

HAIDA
QUALITY CHOICE • MODERN IMAGE

**ANNUAL
REPORT
2020**





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CORPORATE INFORMATION

(as at the date of this Annual Report)

BOARD OF DIRECTORS

Executive:

Soh Yeow Hwa (Executive Director, appointed on 3 November 2020 as Independent Director and re-designated as Executive Director on 21 January 2021)

Non-Executive:

Tang Chun Meng (Independent Director, designated as Lead Independent Director and Chairman of the Board on 21 January 2021)

Zhu Peng (Independent Director, appointed on 21 January 2021)

AUDIT COMMITTEE

Tang Chun Meng (Chairman)
Zhu Peng (Member)

NOMINATING COMMITTEE

Tang Chun Meng (Chairman)
Zhu Peng (Member)
Soh Yeow Hwa (Member)

REMUNERATION COMMITTEE

Zhu Peng (Chairman)
Tang Chun Meng (Member)

COMPANY SECRETARY

Lim Kok Meng (LLB, Hons)
(appointed on 1 August 2020)

REGISTERED OFFICE

24 Raffles Place #20-03,
Clifford Centre,
Singapore 048621

Tel: +65 6950 5335

Fax: +65 6535 0680

PRINCIPAL PLACE OF BUSINESS

388 Qinfeng Road,
Jiangyin City,
Jiangsu Province,
People's Republic of China 214421
Telephone: (86) 0510-86215015
Website: www.haida.com.sg

COMPANY REGISTRATION NUMBER

200410428C

AUDITORS

Crowe Horwath First Trust LLP
9 Raffles Place
#19-20 Republic Plaza, Tower 2
Singapore 048619

Partner-in-charge:
Adeline Ng Cheah Chen
(appointed since financial year ended 31
December 2018)

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Agricultural Bank of China, Jiangyin
Huashi Sub-branch
No. 98 Renmin Road,
Huashi Town
Jiangyin City,
Jiangsu Province
People's Republic of China

Bank of China, Jiangyin Huashi
Sub-branch
No. 18 Renmin Road
Huashi Town,
Jiangyin City
Jiangsu Province
People's Republic of China

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 Ornamental Materials Co., Ltd (formerly known as 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 former Chief Executive Officer (“CEO”), 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.

The Company incorporated CHD Engineering and Trading Pte. Ltd. (“CHD”), AAAAA Holdings Pte Ltd (“5A”) and Jiangyin Xinwan International Trade Limited (“Xinwan”) in the first half of 2021 to engage in the trading of aluminium and metal products.

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 were 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.



EXECUTIVE DIRECTOR'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I present herewith the annual report of China Haida Ltd. ("the Company") and its subsidiary, Jiangyin Litai Ornamental Materials Co., Ltd. ("Litai", and collectively, the "Group") for the financial year ended December 31, 2020 ("FY2020"). 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

The year 2020 has been an extremely challenging and difficult one for the Group. In early 2020, the outbreak of the COVID-19 pandemic led to an unprecedented global crisis, with many countries implementing restrictive measures to curb the spread of COVID-19. A massive lockdown in the PRC whereby Jiangyin City was locked down on several occasions led to the shutdown of production plant of Litai. Subsequently, the production plant was suspended for several months from August 2020. As the result of the suspension in the operations of the production plant and the fall in export sales due to the COVID-19 pandemic, the Group's total revenue for FY2020 slumped approximately 85.2% or RMB177.1 million, from RMB207.8 million in FY2019 to RMB30.7 million.

During FY2020, the Group provided impairment loss on financial assets, totaling RMB74.1 million for trade receivables, due from related parties (trade), advance payments to a related party (trade) and other receivables, deposits and prepayments. The Group also provided impairment losses of RMB51.8 million on pledged assets due to courts' enforcement cases. The pledged assets comprised of frozen bank accounts, net realisable value of inventory, net book value of rights-of-use assets and net book value of property, plant and equipment due to courts' enforcement cases. In addition, the Group has made provision for courts' enforcement cases of RMB15.8 million. All these exceptional allowances and provisions have resulted in net loss after taxation of approximately RMB181.4 million as compared to a net loss after taxation of RMB50.8 million in FY2019 for the Group.

The loss per ordinary share was RMB71.2 cents in FY2020 as compared to the loss per ordinary share of RMB19.9 cents in FY2019.

No dividend was declared in FY2020 due to the huge losses incurred and the imperative need for the Group to conserve cash for working capital purposes.

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. Our sustainability report for FY2020 will be published separately on SGXNet.

EXECUTIVE DIRECTOR'S MESSAGE

Looking Ahead

The Group's focus in the near term will be to steer the Group out of its current difficult position by building growth platforms for a sustainable future. As the first step forward, the Company had, on 21 January 2021, reconstituted the Board and Board Committees with the appointment of Mr Zhu Peng as independent director and re-designation of Mr Soh Yeow Hwa from independent director to executive director. As such, the Board is strengthened. The Board is cognizant of the imperative need to revitalize the Group's business and will strive to turnaround the Company with sustainable businesses.

The Company have since put in place a project team to source for new business acquisitions and seek strategic alliance and collaboration with local companies to take on projects in Singapore and around the region closer to home. We have identified and narrowed down to several parties and will be engaging these potential parties in active discussions. The Company has incorporated CHD, 5A and Xinwan in the first half of 2021 to engage in the trading of aluminium and metal products, with the aim to increase revenue stream.

On 24 May 2021, CHD entered into a joint venture agreement with K-United Builder Pte. Ltd. to collaborate and leverage on each party's resources to supply and install aluminium products for 1 commercial project in Malaysia and 2 residential projects in Singapore. These projects are expected to contribute to the Group's earnings going forward. The business activities to be conducted under the joint venture are in the ordinary course of the Group's core business relating to the manufacture, sale and installation of aluminium products.

In addition, Litai has also resumed part of its operations, which includes sourcing for new orders, collection of trade debts and other administrative activities.

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 2020. At the same time, I wish to express my appreciation to the management team and all staff for their dedication, commitment and contribution to help to overcome the issues surrounding the Group.

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

Mr Soh Yeow Hwa

14 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Group's revenue for FY2020 fell approximately 85.2% or RMB177.1 million, from RMB207.8 million in FY2019 to RMB30.7 million attributed mainly to the shut down of production plant of Litai during COVID-19 lockdown in the PRC, followed by the temporary suspension of the plant in August 2020. In addition, export sales had been badly affected by the COVID-19 pandemic. The Group's revenue for FY2020 included revenue of RMB0.2 million from the trading of aluminium products by the Company that commenced in December 2020 as part of its efforts to increase revenue streams.

Due to the challenging business environment and COVID-19 lockdown in the PRC and overseas countries, the Group suffered a gross loss in FY2020. Gross loss was RMB5.8 million for FY2020 as compared with gross profit of RMB18.7 million for FY2019. Gross profit margin was negative 18.9% for FY2020, a sharp drop from 9.0% in FY2019 due primarily to higher absorption of fixed costs such as depreciation charge of RMB4.2 million and water and electricity of RMB2.0 million charged as costs of sales in FY2020 against lower production activities and certain slow-moving inventory were realized at prices below cost.

The Group recorded lower other operating income of RMB0.3 million in FY2020 as compared RMB1.6 million in FY2019. This was mainly due to RMB0.8 million of income from sale of scraps and RMB0.3 million of net foreign exchange gain generated in FY2019 as compared to nil in FY2020; and lower grants and incentives from the PRC government in FY2020.

Operating expenses

Total operating expenses decreased marginally by approximately 11.9% or RMB2.7 million from approximately RMB22.7 million in FY2019 to RMB20.0 million in FY2020, attributed to the decrease in selling and distribution expenses and administrative expenses.

Selling and distribution expenses

With lower revenue, selling and distribution expenses decreased by approximately RMB1.7 million or 60.7%, from RMB2.8 million in FY2019 to RMB1.1 million in FY2020. The decrease was attributed mainly to the lower salary costs and lower shipping expenses in line with the decline in revenue.

Administrative expenses

Administrative expenses decreased marginally by approximately RMB1.0 million or 5.0%, from RMB19.9 million in FY2019 to RMB18.9 million in FY2020. Despite the significant decline in revenue in FY2020, administrative expenses in FY2020 did not decrease significantly compared to FY2019. This was attributed mainly to the business consultancy expenses of RMB 2.3 million, litigation expenses of RMB0.4 million for related litigation cases and personal income tax expense of RMB1.1 million incurred by Litai in FY2020.

Personal income tax relates to personal income taxes of the employees/workers of Litai. Under the requirements of the local government of Jiangyin, Litai shall make payment to the government the personal income tax of its employees first and then collect from the employees their personal income taxes. Mr Xu Youcai approved expensing the personal income taxes and not to seek repayment of these personal income taxes from its employees (including personal income taxes for himself of RMB467,000 and a former director, Guo Yun, of RMB209,000).

Impairment loss on financial assets, net

The allowance for impairment on financial asset (net) was RMB74.1 million in FY2020, an increase of RMB25.7 million or 53.1% increase from FY2019, mainly due to additional allowance for impairment for trade receivables, due from related parties (trade), advance payments to a related party (trade) and other receivables, deposits and prepayments in FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Interest expense for FY2020 was lower as compared to FY2019. This was mainly due to higher average short-term bank loans balances in FY2019 as compared to FY2020. The weighted average interest rate of 3.99% per annum remained the same as the previous year.

Other expenses

Other expenses in FY2020 amounted to RMB81.1 million and comprised of the following expenses:

(a) Write down in inventory to net realisable value

In FY2020, Litai wrote down the value of inventories to net realizable value by RMB9.4 million as a result of the negative impact of the COVID-19 pandemic on its business. Accordingly, slow-moving inventory was written down to their net realizable value. In FY2019, there was no write down in inventories to net realisable value.

(b) Provision for courts' enforcement cases

In FY2020, the Group provided RMB15.8 million of provision for courts' enforcement cases based on the GFE Legal Report as announced on 26 February 2021. It must be noted that, due to the lack of information, the amount of provision for courts' enforcement cases provided in the books may not be sufficient arising from late interests, penalties payable to certain enforcement applicants and other courts' enforcement cases. In FY2019, there was no such provision.

(c) Impairment loss on pledged assets due to courts' enforcement cases

In FY2020, the Group provided impairment losses of RMB51.8 million on frozen bank accounts, net realisable value of inventory, net book value of rights-of-use assets and net book value of property, plant and equipment due to courts' enforcement cases based on the GFE Legal Report and as announced on 26 February 2021. In FY2019, there was no such provision.

Tax credit

The income tax rate applicable to Litai was 25% (FY2019: 25%). As there was a loss from operation, no provision for taxation was made during FY2020.

Loss after taxation

Due to lower sales, gross loss, allowance for impairment loss on financial assets, impairment loss on assets due to courts' enforcement cases, provision for courts' enforcement cases and write down in inventory to net realizable value, the Group recorded a net loss of approximately RMB181.4 million in FY2020 as compared to a net loss of approximately RMB50.8 million in FY2019.

Cash and bank balances

Cash and bank balances as at 31 December 2020 was approximately RMB1.2 million, after netting of allowance of impairment loss on frozen bank balances of RMB3.5 million. It was a decrease of approximately RMB10.3 million as compared to the cash and bank balances of RMB11.5 million as at 31 December 2019. The reduction in the cash flows was mainly due to net cash used in operating activities of approximately RMB4.6 million and net cash used in financing activities of approximately RMB1.6 million, being partially offset by net cash generated from investing activities of approximately RMB0.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

In addition to the slowdown and uncertainties in both the domestic and global markets due to the ongoing trade tension between China and the United States, the outbreak of the COVID-19 pandemic in early 2020 has resulted in the lockdown of Jiangyin City on several occasions which led to the shutdown of production plant of Litai. Subsequently, the production plant was suspended for several months from August 2020. As a result, production activities and operations were adversely impacted and halted for several months in FY2020, which resulted in the huge slump in the Group's FY2020 revenue by approximately 85.2%. In addition, the already dire situation was exacerbated by the various litigation claims and courts' enforcement rulings against Litai. As the result, Group provided allowances for impairment loss of RMB74.1 million on financial assets, impairment losses of RMB51.8 million on pledged assets due to courts' enforcement, provision for courts' enforcement cases of RMB15.8 million, with total allowances amounting to RMB141.7 million, resulting in massive loss of RMB181.4 million for the year.

