpose of this resolution, the total number of issued shares excluding treasury shares and subsidiary holdings to be issued by the Company shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings issued by the Company at the time this resolution approving the mandate is passed (after adjusting for any new shares arising from conversion or exercise of convertible securities; or new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the option or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual and any subsequent bonus issue, consolidation or subdivision of shares in the Company), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

   [Please refer to Explanatory Note (ii)] **(Resolution 6)**

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

7. **The proposed renewal of the Shareholders' Mandate for Interested Person Transactions That:**

(a) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the Company and its subsidiary, or either of them, to enter into any of the transactions falling within the types of interested person transactions set out in the Appendix dated 12 April 2018 ("**Appendix A**") accompanying this notice, with the interested persons described in the Addendum, and that such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company;

(b) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time; and

(c) the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interest of the Company to give effect to this Resolution.

[Please refer to Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Kenneth Leong
Company Secretary
Singapore,

12 April 2018

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mdm Zhao Guiying will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman of the Board and will be considered non-independent.

Mr Tang Chun Meng will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent.

(ii) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may issue under this resolution would not exceed fifty per centum (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company.

For the purpose of this resolution, the percentage of total number of issued shares excluding treasury shares and subsidiary holdings is based on the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

(iii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will allow the Company and its subsidiary to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST. Please refer to Appendix A accompanying this notice for details.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a Member of the Company.

3. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or under the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy or proxies must be deposited at the Share Registrar's Office of the Company at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CHINA HAIDA LTD.

(Incorporated in the Republic of Singapore)

Registration No. 200410428C

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, ____ (Name)

of ____ (Address)

being a *member/members of CHINA HAIDA LTD. (the "Company"), hereby appoint

Name	**NRIC/Passport No.**	**Proportion of shareholdings**	
		No. of shares	**%**
Address			

*and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of shareholdings**	
		No. of shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Chartroom, Level 2, Raffles Marina 10 Tuas West Drive Singapore 638404 on Friday, 27 April 2018 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Statement and Financial Statements for the financial year ended 31 December 2017		
2	Re-election of Mdm Zhao Guiying as a Director		
3	Re-election of Mr Tang Chun Meng as a Director		
4	Approval of Directors' fees amounting to S$95,000/-		
5	Re-appointment of Crowe Horwath First Trust LLP as Auditors		
6	Authority to issue new shares		
7	The proposed renewal of the Shareholders' Mandate for Interested Person Transactions		

Dated this ________ day of ____________ 2018

Total number of shares in:	**No. of shares**
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

** Delete where inapplicable*

IMPORTANT: Please read notes overleaf

Notes:–

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at the Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the Share Registrar's office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623, not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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