Going Forward

Going forward, the Group expects the business environment to be extremely challenging. Nevertheless, the Group strives to be operationally ready to meet the many challenges and opportunities in the future.

BOARD OF DIRECTORS

MR SOH YEOW HWA
EXECUTIVE DIRECTOR

Mr Soh Yeow Hwa (Age: 54) was appointed on 3 November 2020 as an independent director. Mr Soh was re-designated as an executive director on 21 January 2021. Following the re-designation of his directorship, Mr Soh will be responsible in overseeing the day to day operations of the Company which includes the finance department. Mr Soh is also a member of the Nominating Committee.

He is currently also an independent director of Green Build Technology Limited, a company listed on the mainboard of SGX-ST. He is the Chairman of the Audit Committee and Remuneration Committee and also a member of the Nominating Committee of Green Build Technology Limited.

Mr Soh is a Certified Practicing Accountant of CPA Australia, and a Chartered Accountant and member of the Institute of Singapore Chartered Accountants. He was graduated with a Bachelor of Commerce from Griffith University, Australia in 1992. He has more than 20 years of experience in the fields of accounting, auditing as well as business and financial advisory.

MR TANG CHUN MENG
INDEPENDENT DIRECTOR

Mr Tang Chun Meng (Age: 68) was appointed on 2 June 2015 as an independent director and was last re-elected on 27 April 2018. He also sits on the Audit Committee and Nominating Committee as Chairman and is a member of the Remuneration Committee. He is appointed as Lead Independent Director and Chairman of the Board on 21 January 2021.

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 (ISCA Singapore).

MR ZHU PENG
INDEPENDENT DIRECTOR

Mr Zhu Peng (Age: 46) was appointed on 21 January 2021 as an independent director. He also sits on the Remuneration Committee as Chairman and is a member of Audit Committee and Nominating Committee.

Mr Zhu has more than 20 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. Mr. Zhu also has extensive experience in the field of commodity trading and investment. He currently works as a financial manager in a multinational investment company.

Mr Zhu graduated with a degree from Fudan University. He is a member of the Institute of Singapore Chartered Accountants (ISCA Singapore) and is also a fellow member of the Association of Chartered Certified Accountants (United Kingdom).

KEY MANAGEMENT

MR LAI SHIH-WEI

Mr Lai Shih-Wei was appointed by the Company on 1 March 2021 as the general manager of Litai in charge of the PRC region. He takes instructions from and reports to the Board. He is responsible for overall operational and administrative functions of Litai. He is also responsible for protecting the assets of Litai, including the safe-keeping of items such as the legal representative seal, finance seal and business licenses of Litai.

Mr Lai is a substantial shareholder of the Company with direct interest of 11.86% in the Company.

MR CHEN WEI

Mr Chen Wei is the head of department in charge of administration of Litai since 2000. He is familiar with the various rules and regulations of Litai and assist the general manager in the comprehensive management of the daily affairs and coordination of the work of various departments of Litai. He is also responsible for personnel, environmental protection, safety and other related work in Litai. He graduated from Wuxi Jiangnan University, major in Economic 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.

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REPORT ON CORPORATE GOVERNANCE

The board of directors (the “**Board**” or the “**Directors**”) and Management of China Haida Ltd. (the “**Company**”, together with its sole and wholly-owned subsidiary, the “**Group**”), believe in having high standards of corporate governance, and are committed to achieving the recommendations as set out within the Code of Corporate Governance 2018 (the “**Code**”). This report describes the main corporate governance framework and the practices of the Group with specific reference to the Code, and where appropriate, the Company will explain the deviation from the Code.

Save as and subject to the exceptions, constraints and reservations as noted in this report and other parts of the Annual Report, the Board confirms that for the financial year ended 31 December 2020 (“**FY2020**”), the Group has generally adhered to the principles and provisions as set out in the Code. In this regard, to the best of its ability, the Company has provided the appropriate explanations for any principles and/or provisions that have not been complied with, where applicable.

I. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1

The Company is led by an effective board to lead and control its operations and affairs. Each Director brings to the Board his skills, experience and insights, together with strategic networking relationships, and serves to further the interests of the Company. All Directors, being fiduciaries, are required to act objectively in the best interests of the Company.

The primary role of the Board is to protect the interests of shareholders and to enhance long-term value and returns for its shareholders. 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.

REPORT ON CORPORATE GOVERNANCE

The Board has a general understanding and expectation of a code of conduct and ethics and desired organisational culture so as to ensure proper accountability of the Company. The Board will revisit and formalise such understanding and expectations in due course.

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and is obliged to act in good faith and to take objective decisions in the interest of the Group. When a potential conflict of interest situation arises, the affected Director will recuse himself from the discussion and decisions involving the areas of potential conflict, unless the Board is of the opinion that his participation is necessary. Where such participation is permitted, the conflicted Director shall excuse himself for an appropriate period during the discussions to facilitate full and frank exchange by the other Directors, and shall in any event recuse himself from the decision-making.

Provision 1.2

All the Directors have a good understanding of the Group's business as well as their directorship duties (including their roles as executive Directors of the Company ("**Executive Directors**"), non-executive Directors of the Company ("**Non-Executive Directors**") and independent Directors of the Company ("**Independent Directors**"). Directors are expected to develop their competencies to effectively discharge their duties are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense.

The Board is kept updated on pertinent business developments in the business, including the key changes in the regulatory requirements and financial reporting standards, risk management, corporate governance and industry specific knowledge, so as to enable them to properly discharge their duties as the Board and the Board Committees members. Directors may request further explanations, briefings and informal discussions on any aspects of the Group's operations or business issues.

On an ongoing basis, new releases issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Group's business are regularly circulated to the Board.

An orientation programme will be organised for new Directors 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. Newly appointed Directors will be provided with a formal letter setting out their duties and obligations. Apart from Mr Soh Yeow Hwa ("**Mr Soh**"), who was appointed as an Independent Director of the Company on 3 November (and was subsequently re-designated as an Executive Director of the Company on 21 January 2021) and Mr Zhu Peng ("**Mr Zhu**"), who was appointed as an Independent Director of the Company on 21 January 2021, there were no new or incoming Directors during FY2020 and as at the date of this report.

The directors did not attend any structured training programs or seminars during FY2020. Nevertheless, the Directors were from time to time kept abreast of any major changes and development in financial reporting, risk management and other regulatory requirements by the Company's auditors (both internal and external) and Company Secretary.

Provision 1.3

The Group has adopted a set of guidelines on matters that require Board's approval. Matter which are specifically reserved for the Board's decision include those involving business plans and budgets, material acquisitions and disposal of assets and investments, corporate/financial restructurings, corporate strategy, issuance of shares, declaration of dividends and other returns to shareholders.

REPORT ON CORPORATE GOVERNANCE

Provision 1.4

To assist the Board in discharging its oversight functions and to enhance the Company's corporate governance framework, the Board has delegated specific responsibilities to its three (3) committees, namely Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") (collectively, the "Board Committees"). These Board Committees have been constituted with clearly defined written terms of reference, which are reviewed on a regular basis. The Board Committees have the authority to examine and report to the Board on their decisions and/or recommendations made on particular issues but the ultimate responsibility and decision on all matters lie on the entire Board.

Provision 1.5

The Board conducts regular scheduled meetings twice 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 during FY2020 as well as the frequency of such meetings held, is summarised in the tables below:

Name of Directors	Board of Directors		Audit Committee		
	No. of Meetings held	No. of Attendance	Membership	No. of Meetings held	No. of Attendance
Zhao Guiying ⁽¹⁾	4	0	No	Not applicable	Not applicable
Xu Youcai ⁽²⁾	4	0	No	Not applicable	Not applicable
Guo Yun ⁽³⁾	0	Not applicable	No	Not applicable	Not applicable
Wang Liangfa ⁽⁴⁾	4	0	Yes	2	0
Soh Beng Keng ⁽⁵⁾	2	2	No ⁽⁵⁾	2	2
Tang Chun Meng	4	4	Yes	2	2
Soh Yeow Hwa ⁽⁶⁾	2	2	Yes	0	Not applicable

Name of Directors	Nominating Committee			Remuneration Committee		
	Membership	No. of Meetings held	No. of Attendance	Membership	No. of Meetings held	No. of Attendance
Zhao Guiying ⁽¹⁾	No	Not applicable	Not applicable	No	Not applicable	Not applicable
Xu Youcai ⁽²⁾	No	Not applicable	Not applicable	No	Not applicable	Not applicable
Guo Yun ⁽³⁾	No	Not applicable	Not applicable	No	Not applicable	Not applicable
Wang Liangfa ⁽⁴⁾	Yes	1	0	Yes	1	0
Soh Beng Keng ⁽⁵⁾	No ⁽⁵⁾	1	1	No ⁽⁵⁾	1	1

REPORT ON CORPORATE GOVERNANCE

Name of Directors	Nominating Committee			Remuneration Committee		
	Membership	No. of Meetings held	No. of Attendance	Membership	No. of Meetings held	No. of Attendance
Tang Chun Meng	Yes	1	1	Yes	1	1
Soh Yeow Hwa ⁽⁶⁾	Yes	0	Not applicable	Yes	0	Not applicable

- (1) Ms Zhao Guiying was suspended from her duties as a Non-Executive Director of the Company as at 21 January 2021, and her office as a Director of the Company was vacated as at 9 June 2021.
- (2) Mr Xu Youcai was suspended from his duties as an Executive Director of the Company as at 21 January 2021, and his office as a Director of the Company was vacated as at 9 June 2021. In connection with the foregoing, Mr Xu Youcai also ceased to be the Company's Chief Executive Officer as at 9 June 2021.
- (3) Mr Guo Yun resigned on 15 January 2020.
- (4) Mr Wang Liangfa was suspended from his duties as an Independent Director of the Company as at 21 January 2021, and his office as a Director of the Company was vacated as at 9 June 2021.
- (5) Mr Soh Beng Keng retired on 29 June 2020.
- (6) Mr Soh Yeow Hwa was appointed as an Independent Director of the Company on 3 November 2020 and re-designated as an Executive Director of the Company on 21 January 2021.

For the avoidance of doubt, the tables above do not include meetings in FY2020 which had to be adjourned due to the lack of quorum arising from the absence of Mr Xu Youcai, Ms Zhao Guiying and/or Mr Wang Liangfa.

The attendance of the Directors at meetings of the Board and Board committees from the period starting 1 January 2021 up to the date of this report, as well as the frequency of such meetings held, is summarised in the tables below:

Name of Directors	Board of Directors		Audit Committee		
	No. of Meetings held	No. of Attendance	Membership	No. of Meetings held	No. of Attendance
Zhao Guiying ⁽¹⁾	1	0	No	Not applicable	Not applicable
Xu Youcai ⁽²⁾	1	0	No	Not applicable	Not applicable
Wang Liangfa ⁽³⁾	1	0	No	Not applicable	Not applicable
Tang Chun Meng	4	4	Yes	1	1
Soh Yeow Hwa ⁽⁴⁾	4	4	No ⁽⁴⁾	1	1*
Zhu Peng ⁽⁵⁾	3	3	Yes	1	1

Name of Directors	Nominating Committee			Remuneration Committee		
	Membership	No. of Meetings held	No. of Attendance	Membership	No. of Meetings held	No. of Attendance
Zhao Guiying ⁽¹⁾	No	Not applicable	Not applicable	No	Not applicable	Not applicable
Xu Youcai ⁽²⁾	No	Not applicable	Not applicable	No	Not applicable	Not applicable

REPORT ON CORPORATE GOVERNANCE

Name of Directors	Nominating Committee			Remuneration Committee		
	Membership	No. of Meetings held	No. of Attendance	Membership	No. of Meetings held	No. of Attendance
Wang Liangfa ⁽³⁾	No	Not applicable	Not applicable	No	Not applicable	Not applicable
Tang Chun Meng	Yes	1	1	Yes	1	1
Soh Yeow Hwa ⁽⁴⁾	Yes	1	1	No ⁽⁴⁾	1	1*
Zhu Peng ⁽⁵⁾	Yes	1	1	Yes	1	1*

* Attended by invitation

- (1) Ms Zhao Guiying was suspended from her duties as a Non-Executive Director of the Company as at 21 January 2021, and her office as a Director of the Company was vacated as at 9 June 2021.
- (2) Mr Xu Youcai was suspended from his duties as an Executive Director of the Company as at 21 January 2021, and his office as a Director of the Company was vacated as at 9 June 2021. In connection with the foregoing, Mr Xu Youcai also ceased to be the Company's Chief Executive Officer as at 9 June 2021.
- (3) Mr Wang Liangfa was suspended from his duties as an Independent Director of the Company as at 21 January 2021, and his office as a Director of the Company was vacated as at 9 June 2021.
- (4) Mr Soh Yeow Hwa was appointed as an Independent Director of the Company on 3 November 2020 and re-designated as an Executive Director of the Company on 21 January 2021. Upon his re-designation, Mr Soh Yeow Hwa was no longer a member of the Audit Committee and Remuneration Committee.
- (5) Mr Zhu Peng was appointed as an Independent Director of the Company on 21 January 2021.

All Directors are required to declare their board representations on an annual basis and as soon as practicable after the relevant facts have come to his knowledge.

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The NC noted that Mr Xu Youcai (“**Mr Xu**”), Ms Zhao Guiying (“**Ms Zhao**”) and Mr Wang Liangfa (“**Mr Wang**”) did not participate in any of the meetings in FY2020 and up to the date of this report. Repeated attempts have been made to contact them to no avail. Shareholders may refer to the Company’s announcements released on 8 April 2020, 15 April 2020, 22 April 2020, 20 May 2020, 17 June 2020, 24 June 2020, 30 June 2020, 3 July 2020, 20 July 2020, 24 July 2020, 3 November 2020, 21 January 2021, 26 January 2021 and 27 April 2021 for more information. In view of the foregoing, the NC is of the view that Mr Xu, Ms Zhao and Mr Wang are no longer fit to hold office as Directors of the Company, and therefore had resolved to suspend them from their respective duties as Directors of the Company on 21 January 2021 and the Company announced an announcement relating such suspension via SGXNET on the same day. Furthermore, as Mr Xu, Ms Zhao and Mr Wang have not been in office for a period of more than six (6) months without the permission of the Board and without providing any reasons for the absence, their respective office was vacated on 9 June 2021 at the NC’s recommendation.

The NC will typically review the time spent and attention given by each of the Directors to the Group’s affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any). The Company does not have a formal guideline on the maximum number of listed company board representations and principal commitments which any Director may hold, as the NC and the Board are of the view that such number may not fairly reflect whether a Director could timely and diligently attend to the Company’s matters and discharge his duties as a Director.

It is with these principles in mind that the NC determine and recommend Directors whom, in the view of the NC, who are not fit for office, to be suspended.

The NC has reviewed the performance of Mr Tang Chu Meng (“**Mr Tang**”), Mr Soh Yeow Hwa (“**Mr Soh**”) and Mr Zhu and are of the view that they have discharged their duties during their time as Directors of the Company.

Provision 1.6 and 1.7

The Directors have separate and independent access to the Management and the Company Secretary at all times to address any enquiries. Should the Directors, whether as a group or individually, require independent professional advice, such professionals will be appointed at the Company’s expense. The appointment and removal of the Company Secretary is subject to the approval of the Board.

The Company Secretary or his representatives administers, attends and prepares minutes of all Board and Board Committees’ meetings and assists the Chairman of the Board and/or the AC, RC and NC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively and that the relevant requirements of the Companies Act (Cap 50) (“**Companies Act**”) and of the Mainboard Listing Manual of the SGX-ST (the “**Listing Manual**”) are complied with.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1

The independence of each Director is assessed and 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 is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement in the best interests of the Company.

Each Independent Director is required to complete a declaration form to confirm his independence based on the guidelines set out in the Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code.

REPORT ON CORPORATE GOVERNANCE

The NC has reviewed the declaration forms completed by each Independent Directors and confirmed the independence of each of Independent Directors. The Board, having taken into account the view of the NC and having considered whether the director in question is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement, is of the view that all the Independent Directors are independent for the purposes of the Code.

As at the date of this report, none of the current Independent Directors have served on the Board beyond nine (9) years from the date of their respective first appointment.

Provision 2.2

Where the Chairman is not an Independent Director, the Independent Directors shall make up a majority of the Board. As of the date of this report, the Chairman of the Board is an Independent Director. The Company notes that a majority of the Board are Independent Directors as at the date of this report. Accordingly, the Company is of the view that Provision 2.2 of the Code has been complied with.

Provision 2.3

The composition of the current Board complies with Provision 2.3 of the Code that Non-Executive Directors had made up a majority of the Board.

Provision 2.4

As at the end of FY2020, the Board consisted of five (5) Directors, of whom one (1) is a Non-Executive Director, one (1) is an Executive Director and three (3) are Independent Directors.

Executive Director

Mr Xu Youcai

Non-Executive Director

Ms Zhao Guiying

Independent Directors

Mr Tang Chun Meng

Mr Wang Liangfa

Mr Soh Yeow Hwa (appointed on 3 November 2020)

As of the date of this report, the current Board consists of three (3) Directors, of whom one (1) is an Executive Director and two (2) are Independent Directors. The Board as at the date of this report consists of:

Executive Director

Mr Soh Yeow Hwa (re-designated from Independent Director to Executive Director on 21 January 2021)

Independent Directors

Mr Tang Chun Meng

Mr Zhu Peng (appointed on 21 January 2021)

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The composition of the Board and Board Committees are reviewed annually by the NC to ensure that the Board and Board Committees have the appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The Board and the NC have considered and are satisfied that the current size and composition of the current Board is appropriate and provides it with adequate ability to meet the existing scope of needs and the nature of operations of the Group, which facilitates effective decision-making.

In addition, majority of the current Board are 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.

The Board taking into consideration the scope and nature of the operations of the Group, considered its current composition of three (3) Directors to be adequate for effective decision-making. The Board will constantly examine its size with a view to determining the impact of the number upon effectiveness.

As a Group, the Directors bring to the Board their broad range of diverse skills, industry knowledge, expertise and experience in areas, such as accounting, finance, business and management, strategic planning and customer service, which are relevant to the direction of an expanding group.

Provision 2.5

The Non-Executive and Independent Directors, led by the Lead Independent Director, meet regularly in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management. In FY2020, the Non-Executive and Independent Directors have met at least once without the presence of Management.

Chairman and Chief Executive officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1

The functions of Chairman are assumed by Mr Tang, the Lead Independent Director and the Chairman of the Company. The Company does not currently have a CEO following the vacation of Mr Xu from the Board on 9 June 2021. It should be noted that Mr Xu is a substantial shareholder of the Company and his duties as a Director of the Company has been suspended since 21 January 2021. Mr Soh, the Executive Director of the Company, reports to the Board.

The Board is of the view that there is a clear division of responsibilities between the Chairman and the Executive Director, who helms the executive function of the Company. Furthermore, the roles of Chairman and Executive Director are segregated to ensure an appropriate balance of power, increased accountability and greater capacity to the Board for independent decision-making.

Provision 3.2

The Chairman of the Board, Mr Tang, 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. He ensures that Board meetings are held regularly in accordance with an agreed schedule of meetings.

REPORT ON CORPORATE GOVERNANCE

The Executive Director, Mr Soh, is responsible for the day-to-day management of the Group and works with the Board on strategic planning, business development and charting the growth of the Group. All major decisions made by Mr Soh are to be endorsed by the Board. His performance is reviewed periodically by the NC and remuneration package is also reviewed periodically by the RC.

The duties and responsibilities of Mr Soh is spelt out in his written service agreement with the Company.

Provision 3.3

Mr Tang had been appointed as the Lead Independent Director since 21 January 2021. As the Lead Independent Director, Mr Tang is available to shareholders of the Company where they have concerns and for which contact through the normal channels of the Company's management. In addition, Mr Tang would lead the periodic meetings of the Independent Directors.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1

The NC has adopted its written terms of reference. The duties and responsibilities of the NC include the following:

- To regularly and strategically review the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees and then recommend changes, if any, to the Board;
- To identify and nominate candidates to fill Board vacancies as they occur;
- To request the nominated candidate to disclose any existing or expected future business interests that may lead to a conflict of interest, before recommending the appointment to the Board;
- To send the newly-appointed Director a formal appointment letter which clearly sets out his/her roles and responsibilities, authority, and the Board's expectations in respect of his/her time commitment as a Director of the Company;
- To recommend the membership of the Board Committees to the Board;
- To review the independent status of Non-Executive Directors (in accordance with Listing Rule 210(5) (d)(i), (ii) and (iii) of Listing Manual and Provision 2.1 of the Code) and that of the Alternate Director, if applicable, annually, or when necessary, along with issues of conflict of interest;
- To develop the performance evaluation framework for the Board, the Board Committees and individual Directors and also propose objective performance criteria for the Board, the Board Committees and individual Directors. the NC conducts the evaluations, analyses the findings and reports the results to the Boar and also recommends areas that need improvement;
- To recommend that the Board re-appoints a Non-Executive Director at the end of his/her term and recommend that shareholders to re-elect Directors under provisions of the Company's Constitution on the policy of retirement by rotation. In making these recommendations, the NC should consider the Directors' performance, commitment and his/her ability to continue contributing to the Board;

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- To review other directorships held by each Director and decide whether or not a Director is able to carry out, and has been adequately carrying out, his duties as a Director, taking into consideration the Director's number of listed company directorships and principal commitments, and the NC may in its discretion determine the maximum number of listed company directorships which any Director may hold;
- To identify and develop training programmes/schedules for the Board and assist with similar programmes for the Board Committees;
- To ensure that all Board appointees undergo appropriate induction programme;
- To review and ensure that there is a clear division of responsibilities between the Chairman and CEO of the Company in place;
- To review and/or provide the Board with its succession plans for the Board Chairman, Directors, CEO and Key Management Personnel of the Company;
- To keep up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates; and
- To undertake such other functions and duties as may be required by the Board under the Code, statute or Listing Manual.

Provision 4.2

As at the end of FY2020, the NC consisted of three (3) Directors, of whom three (3) are independent Directors. The members of the NC as at the end of FY2020 are as follows:

Mr Wang Liangfa (Chairman)
Mr Tang Chun Meng (Member)
Mr Soh Yeow Hwa (Member)

As of the date of this report, the NC comprises three (3) members, of which two (2) are independent and one (1) is executive. The Lead Independent Director is also the Chairman of the NC. The members of the NC as at the date of this report are as follows:

Mr Tang Chun Meng (Chairman)
Soh Yeow Hwa (Member) (appointed on 3 November 2020)
Zhu Peng (Member) (appointed on 21 January 2021)

Provision 4.3

The NC, through its regular review of the Board structure, size and compositions, and in consultation with Management, assesses whether new Director(s) with certain desired experience and knowledge is/are required to further enhance the effectiveness of the Board. If there is a need, a search will be conducted to identify suitable candidates for the NC's consideration. Upon the identification of a candidate with the desired attributes, the NC will then make recommendation to the Board for the proposed appointment of Director(s). As at the date of this report, Mr Soh and Mr Zhu were newly appointed as Directors of the Company. The Company has not appointed any alternate Director.

The Company's Constitution requires one-third of the Directors to retire by rotation at each annual general meeting ("AGM") and a Director appointed by the Board during a financial year to submit himself for re-election at the AGM immediately following his appointment.

Pursuant to Rule 720(5) of the Listing Manual, an issuer must have all Directors submit themselves for re-nomination and re-appointment at least once every three (3) years.

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The NC has recommended the re-election and re-appointment of Mr Tang, pursuant to Regulation 107 of the Company's Constitution and Rule 720(5) of the Listing Manual, and Mr Soh and Mr Zhu, pursuant to Regulation 117 of the Company's Constitution, at the forthcoming AGM of the Company. In reviewing the nomination of the retiring Directors, the NC considered the performance and contributions of each of the retiring Directors, having regard not only to his attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs, especially the operational and technical contributions.

Provision 4.4

The NC is also responsible for determining annually, the independence of Directors. In doing so, the NC takes into account the criteria set forth in the Code and any other salient factors. Following its review, the NC has endorsed the independence status of the two (2) Independent Directors, Mr Tang and Mr Zhu.

Provision 4.5

Based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees and their time commitment to the affairs of the Company, the NC believes that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The information in respect of each Director's academic and professional qualifications is set out in the "Board of Directors" section of the Annual Report and the information on shareholdings in the Company and its related corporations held by each Director is set out in the "Directors' Statement" section of the Annual Report. Other information of the Directors as at the date of this Report is as follows:

Name of Director	Tang Chun Meng	Soh Yeow Hwa	Zhu Peng (appointed 21 January 2021)
Role	Lead Independent Director	Executive Director	Independent Director
Board Committee(s) serve on	Audit Committee (Chairman) Nominating Committee (Chairman) Remuneration Committee (Member)	Nominating Committee (Member)	Audit Committee (Member) Nominating Committee (Member) Remuneration Committee (Chairman)
Date of first appointment as Director	2 June 2015	3 November 2020	21 January 2021
Date of last re-election as a Director	27 April 2018	NA	NA
Present directorship in other listed companies	NIL	Green Build Technology Limited	NIL
Other principal commitments	NIL	NIL	NIL

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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Provisions 5.1 and 5.2

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board and the Board Committees 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 NC has decided, in consultation with the Board, on how the Board should be evaluated and has selected a set of performance criteria that is linked to long-term shareholders' value, for evaluation of the Board's performance. The NC has set up a formal assessment process to evaluate the effectiveness of the Board as a whole and each of its Board Committees respectively, as well as the contribution by each individual Director to the Board.

On an annual basis, all Directors are required to complete the following:

- (a) Board Performance Evaluation Questionnaire;
- (b) Audit Committee Performance Evaluation Questionnaire;
- (c) Nominating Committee Performance Evaluation Questionnaire;
- (d) Remuneration Committee Performance Evaluation Questionnaire; and
- (e) Individual Director Assessment Form.

For FY2020, the NC conducted a formal review of the performance evaluation of the Board, the Board Committees and the individual Directors, by way of circulating the questionnaires to the Board and the Board Committees and the self-assessment form to each individual Director for their completion. The summary of findings of each evaluation together with the feedback and recommendations from the Board, the Board Committees and each individual Director had been discussed and reviewed by the NC.

Board Performance Evaluation Process

The Board's performance evaluation parameters include areas such as board composition, board's conduct of affairs, internal controls and risk management, board accountability, CEO and standards of conduct.

Based on the summary of findings of the Board performance evaluation for FY2020, the NC is satisfied that the Board as a whole had met its performance objective in FY2020 save for the matters that are disclosed herein.

Board Committees Performance Evaluation Process

The AC's performance evaluation parameters include areas such as membership and appointments, meetings, training and resources, financial reporting, risk management and internal control systems, internal audit process, external audit process, compliance, anti-fraud, whistle-blowing, IPTs and related party transactions, reporting, standards of conduct and communication with shareholders.

The NC's performance evaluation parameters include areas such as membership and appointments, meetings, training and resources, reporting, process for selection and appointment of new Directors, board diversity, nomination of Directors for re-election, independence of Directors, board performance evaluation, succession planning, multiple board representations, Chairman and CEO, standards of conduct and communication with shareholders.

The RC's performance evaluation parameters include areas such as membership and appointments, meetings, training and resources, reporting, remuneration framework, standards of conduct and communication with shareholders.

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Based on the summary of findings of the respective Board Committees' performance evaluation for FY2020, the NC is satisfied that each of the Board Committees had met its performance objective in FY2020.

Individual Director Assessment Process

Individual Director assessment is conducted whereby each Director is evaluated on his attendance at Board and related activities, adequacy of preparation for Board meetings, contribution, initiative, knowledge of senior management's job scope, knowledge of Group's business, participation in constructive debate/discussion, maintenance of independence, disclosure of IPTs and declaration of conflict of interest.

Based on the summary of findings of the most recent individual Director assessment, the NC is satisfied that each of the current individual Directors had met its performance objective as at the date of this report.

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1

The RC has adopted its written terms of reference. The duties and responsibilities of the RC include the following:

- To review a framework of remuneration for the Board and key management personnel and recommend to the Board for endorsement;
- To determine the Group's remuneration policies, and consider the Group's risk appetite and ensure that the policies are aligned to long-term goals;
- To ensure the level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account of strategic objectives of the Group;
- To set the remuneration policy for Directors (both Executive Directors and Non-Executive Directors) and key management personnel. The Board should recommend proposed Non-Executive Directors fees for shareholders' approval;
- To monitor the level and structure of remuneration for key management personnel relative to the internal and external peers and competitors;
- To ensure that the remuneration of the Non-Executive Director is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities;
- To review the remuneration of employees related to the Directors, CEO or substantial shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotion for these related employees will also be subject to the review and approval of the RC;
- To review the ongoing appropriateness and relevance of the Group's remuneration policy (including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered) and other benefit programmes (where appropriate);
- To obtain reliable, up-to-date information on the remuneration practices of other companies and the relevant market benchmarks through the appointment of external consultants;
- To oversee any major changes in employee benefits or remuneration structures;
- To review the design of all long-term and short-term incentive plans or approval by the Board and shareholders;

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- To ensure that the contractual terms and any termination payments are fair to the individual and the Company;
- To set performance measures and determine targets for any performance-related pay schemes operated by the Group;
- To work and liaise, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and
- To undertake such other functions and duties as may be required by the Board under the Code, statute or Listing Manual.

Provision 6.2

As at the end of FY2020, the RC consisted of three (3) Directors, of whom all three (3) are independent. The members of the RC as at the end of FY2020 are as follows:

Mr Tang Chun Meng (Chairman)
Mr Wang Liangfa (Member)
Mr Soh Yeow Hwa (Member)

As at the date of this report, the RC comprises two (2) members, both of whom are independent. The members of the RC as at the date of this report are as follows:

Mr Zhu Peng (Chairman) (appointed on 21 January 2021)
Mr Tang Chun Meng (Member)

The Board is of the view that the current composition of two (2) members on the RC is sufficient due to the size and simplified structure of the Group's operations.

However, to meet the requirements set out in the Code with regard to the composition of the RC, the Board endeavors to fill the vacancies to the RC as soon as possible to meet the minimum number of three (3) members of the RC.

Provision 6.3

The RC reviews the Company's obligations arising in the event of termination of Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC also aims to be fair and avoid rewarding poor performance.

Provision 6.4

The RC has full authority to seek external professional advice on remuneration matters where necessary. During FY2020, the RC did not seek advice from external remuneration consultants.

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Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provisions 7.1 and 7.3

The RC and the Board are of the view that the remuneration of the Directors and key management personnel is adequate and appropriate but not excessive in order to attract, retain and motivate them to provide good stewardship of the Group and successfully manage the Group for the long term. 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 management personnel (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 Group's performance across financial, operational and compliance objectives.

The Group does not have any share-based compensation scheme or any long-term incentive scheme.

Currently, the Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself of remedies against these personnel in the event of such breach of fiduciary duties.

Provision 7.2

The Directors' fees are appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities. The RC has recommended to the Board that the Independent Directors be paid Directors' fees for the financial year ending 31 December 2021 ("FY2021"). The Board has considered and has recommended the proposed payment of Directors' fees for shareholders' approval at the forthcoming AGM. There was a minor increment in fees to be paid to Mr Tang for FY2021 due to his current appointment as the Lead Independent Director and Chairman of the Board. Save for the above, there are no other increments in fees to be paid to our Independent Directors for FY2021. No external remuneration consultants were engaged to assist in the review of remuneration packages.

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Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1 and 8.3

A breakdown, showing the level and mix of each individual Director's remuneration payable for FY2020 is as follows:

Remuneration Band and Name of Directors	Directors' Fee	Salary	Bonus	Benefits in Kind	Total	Total amount of remuneration
	%	%	%	%	%	S\$
Below S\$250,000						
Executive						
Mr Guo Yun ⁽²⁾	–	100.0	–	–	100.0	161,152
Executive						
Mr Xu Youcai	–	100.0	–	–	100.0	245,560
Non Executive						
Ms Zhao Guiying	–	–	–	–	N.A.	N.A.
Mr Soh Beng Keng ^{(3),(4)}	100.0	–	–	–	100.0	17,500
Mr Tang Chun Meng ⁽³⁾	100.0	–	–	–	100.0	32,500
Mr Wang Liangfa ⁽³⁾	100.0	–	–	–	100.0	30,000
Mr Soh Yeow Hwa ⁽⁵⁾	100.0	–	–	–	100.0	7,500

(1) The salary amount shown is inclusive of allowances, statutory contributions, all fees other than Directors' fees, bonuses and benefits-in-kind.

(2) Mr Guo Yun resigned as an Executive Director on 15 January 2020.

(3) Directors' fees for the Independent Directors for FY2021 have been recommended for shareholders' approval at the forthcoming AGM.

(4) Mr Soh Beng Keng retired on 29 June 2020.

(5) Mr Soh Yeow Hwa was appointed on 3 November 2020 as an Independent Director and re-designated as the Executive Director of the Company on 21 January 2021.

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 (5) Key Management Personnel (who are not Directors) of the Group are within the band of less than S\$250,000. The aggregate remuneration paid to the top 5 Key Management Personnel for FY2020 was S\$164,975.

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Remuneration Band and Name of Key Management Personnel	Salary ^{(1),(2)} %	Bonus %	Benefits in Kind %	Total %
Below S\$250,000				
Executive				
Wang Zaiquan (Sales and Marketing Manager, Jiangyin Litai Ornamental Materials Co., Ltd ("Litai"))	100.0	-	-	100.0
Gong Guohong (Chief Production Officer, Litai)	100.0	-	-	100.0
Xu Gang (Chief Engineering Officer, Litai)	100.0	-	-	100.0
Chan Lai Yoke (Chief Financial Officer) ⁽¹⁾	83.6	16.4	-	100.0
Zhang Qinyu (General Manager, Litai) ⁽²⁾	100.0	-	-	100.0

(1) Ms Chan Lai Yoke resigned on 15 September 2020.

(2) Mr Zhang Qinyun resigned on 13 May 2021.

Provision 8.2

There were no other employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during FY2020.

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provisions 9.1 and 9.2

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.

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. Management reviews all significant control policies and procedures and highlights all significant matters to the Board. The Group has implemented a whistle blowing policy which provides the mechanisms for which staff of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

REPORT ON CORPORATE GOVERNANCE

Both the Company's 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, once issued, is also provided 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. The Company has commissioned internal auditors to conduct internal audit of the Group for FY2020, on its internal controls and risk management framework to address financial, operational, compliance and information technology controls risks. As at the date of this report, internal audit on the Group remains ongoing and the internal auditors have presented their preliminary findings to date to the Board.

Notwithstanding the above, the Board noted with great regret the matters as announced by the Company on 8 April 2020, 15 April 2020, 22 April 2020 and 20 May 2020, 20 July 2020 and 31 March 2021. In addition, the former CEO is still presently and remains uncontactable as of the date of this report. As such, the Board is still unable to procure any pertinent and helpful information and/or explanations from the former CEO and other Key Management Personnel who are located in China to address the apparent irregularities as announced. This is fortified by the travel restrictions to China as a consequence of the COVID-19 pandemic which has essentially precluded the Company's personnel to physically visit the subsidiary, and access the records and inquire of the appropriate personnel (including the CEO) of the subsidiary. Attention is also drawn to the limitations and reservations as detailed in the Directors' Statement and the relevant Notes to the Audited Financial Statements within the Annual Report.

The current Board wishes to state for the record that it has already put in place a new management team helmed by the Executive Director. In addition, all employees are briefed on the internal control polices and measures. As disclosed on 27 April 2021, the Company has regained possession of the business license legal representation seal, company seal and cashers' seal, etc. of Litai. The Group will be working with Independent Auditors to further strengthen the risk management and internal control procedures

For reasons disclosed above and in the unaudited financial statements for FY2020 released by the Company on 31 March 2021, the management of the Company was not able to provide an assurance to the Board that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group'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. The Board has also not received any such assurance from the former CEO and the former Chief Financial Officer.

However, for the purposes of the preparation of the audit, the current Board has relied on information it was able to obtain, the Company's records and assurances from the current Litai Management and subject to and save for the financial effects (and any additional or consequential disclosures that may be required) of those qualifications described in the respective Notes to the Audited Financial Statements, the statement of financial position of the Company and the consolidated financial statements of the Group 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 2020.

Save for and subject to the extent of the matters as disclosed above and on the basis of the existing risk management and internal control measures that the current AC and Board have implemented, the Board with the concurrence of the AC, is of the opinion that the risk management and internal control systems in place within the Group were reasonably adequate and effective in addressing the financial, operational, compliance and information technology risks as at the date of this report.

REPORT ON CORPORATE GOVERNANCE

Risk Management

The Group's main business and operational risks include volatile prices of raw materials, shortage of raw materials supplies.

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 downtime 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 Note 33 to the Audited Financial Statements found within 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. The Management, in consultation with the AC, is also in the process of assessing and reviewing the impact, risks and uncertainties that have unprecedentedly been brought upon the business of the Group by the COVID-19 pandemic.

REPORT ON CORPORATE GOVERNANCE

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

Provision 10.1

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation by Management and full discretion to invite any Executive Directors or key management personnel to attend its meetings. The AC has reasonable resources, including access to external consultants and auditors, to enable it to discharge its functions properly.

The AC has adopted its written terms of reference. The duties and responsibilities of the AC include the following:

- To review the financial reporting issues and judgements so as to ensure the integrity of the financial statements and of announcements on the Group's financial performance and recommend changes, if any, to the Board;
- To review and report to the Board on the adequacy and effectiveness of the Group's risk management and internal controls in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to it by the Board);
- To review the adequacy, effectiveness, independence, scope and results of the Group's internal audit functions;
- To review the scope and results of the external audit, and the independence and objectivity of the external auditors and then recommend to the Board the appointment, re-appointment and removal of the external auditors, and its remuneration and terms of engagement;
- To ensure the Group complies with the requisite laws and regulations;
- To ensure that the Group has programmes and policies in place to identify and prevent fraud;
- To oversee the establishment and operation of the whistleblowing process in the Group;
- To review all interested person transactions ("IPTs") and related party transactions; and
- To undertake such other functions and duties as may be required by the Board under the Code, statute or Listing Manual.

Provision 10.2

As at the end of FY2020, the AC consisted of three (3) Directors, of whom all three (3) are Independent Directors. The members of the AC as at the end of FY2020 are as follows:

Mr Tang Chun Meng (Chairman)
Mr Wang Liangfa (Member)
Mr Soh Yeow Hwa (Member)

As at the date of this report, the AC comprises two (2) members, both of whom are independent. Both members of the AC, including the AC Chairman, are fellow member or member of the Institute of Singapore Chartered Accountants and have recent and relevant accounting or related financial management expertise and experience. The members of the AC as at the date of this report are as follows:

Mr Tang Chun Meng (Chairman)
Mr Zhu Peng (Member)

REPORT ON CORPORATE GOVERNANCE

The NC is of the view that as at the date of this Report, the current composition is sufficient due to the Chairman of the Board being a Lead Independent Director. Nevertheless, to meet the requirements set out in the Code with regard to the composition of the AC, the Board endeavors to fill the vacancies to the AC as soon as possible to meet the minimum number of three (3) members.

Provision 10.3

Neither any member of the AC nor the AC Chairman is the former partner or Director of the Company's existing auditing firm or audit corporation.

Provision 10.4

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

During the year under review and as disclosed above in relation to Provisions 9.1 and 9.2, internal audit of the Group for FY2020 to review its internal controls and risk management framework to address financial, operational, compliance and information technology controls risks remains ongoing. The work undertaken by the internal auditors is 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 their preliminary findings on the required areas of improvement. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

On an annual basis, the AC reviews and approves the internal audit plan as well as any further requirements in professional resources to conduct the required internal audit reviews. The AC also reviews the adequacy and effectiveness of the internal audit function annually.

Provision 10.5

The AC meets with both the external and internal auditors, without the presence of Management, at least once a year. The AC has also reviewed the non-audit services provided by the external auditors, which comprise only tax compliance services 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. In this connection, the AC noted with regret those matters as described in the "Risk Management and Internal Controls" section above.

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 ACRA 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 are complied with and has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM.

REPORT ON CORPORATE GOVERNANCE

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 FY2020, the total audit fees paid to the independent auditor of the Company was S\$85,000, of which the non-audit fees paid to the independent auditor of the Company for income tax compliance service was approximately S\$1,600.

The Group has put 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 FY2020.

The AC is kept abreast by Management and the external auditors of the changes to the financial reporting standards, Listing Rules and other codes and regulations which could have an impact on the Group's business and financial statements, in addition to trainings and seminars conducted by professionals and external parties.

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1

All shareholders are encouraged to attend the general meetings of the Company to ensure a greater level of accountability and to stay informed of the Group's strategies and goals. If the shareholders are unable to attend the meetings, the shareholder is allowed to appoint proxy(ies) to attend and vote on their behalf. The Company's Constitution allows a shareholder (who is not a relevant intermediary as defined in Section 181 of the Companies Act) of the Company to appoint up to two proxies to attend and vote in his/her stead at the 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.

Provision 11.2

The Company tables separate resolutions at general meetings on each substantially separate issue. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent and linked so as to form one significant proposal. All the resolutions at the general meetings are single item resolutions.

Provision 11.3

The Company requires all Directors (including respective chairman of the Board Committees), Management, and Company Secretary to be present and available at the general meetings to address questions from the shareholders relating to the Group. The Company's external auditors, Messrs Crowe Horwath First Trust LLP, are also to be present at the AGM and available to assist the Directors in addressing any shareholders' queries relating to the conduct of audit and the preparation and contents of the auditors' report.

Apart from Mr Xu and Ms Zhao, all directors attended at the last AGM of the Company held on 29 June 2020 (either physically or by electronic means), both of whom had remained uncontactable despite the Company's efforts in contacting them, as described in the Company's announcement dated 17 June 2020.

REPORT ON CORPORATE GOVERNANCE

Provision 11.4

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.

Provision 11.5

The Company prepares minutes of all general meetings that include substantial and relevant comments or queries from shareholders together with the responses from the Board and Management. These minutes are available to shareholders upon their request and announced on SGXNET, although such minutes are not published on the Company's website.

Provision 11.6

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 propose or declare any dividends for FY2020 due to the losses recorded for the financial year as well as the conservation of cash for working capital purposes.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provisions 12.1, 12.2 and 12.3

The Company does not have an investor relations policy in place. However, 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;
- (iii) Company's website at <http://www.haida.com.sg>; and
- (iv) Press and analysts briefings as may be appropriate.

The Company ensures that it does not practise 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. Before and after AGM, the Board will engage in dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.

REPORT ON CORPORATE GOVERNANCE

V. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions 13.1 and 13.2

The Company undertakes an annual review in identifying its material stakeholders. It assesses the material environmental, social and governance factors that affects the Group. The Company will issue its sustainability report for FY2020 within one month from the date of AGM.

Provision 13.3

The Company maintains a website at <http://www.haida.com.sg> to communicate and engage with the stakeholders.

DEALINGS IN SECURITIES

The Group has put in place internal compliance policy 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 dealing in the Company's securities on short-term considerations. In addition, the Group prohibits its Directors and employees to deal in the Company's securities during the period commencing one month before the date of the announcement of the Company's half year or full year financial statements respectively and ending on the following day of the announcement date of the relevant financial statements.

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.

REPORT ON CORPORATE GOVERNANCE

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 ("IPTs"). The Company's disclosure in accordance with Rule 907 of the Listing Manual in respect of the IPTs for FY2020 is as follows:

Name of Interested Persons	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 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.		
– Advances paid for purchase of raw materials	–	(980)

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.

The Board and the AC will review all IPTs to be entered to ensure that the relevant rules under Chapter 9 of the 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 Directors or controlling shareholders during the year under review. The Company **will not be** seeking a renewal of the Shareholders' Mandate for IPTs at the forthcoming AGM.

MATERIAL CONTRACTS

Save as disclosed above and in the Directors' Statement and Audited Financial Statements of the Company and the service agreements between the Executive Directors and the Company, there were no material contracts entered into by the Company and any of its subsidiaries, involving the interest of its Directors or controlling shareholders which are either still subsisting as at 31 December 2020 or if not then subsisting, entered into since the end of the previous financial year.



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DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 2020 and the statement of financial position of the Company as at 31 December 2020.

In the opinion of the directors,

- (a) subject to and save for the financial effects (and any additional or consequential disclosures that may be required) of those qualifications described in the respective notes to the financial statements, the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 46 to 97 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 2020 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:

Tang Chun Meng
 Soh Yeow Hwa (Appointed on 3 November 2020) ⁽¹⁾
 Zhu Peng (Appointed on 21 January 2021)

⁽¹⁾ Appointed on 3 November 2020 as Independent Director and re-designated as executive director on 21 January 2021.

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 2020	At 31 December 2020	At 1 January 2020	At 31 December 2020
Company				
<i>Ordinary shares</i>				
Zhao Guiying ⁽²⁾	-	-	74,425,700	74,425,700
Xu Youcai ⁽²⁾	-	-	74,425,700	74,425,700

⁽²⁾ Suspended from duties on 21 January 2021 and vacated from office on 9 June 2021.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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:

Tang Chun Meng (Chairman)

Soh Yeow Hwa (Member, subsequently re-designated as executive director on 21 January 2021)

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 2020 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).

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to 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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

SOH YEOW HWA
Director

TANG CHUN MENG
Director

14 June 2021

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of China Haida Ltd. (the “Company”) and its subsidiary (the “Group”), as set out on pages 46 to 97, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and 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.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Opening balances

For the financial year ended 31 December 2019 (“FY 2019”), we expressed a disclaimer of opinion on the prior year financial statements due to the limitation of scope to complete our audit procedures of the Group’s sole operating subsidiary (“Subsidiary”). Supporting documents relating to transactions in December 2019 and up to the date of our report were not made available to us. We were also unable to obtain confirmation replies, or perform alternative audit procedures that we considered necessary, from 5 of the Subsidiary’s bank accounts in the People’s Republic of China (“PRC”), all of the related parties, and certain of the Subsidiary’s trade receivables and trade payables. In addition, the Group’s Chief Executive Officer, Mr. Xu Youcai (“CEO Xu”) was uncontactable to seek clarifications on matters regarding the Subsidiary’s litigations and enforcement proceedings (as described in item 2), defaults in bank loans and impairment assessment of various financial and non-financial assets.

Accordingly, we were unable to obtain sufficient and appropriate audit evidence on:

- (a) the existence, completeness and accuracy of transactions that occurred during the FY2019 and balances recorded as of that date;
- (b) the existence and recoverability of balances due from related parties;
- (c) the impairment assessment of property, plant and equipment and right-of-use assets of the Group and investment in the Subsidiary of the Company; and
- (d) whether all significant subsequent events and transactions have been adequately adjusted or disclosed in these financial statements.

In view of the above matters that remain unresolved (as evidenced by further developments described below), we are unable to determine whether the opening balances as at 1 January 2020 are fairly stated. Since the opening balances as at 1 January 2020 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2020, we are unable to determine whether adjustments might have been necessary in respect of the Group’s financial statements and the Company’s statement of financial position for the financial year ended 31 December 2020.

2. Litigations and enforcement proceedings

During the FY 2019, the Subsidiary was involved in various litigations and enforcement proceedings in the PRC, together with CEO Xu and several of his controlled entities, and 2 of the bank accounts had been consequently frozen, as disclosed in our disclaimer of opinion for FY 2019.

Report on the Audit of the Financial Statements

Basis for Disclaimer of Opinion (Continued)

2. Litigations and enforcement proceedings (Continued)

As announced by the Company in various announcements during 2020 and in February 2021, the Board of Directors appointed a PRC legal counsel to investigate into these legal disputes. Based on the legal report dated 25 February 2021, the following were highlighted:

- (a) Two enforcement proceedings had been brought about by a PRC bank naming the Subsidiary as co-defendants along with CEO Xu and other related parties. As disclosed in Note 31(B), the PRC bank was granted court judgement to seize certain assets pledged as security (“Pledged Assets”) for defaulted loans of RMB 102,500,000 granted to CEO Xu and his related parties. Based on available information, the Pledged Assets include certain key operating assets of the Subsidiary, comprising certain leasehold buildings, right-of-use assets, plant and machinery, and inventories. However, the detailed extent of these Pledged Assets is still undetermined.

Consequently, the Board of Directors made a full impairment on the entire carrying amounts of all non-financial assets comprising property, plant and equipment of RMB34,691,000, right-of-use assets of RMB9,911,000 and inventories of RMB3,710,000 as at 31 December 2020.

- (b) Several arbitration or court judgements were filed against the Subsidiary, along with CEO Xu and other related parties. Based on the court judgements and management’s estimates of the claims made against the Subsidiary, the Group recognised a total provision of RMB15,811,000 during the year, as disclosed in Note 20 to the financial statements.
- (c) As disclosed in Note 31(C), there were several on-going enforcements proceedings involving the Subsidiary as co-defendants for which no provisions had been made by the Group as at 31 December 2020, due to limited information on the details of these claims and the Board of Directors is unable to estimate the full extent of these claims attributable to the Subsidiary.

Due to the various legal disputes, all of the Subsidiary’s bank accounts in the PRC are inaccessible and the Group recognised full impairment loss on the bank balances aggregating to RMB 3,487,000 (Note 25 and Note 31A). The total impairment loss, recognised as other expenses, on these Pledged Assets and bank balances amounted to RMB51,799,000 (Note 25) for the current financial year.

It is presently uncertain to determine the extent of these legal disputes. Consequently, we have not been able to obtain sufficient appropriate audit evidence to conclude on (a) the appropriateness of the quantum of the impairment of Pledged Assets, and (b) the adequacy of provisions for litigations and claims against the Subsidiary.

3. Limitation of scope

As of the date of this report, we are unable to complete our audit procedures, either physically or remotely, relating to transactions during the financial year ended 31 December 2020 and up to the date of this report due to the lack of supporting documents provided to us. Based on the foregoing paragraphs, we are unable to satisfy ourselves as to the existence, completeness and accuracy of transactions that occurred during the financial year ended 31 December 2020 and balances recorded as of that date, during the period under the management of CEO Xu, including, but not limited to items (a) to (f) described below.

Report on the Audit of the Financial Statements

Basis for Disclaimer of Opinion (Continued)

3. Limitation of scope (Continued)

(a) Existence and recoverability of amount due from related parties

The Group's recorded gross amount owing from related parties (companies in which CEO Xu and members of his close family have controlling financial interests) totalling RMB80,138,000 as at 31 December 2020, comprising trade receivable and advance payments of RMB28,008,000 and RMB52,130,000 (2019: RMB28,017,000 and RMB51,150,000) as disclosed in Note 13 and Note 15 respectively. These related parties were also named as co-defendants in several litigations and enforcement proceedings as mentioned in item (2) above.

Management represents that as at the date of this report, these related parties are currently filing for bankruptcy reorganisation in the PRC Courts. Accordingly, management has fully impaired the remaining balance due from related parties, thereby recognising RMB 40,484,000 (2019: RMB39,565,000) in the profit or loss (Note 23) during the current financial year.

The above balances are mainly brought forward balances with limited transactions during the year, both of which we are unable to verify due to the limitation of information and documents provided to us during the course of audit for the current year and FY 2019 (as mentioned in item 1 above). While recoveries from these related parties remain highly uncertain due to litigation issues with CEO Xu and his controlled entities, we are unable to evaluate the appropriateness of the basis of full impairment losses made by the management.

(b) Existence and recoverability of trade receivables

As at 31 December 2020, the Group's gross balance due from trade receivables was RMB86,535,000, out of which an impairment of RMB 33,558,000 had been recognised as at 1 January 2020. On the basis that the trade receivables have been long outstanding, the management made an impairment charge of RMB 24,080,000, as disclosed in Note 33(iii)(A) using an estimated credit loss rate of 40%, resulting in net balance due from trade receivables of RMB28,897,000 (Note 13).

We have neither received confirmation replies from the trade receivables nor have we been able to perform alternative procedures to verify the existence and accuracy of the balances and movement during the year. In light of the litigations and enforcement proceedings as mentioned in item (2) and the lack of supporting documents, including the limitation of scope in performing subsequent events review as detailed in (f) below, we are unable to obtain adequate appropriate audit evidence to conclude on the existence and accuracy of the gross amount recorded, adequacy and appropriateness of impairment losses recognised by the management, including the appropriateness of disclosures in Note 33(iii) to the financial statements.

(c) Existence and completeness of bank balances, inventories and trade and other payables

As at 31 December 2020, the Group reported cash and bank balances of RMB4,734,000 (prior to the impairment of bank balances of RMB3,487,000, as stated in item 2 above) of which RMB4,258,000 was attributable to the Subsidiary. We are unable to obtain confirmation replies from all of the Subsidiary's bank accounts in the PRC and we are unable to perform alternative audit procedures to obtain information and explanations we considered necessary. Further, we are unable to perform procedures to ascertain the existence of the cash balances held by the Subsidiary of RMB771,000 as at 31 December 2020.

Report on the Audit of the Financial Statements

Basis for Disclaimer of Opinion (Continued)

3. Limitation of scope (Continued)

(c) Existence and completeness of bank balances, inventories and trade and other payables (Continued)

Management did not perform an annual physical inventory count as at 31 December 2020 and we are unable to perform alternative procedures that we considered necessary to verify the existence and completeness of the costs of inventories reported as at 31 December 2020 of RMB7,601,000, which was prior to the following:

- (i) Write down of inventories to net realisable values of RMB3,891,000 in the profit or loss (Note 25), of which we were unable to substantiate the veracity of such losses; and
- (ii) Impairment of the remaining carrying amount of RMB3,710,000 (as part of the Pledged Assets as stated in item 2 above).

Further, we have not been able to ascertain the existence and completeness of trade payables of RMB12,537,000 as at reporting date, as we are unable to perform circularisation procedures, or alternative procedures, due to the Subsidiary's involvement in various on-going litigations and enforcement proceedings in the PRC. In addition, we are unable to ascertain the completeness of other payables and accruals amounting to RMB5,652,000 as reported by the Subsidiary, due to the lack of supporting information provided to us.

(d) Income and expenses recorded during the financial year

The Group recognised revenue and cost of sales amounting to RMB 30,668,000 and RMB 36,463,000 respectively for the current financial year. However, we are unable to complete our audit procedures over the occurrence, accuracy and completeness of such amounts recorded due to incomplete accounting records made available to us.

In addition, an impairment charge of RMB9,560,000 was made in relation to other receivables and deposits, of which we are unable to obtain supporting documents. Further, the Group recognised the following losses during the year, based on CEO Xu's unilateral approval, including, but not limited to, (i) losses arising from sales of inventories and scraps amounting to RMB5,510,000 and RMB3,590,000 respectively (Note 25), and (ii) payment of personal income taxes of CEO Xu, a previous director and other employees of RMB1,140,000. We are unable to obtain necessary supporting documents substantiating these transactions, as well as explanations from the management on the basis and rationale to enter into these sales transactions resulting in significant losses and the approval of these payments. Consequently, we are unable to satisfy ourselves as to the occurrence, accuracy and completeness of the income and expenses recognised during 31 December 2020.

(e) Impairment of investment in the Subsidiary of the Company

In view of item 2 above, the Board of Directors made a full impairment on the Company's cost of investment in the Subsidiary of RMB118,448,000 as at 31 December 2020 due to lack of clarity over the extent of the claims made against the Subsidiary as one of the numerous co-defendants in those legal proceedings. We are not able to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the basis of full impairment of the Company's carrying amount of investment in the Subsidiary, in the absence of an impairment assessment to ascertain the Subsidiary's recoverable amount using fair value less costs of disposal or discounted cashflows to determine the Subsidiary's value in use.

Report on the Audit of the Financial Statements

Basis for Disclaimer of Opinion (Continued)

3. Limitation of scope (Continued)

(f) Subsequent events

Up to the date of this report, we are unable to complete subsequent events review procedures that we consider necessary for the Subsidiary. Consequently, we are unable to ascertain whether all significant subsequent events and transactions have been adequately adjusted or disclosed in these financial statements.

4. Going concern assumption

As disclosed in Note 2 to the financial statements, the Group and the Company are in net liabilities positions of RMB8,845,000 and RMB2,692,000 (2019: net assets of RMB172,602,000 and RMB124,299,000) respectively, and the Group incurred a net loss for the year of RMB181,419,000 (2019: RMB50,809,000) for the financial year ended 31 December 2020. Further, the Group's revenue derived from the sales of aluminum panels and spray-painting services declined substantially by 85% to RMB 30,668,000 (2019: RMB207,783,000).

In addition to the litigations and enforcement proceedings in the PRC as described in item (2) above, the Subsidiary has also defaulted on the repayment of two bank loans amounting to an aggregate of RMB11,429,000, as disclosed in Note 19, and the bank has taken enforcement actions against the Subsidiary. At the date of this report, the Board of Directors is unable to determine the full extent and financial impact of these legal cases. These conditions indicate the existence of multiple material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as going concerns.

As disclosed in Note 2 to the financial statements, the Directors have prepared the financial statements on a going concern basis on the assumptions that the new business ventures, including the joint venture agreement to supply and install aluminium products as announced on 25 May 2021, together with fund raising activities, will enable the Group and the Company to generate positive and sufficient cashflows to meet its obligations as and when they fall due for the next twelve months. As at the date of this report, due to the matters highlighted above, we have not been able to obtain sufficient audit evidence regarding the likely outcome of these assumptions. Accordingly, we are not able to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

In the event the Group and the Company are unable to continue as going concerns, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

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 Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International), 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.

Report on the Audit of the Financial Statements

Responsibilities of Management and Directors for the Financial Statements (Continued)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company 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.

Report On Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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 auditor's report is Adeline Ng Cheah Chen.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

14 June 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group		Company	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	4	140,543	140,543	140,543	140,543
Statutory reserve fund	5	23,367	23,367	-	-
Capital reserve	6	47,946	47,946	-	-
Currency translation reserve	7	354	382	5,158	9,237
Accumulated losses	8	(221,055)	(39,636)	(148,393)	(25,481)
TOTAL EQUITY		(8,845)	172,602	(2,692)	124,299
ASSETS					
Non-current assets					
Property, plant and equipment	9	-	39,781	-	647
Investment in a subsidiary	10	-	-	-	122,500
Right-of-use assets	11	-	10,211	-	-
Current assets					
Inventories	12	-	35,013	-	-
Trade and bills receivables	13	34,245	86,566	227	-
Due from related parties (trade)	13	-	13,938	-	-
Other receivables, deposits and prepayments	14	2,423	4,174	35	157
Advance payments to a related party	15	-	25,575	-	-
Cash and cash equivalents	16	1,247	11,536	476	4,799
		37,915	176,802	738	4,956
TOTAL ASSETS		37,915	226,794	738	128,103

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group		Company	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
LIABILITIES					
Current liabilities					
Trade payables		12,537	26,699	216	-
Other payables and accruals	17	5,652	10,917	944	1,554
Due to a subsidiary (non-trade)	18	-	-	2,270	2,250
Bank loans	19	11,429	13,943	-	-
Provisions	20	15,811	-	-	-
Contract liabilities	22(b)	1,331	2,633	-	-
		46,760	54,192	3,430	3,804
Non-current liability					
Deferred tax liabilities	21	-	-	-	-
TOTAL LIABILITIES		46,760	54,192	3,430	3,804
NET (LIABILITIES) / ASSETS		(8,845)	172,602	(2,692)	124,299

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 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

	Note	Group	
		2020 RMB’000	2019 RMB’000
Revenue	22 (a)	30,668	207,783
Cost of sales		(36,463)	(189,037)
Gross (loss) / profit		(5,795)	18,746
Other operating income	23	341	1,568
Selling and distribution expenses		(1,088)	(2,802)
Administrative expenses		(18,862)	(19,861)
Impairment loss on financial asset, net	23	(74,124)	(48,360)
Finance costs	24	(764)	(1,044)
Other expenses	25	(81,127)	-
Loss before tax	27	(181,419)	(51,753)
Tax credit	28	-	944
Loss for the year		(181,419)	(50,809)
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		(28)	138
Total comprehensive loss for the year		(181,447)	(50,671)
Loss attributable to:			
Equity holders of the Company		(181,447)	(50,809)
Total comprehensive loss attributable to:			
Equity holders of the Company		(181,419)	(50,671)
Loss per share (RMB cents)			
Basic and diluted	29	(71.2)	(19.9)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Attributable to equity holders of the Company					
	Share capital	Statutory reserve fund	Capital reserve	Currency translation reserve/(deficit)	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance at 1 January 2019	140,543	23,367	47,946	244	11,173	223,273
Loss for the year	-	-	-	-	(50,809)	(50,809)
Other comprehensive income, net of tax						
- Currency translation differences arising from consolidation	-	-	-	138	-	138
Total comprehensive income / (loss)	-	-	-	138	(50,809)	(50,671)
Balance at 31 December 2019	140,543	23,367	47,946	382	(39,636)	172,602
Opening balance at 1 January 2020	140,543	23,367	47,946	382	(39,636)	172,602
Loss for the year	-	-	-	-	(181,419)	(181,419)
Other comprehensive loss, net of tax						
- Currency translation differences arising from consolidation	-	-	-	(28)	-	(28)
Total comprehensive loss	-	-	-	(28)	(181,419)	(181,447)
Balance at 31 December 2020	140,543	23,367	47,946	354	(221,055)	(8,845)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

	Note	Group	
		2020 RMB’000	2019 RMB’000
Cash flows from operating activities			
Loss before tax		(181,419)	(51,753)
Adjustments:			
Impairment loss on financial assets, net		74,124	48,360
Write down of inventories to net realisable value	25	9,401	-
Provision for courts’ enforcement cases	25	15,811	-
Impairment loss on pledged assets	25	51,799	-
Depreciation of right-of-use assets	11	300	302
Depreciation of property, plant and equipment	9	4,498	4,830
Loss on disposal of property, plant and equipment		183	-
Write off of property, plant and equipment		29	-
Interest expense	24	764	1,044
Interest income	23	(40)	(60)
Translation difference		28	(75)
Operating (loss) / profit before working capital changes		(24,522)	2,648
Inventories		21,902	16,561
Trade and bills receivables		28,241	10,238
Other receivables, deposits and prepayments		(7,809)	111
Due from related parties (trade)		9	(10,579)
Trade and other payables and contract liabilities		(20,728)	4,569
Advance payments to a related party		(980)	(27,683)
Cash used in operations		(3,887)	(4,135)
Interest paid		(764)	(1,044)
Interest received		40	60
Income tax paid		-	(239)
Net cash used in operating activities		(4,611)	(5,358)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(16)	(293)
Proceeds from disposal of property, plant and equipment		367	21
Net cash from / (used in) investing activities		351	(272)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

	Note	Group	
		2020 RMB’000	2019 RMB’000
Cash flows from financing activities			
Proceeds from short term bank loans		-	7,000
Repayment of short term bank loans		(1,601)	(15,057)
Bank deposit pledged		-	(913)
Net cash used in financing activities		(1,601)	(8,970)
Net decrease in cash and cash equivalents		(5,861)	(14,600)
Cash and cash equivalents at beginning of year		10,623	25,023
Effect of exchange rate changes in cash and cash equivalents		(28)	200
Impairment loss arising from frozen bank accounts	16	(3,487)	-
Cash and cash equivalents at end of year	16	1,247	10,623

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(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 24 Raffles Place, #20-03 Clifford Centre, Singapore 048621. 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 discussed in Note 10.

The financial statements for the financial year ended 31 December 2020 were authorised for issue by the Board of Directors at a meeting held on 14 June 2021.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Group and the Company are in net liabilities positions of RMB8,845,000 and RMB 2,692,000 (2019: net assets of RMB172,602,000 and RMB124,299,000) respectively, and the Group incurred a net loss of RMB181,419,000 (2019: RMB50,809,000) and negative operating cash flows of RMB4,611,000 (2019: RMB 5,358,000) for the financial year ended 31 December 2020. This was largely due to the following:

- (i) Significant decline in revenue by 85% to RMB 30,668,000 during the current year;
- (ii) Substantial impairment losses on financial assets of RMB 40,484,000 and RMB 24,201,000 on amounts due from related parties (including advance payments to a related party) and trade receivables respectively (Note 23);
- (iii) Loss on sales of scraps and inventories of RMB 3,590,000 and RMB 5,510,000 respectively, and a write-down of inventories to net realisable values of RMB 3,891,000;
- (iv) Impairment losses on Pledged Assets of RMB 51,799,000 (Note 25); and
- (v) Provisions for enforcement proceedings and legal suits of RMB 15,811,000 (Note 20).

Further, the Subsidiary defaulted on the repayment of secured bank loans of RMB 4,429,000 and RMB 7,000,000 which were due and payable on 26 November 2019 and 29 January 2020 respectively (Note 19).

The Subsidiary was also involved in various litigations and enforcement proceedings in the PRC, as disclosed in Note 31. Subsequent to year end on 9 June 2021, the Board of Directors announced the vacation of office of CEO Xu, Ms Zhao Guiying (Chairman) and Mr Wang Liangfa (Independent Director).

The facts and circumstances above indicate the existence of material uncertainties that may cast significant doubts over the ability of the Group and the Company to continue as going concerns. Notwithstanding this, the accompanying financial statements have been prepared on a going concern basis on the following grounds:

- (i) On 28 January 2021, the Group has obtained financing of S\$500,000 (equivalent to RMB 2,400,000) loan from a lender, who is a family member of a director, to meet short term working capital requirements of the Group.
- (ii) As disclosed in Note 35, the Company incorporated a wholly-owned subsidiary in Singapore, CHD Engineering and Trading Pte. Ltd., which entered into a joint operation (“JO”) with K-United Builder Pte. Ltd. to design, supply, test and install proprietary aluminium standing-seam type roofing system, supporting sub-structure, coated aluminium perforated over-cladding for 1 commercial project in Malaysia and 2 residential projects in Singapore, amounting to aggregate in contract values of approximately S\$2.43 million. The JO is expected to contribute positively to the cash flow and earnings of the Group for the financial year ending 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

2. FUNDAMENTAL ACCOUNTING CONCEPT (Continued)

In the event the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to the financial statements.

3. 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 provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)"). 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(I) 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 2020, the Group adopted the new or amended SFRS(I)s and Interpretations of SFRS ("SFRS(I) INT") 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(I) and SFRS(I) INT. The adoption of these new or amended SFRS(I)s and SFRS(I) INT 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 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: <i>Interest Rate Benchmark Reform — Phase 2</i>	1 January 2021
Amendments to SFRS(I) 16: <i>Covid-19 -Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to SFRS(I) 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-16: <i>Property, Plant and Equipment—Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37: <i>Onerous Contracts—Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
- Amendments to SFRS(I)1 <i>First-time Adoption of FRS</i>	
- Amendments to SFRS(I) 9 <i>Financial Instruments</i>	
- Amendments to Illustrative Examples accompanying SFRS(I) 1-16 <i>Leases</i>	
- Amendments to SFRS(I) 1-41 <i>Agriculture</i>	
Amendments to SFRS(I) 1-1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023
SFRS(I) 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

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.

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(b) Acquisition of businesses (Continued)

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 SFRS(I) 9 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.

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 a 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 a 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation (Continued)

(ii) Transactions and balances (Continued)

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.

(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 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. 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:

	<u>Useful lives</u> (Years)	<u>Estimated residual value</u> 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 the 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).

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.

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 assessing 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Financial assets and liabilities

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities 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.

Trade receivables without financing component is initially measured at the transaction price in accordance with SFRS (I) 15. Other financial assets or financial liabilities are initially recognised at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

(ii) Classification and subsequent measurement

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

Financial assets at amortised costs

Unless designated at FVPL, financial assets are measured at amortised costs if:

- It is held within a business model with an objective to hold the assets to collect contractual cash flows; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding.

These assets, mainly trade and other receivables including amount due from related parties, cash and cash equivalents, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised in profit or loss. These financial liabilities mainly comprise trade and other payables (including amount due to a subsidiary) and bank loans.

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

As at the reporting date, the Group does not have other categories of financial liabilities except for financial liabilities at amortised cost.

(iii) Derecognition

Financial assets

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 or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognise a financial liabilities when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group applies impairment model in SFRS(I) 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

- Financial assets at amortised costs (including trade and other receivables, amount due from related parties (trade) and cash and cash equivalents)
- Contract assets (determined in accordance with SFRS(I) 15)
- Debt investments at FVOCI
- Intragroup financial guarantee contracts

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortised costs.

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

Simplified approach

The Group applies simplified approach to all trade receivables, including amount due from related parties (trade). Impairment loss allowance is measured at life time ECL, which represents ECLs that result from all possible default events over the expected life of a financial instrument ('lifetime ECL'). The Group uses qualitative and quantitative information like geographical location, profile of customers and historical repayment trends to group debtors with similar characteristics for purposes of ECL assessment. The Group computes ECL using probability of default from external rating agencies and historical loss rates, where available and applicable.

General approach

The Group applies general approach on all other financial instruments and recognise a 12-month ECL on initial recognition. 12-months ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter.

Impairment loss allowance or reversals are recognised in profit or loss. Loss allowance on financial assets at amortised cost and contract assets are deducted from the gross carrying amount of those asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Definition of default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligation in full, without recourse by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group write off the gross carrying amount of a financial assets to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

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.

Revenue from contracts with customers

The Group 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, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

When contracts contain multiple performance obligations, the Group allocates the transaction price to the performance obligations in proportion of the relative stand-alone selling price:

- Revenue from sale of aluminium panels is recognised upon transfer of control to the customers, usually being when the goods have been shipped or delivered to customers and the acceptance criteria is met (either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied). The Group normally invoices the customers upon delivery of the goods with 90 days credit term. Advances are received for new customers.
- Revenue on spray-painting work on aluminium products is recognised over time based on output of finished products to date as a proportion of the total contracted output. The Group normally invoices the customers upon delivery of the spray painted products with 90 days credit term.

The contracts signed with the customers do not contain right of returns, warranty obligations, variation of terms giving rise to variable consideration, or agreed payment terms giving rise to significant financing component.

Other income

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) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees’ benefits (Continued)

(ii) 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.

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.

(iii) 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.

Leases

The Company assess whether a contract is or contains a lease, at inception of the contract. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

As lessee

At the lease commencement date, the Group recognises a Right-of-Use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and low-value leases as described below.

ROU asset

ROU assets are initially measured at cost, which comprise initial amount of lease liability, any lease payment made at or before commencement date, plus initial direct costs incurred, less lease incentives received. ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU asset of the Group comprises prepaid lease payments for land use rights in the PRC, which is depreciated on straight-line basis over their respective lease term of 43 and 48 years. The remaining lease term range from 30 and 36 years.

Lease liability

Lease liability is measured at amortised cost using effective interest method.

The Group has no lease liabilities as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Exemption / exclusion

The Group has elected not to recognise ROU asset and lease liabilities for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For such leases, the Group recognises the lease payments in profit or loss as an operating expense on a straight-line basis over the lease term.

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.

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 13% from 1 April 2019 onwards and 16% prior 1 April 2019 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting 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.

Critical accounting estimates, assumptions and judgements

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(a) *Impairment of financial assets*

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions and determining key inputs to the impairment calculation, taking into account the Group’s historical credit loss experience, existing market conditions as well as forward-looking information relating to industry, geographical locations, probability of default information from external credit rating agencies and macroeconomic factors. The key assumptions and inputs used are disclosed in Note 33(iii).

(b) *Income tax*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has tax losses carried forward amounting RMB 85,484,000 (2019: RMB 59,643,000) for which no deferred tax assets has been recognised due to uncertainty of its recovery. These losses relate to a subsidiary that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiary has neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

4. SHARE CAPITAL

	Group and Company			
	2020		2019	
	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.

5. 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.

6. 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.

7. CURRENCY TRANSLATION RESERVE

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
At the beginning of the year	382	244	9,237	5,955
Foreign currency translation difference for the financial year	(28)	138	(4,079)	3,282
At the end of the year	354	382	5,158	9,237

Currency translation reserve arose from translation of the Company's financial statements from its functional currency (SGD) to presentation currency (RMB). The 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

8. ACCUMULATED LOSSES

	Company	
	2020 RMB’000	2019 RMB’000
At the beginning of the year	(25,481)	(22,240)
Loss for the year	(122,912)	(3,241)
At the end of the year	<u>(148,393)</u>	<u>(25,481)</u>

9. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings	Machinery and equipment	Motor vehicles	Furniture and fittings, office equipment and renovation	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cost					
As at 1 January 2019	50,309	81,839	5,024	4,390	141,562
Additions	-	268	4	21	293
Disposal	-	-	(424)	-	(424)
Translation differences	-	(3)	17	8	22
As at 31 December 2019	<u>50,309</u>	<u>82,104</u>	<u>4,621</u>	<u>4,419</u>	<u>141,453</u>
As at 1 January 2020	50,309	82,104	4,621	4,419	141,453
Additions	-	16	-	-	16
Disposal	-	-	(753)	-	(753)
Written off	-	-	-	(269)	(269)
Translation differences	-	-	(35)	(7)	(42)
As at 31 December 2020	<u>50,309</u>	<u>82,120</u>	<u>3,833</u>	<u>4,143</u>	<u>140,405</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

9. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings	Machinery and equipment	Motor vehicles	Furniture and fittings, office equipment and renovation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment					
As at 1 January 2019	29,055	60,529	3,798	3,856	97,238
Charge for the year	1,950	2,376	232	272	4,830
Disposal	-	-	(403)	-	(403)
Translation differences	-	-	3	4	7
As at 31 December 2019	31,005	62,905	3,630	4,132	101,672
As at 1 January 2020	31,005	62,905	3,630	4,132	101,672
Charge for the year	1,880	2,359	78	181	4,498
Impairment loss for the year (Note 25) ⁽¹⁾	17,424	16,856	333	78	34,691
Disposal	-	-	(203)	-	(203)
Written off	-	-	-	(240)	(240)
Translation differences	-	-	(5)	(8)	(13)
As at 31 December 2020	50,309	82,120	3,833	4,143	140,405
Net carrying amount					
As at 31 December 2020	-	-	-	-	-
As at 31 December 2019	19,304	19,199	991	287	39,781

⁽¹⁾ As disclosed in Note 31, the Board of Directors has made full impairment on the Subsidiary's Pledged Assets for defaulted loans extended to CEO Xu, together with its related parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Motor vehicles RMB’000	Furniture and fittings and office equipment RMB’000	Total RMB’000
Cost			
As at 1 January 2019	770	265	1,035
Additions	4	3	7
Translation differences	14	8	22
As at 31 December 2019	788	276	1,064
As at 1 January 2020	788	276	1,064
Disposal	(753)	-	(753)
Written off	-	(269)	(269)
Translation differences	(35)	(7)	(42)
As at 31 December 2020	-	-	-
Accumulated depreciation			
As at 1 January 2019	94	219	313
Charge for the year	79	17	96
Translation differences	4	4	8
As at 31 December 2019	177	240	417
As at 1 January 2020	177	240	417
Charge for the year	31	7	38
Disposal	(203)	-	(203)
Written off	-	(240)	(240)
Translation differences	(5)	(7)	(12)
As at 31 December 2020	-	-	-
Net carrying amount			
As at 31 December 2020	-	-	-
As at 31 December 2019	611	36	647

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

10. INVESTMENT IN A SUBSIDIARY

	Company	
	2020 RMB'000	2019 RMB'000
Unquoted equity shares, at cost - at beginning of year	122,500	119,342
Translation differences	(4,052)	3,158
Unquoted equity, at cost - at end of year	118,448	122,500
Less: Impairment loss on cost of investment ⁽¹⁾	(118,448)	-
Unquoted equity, net - at end of the year	-	122,500

⁽¹⁾ Pursuant to the various Enforcement Proceedings as disclosed in Note 31, the Board of Directors has made full impairment charge on the cost of investment in the Subsidiary.

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2020 %	2019 %
Held by the Company				
Jiangyin Litai Ornamental Materials Co., Ltd. ("Subsidiary")*	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.

11. RIGHT-OF-USE ASSETS

Group	2020 RMB'000	2019 RMB'000
Cost		
As at 1 January and 31 December	14,075	14,075
Accumulated depreciation		
As at 1 January	3,864	3,562
Charge for the year	300	302
Impairment loss for the year (Note 25) ⁽¹⁾	9,911	-
As at 31 December	14,075	3,864
Net carrying amount		
As at 31 December	-	10,211
As at 1 January	10,211	10,513

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

11. RIGHT-OF-USE ASSETS (Continued)

- (1) As disclosed in Note 31, the Board of Directors has made full impairment on the Subsidiary’s Pledged Assets for defaulted loans extended to CEO Xu, together with its related parties.

Rights-of-use assets represent payments for land use rights on which the buildings of the Subsidiary is erected.

12. INVENTORIES

	Group	
	2020 RMB’000	2019 RMB’000
Finished goods	1,943	11,006
Work-in-progress	-	1,318
Raw materials	4,427	21,254
Consumables	1,231	1,435
	<hr/> 7,601	<hr/> 35,013
Less: Write down of inventory to net realisable value during the year	(3,891)	-
Less: Impairment losses for the year (Note 25) ⁽¹⁾	(3,710)	-
	<hr/> -	<hr/> 35,013
	<hr/> <hr/>	<hr/> <hr/>

The cost of inventories recognised as expenses and included in “cost of sales” amounted to approximately RMB26,463,000 (2019: RMB147,588,000).

- (1) As disclosed in Note 31, the Board of Directors has made full impairment on the Subsidiary’s Pledged Assets for defaulted loans extended to CEO Xu, together with its related parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

13. TRADE AND BILLS RECEIVABLES AND DUE FROM RELATED PARTIES (TRADE)

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade receivables	86,535	119,809	227	-
Less: Impairment loss on trade receivables (Note 33 (iii))	(57,638)	(33,558)	-	-
	28,897	86,251	227	-
Bills receivables	5,348	315	-	-
	34,245	86,566	227	-
Due from related parties (trade) ⁽¹⁾	28,008	28,017		
Less: Impairment loss on balance due from related parties (Note 33 (iii))	(28,008)	(14,079)	-	-
	-	13,938	-	-

⁽¹⁾ Pursuant to the various Enforcement Proceedings as disclosed in Note 31, the Board of Directors has made a full impairment charge on the balance due from related parties.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Deposits	7	71	7	51
Prepayments	2,551	1,341	28	106
Advance payments to third party (trade)	473	308	-	-
Other receivables	8,952	2,454	-	-
	11,983	4,174	35	157
Less: Impairment loss during the year ⁽¹⁾	(9,560)	-	-	-
	2,423	4,174	35	157

⁽¹⁾ Pursuant to the various Enforcement Proceedings as disclosed in Note 31, the Board of Directors has made a full impairment charge on the other receivables and deposits paid in relation to the enforcement proceedings and legal suits in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

15. ADVANCE PAYMENTS TO A RELATED PARTY

Advance payments were made to a related party for purchases of raw materials in prior financial years.

	Group	
	2020 RMB’000	2019 RMB’000
Advance payment to a related party	52,130	51,150
Impairment loss on advances paid to a related party (Note 33 (iii)) ⁽¹⁾	(52,130)	(25,575)
	-	25,575

⁽¹⁾ Pursuant to the various Enforcement Proceedings as disclosed in Note 31, the Board of Directors has made a full impairment charge on the remaining balance of advances paid to a related party.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RMB’000	2019 RMB’000	2020 RMB’000	2019 RMB’000
Cash and bank balances	4,734	9,723	476	2,986
Fixed deposit	-	1,813	-	1,813
Cash and bank balances	4,734	11,536	476	4,799
Less: Impairment loss ⁽¹⁾	(3,487)	-	-	-
Cash and cash equivalents per statement of financial position	1,247	11,536	476	4,799
Less: Deposit pledged	-	(913)	-	-
Cash and cash equivalents per consolidated statement of cash flows	1,247	10,623	476	4,799

⁽¹⁾ As disclosed in Note 31(A), all of the Subsidiary’s bank accounts with balances of RMB3,487,000 (comprising of RMB2,354,000 and US\$174,000) as at 31 December 2020 are inaccessible and have been deemed frozen (2019: two of the Subsidiary’s bank accounts with balances of RMB753,725 and US\$3,001 had been frozen). The Board of Directors has made a full impairment charge on these PRC bank accounts.

As at 31 December 2020, 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 RMB4,258,000 (2019: RMB6,503,000). 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.

As at 31 December 2020, there was no fixed deposit. As at 31 December 2019, the fixed deposit bear effective interest rate of 1.8% per annum and mature within 1 months from the financial year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

17. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Other taxes payable	236	338	-	-
Accrued operating expenses	3,544	7,277	64	35
Accrued directors' fees	-	492	-	492
Other payables	1,432	1,614	880	1,027
VAT payables	440	1,196	-	-
	5,652	10,917	944	1,554

18. DUE TO A SUBSIDIARY (NON-TRADE)

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

19. BANK LOANS

	Group	
	2020 RMB'000	2019 RMB'000
Loan I (Secured)	4,429	6,943
Loan II (Secured)	7,000	7,000
Total bank loans due and defaulted (Note A)	11,429	13,943

Bank loans of RMB11,429,000 (2019: RMB13,943,000) are secured by a pledge of the Group's leasehold buildings and right-of-use assets with net carrying amounts of approximately RMB2,298,000 (2019: RMB2,589,000) and RMB1,058,000 (2019: RMB1,094,000) respectively.

CEO Xu and an unrelated business associate have provided personal and corporate guarantee for the loans in favour of the bank, for a period of 1 year from September 2018 until September 2019, up to a maximum of RMB22,000,000 and RMB15,000,000 respectively. Due to the Enforcement Proceedings as described in Note 31, the status of the financial guarantee as at 31 December 2019 and 2020, and at the date of this financial statement, is presently unknown.

Interest on secured bank loans were charged at the rate of 3.99% to 4.79% (2019: 3.99% to 4.79%) per annum.

Reconciliation of liabilities arising from financing activities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

19. BANK LOANS (Continued)

Note A

The Subsidiary has defaulted on the repayment of Loan I and Loan II, amounting to an aggregate of RMB11,429,000 (2019: RMB13,943,000), which is due and payable on 26 November 2019 and 29 January 2020 respectively. As of the date of these financial statements, Loan I and Loan II have not been repaid. As disclosed in Note 20, the Bank has taken enforcement actions against the Subsidiary during the year (Legal suit 2).

20. PROVISIONS

	Group	
	2020 RMB’000	2019 RMB’000
Enforcement proceedings	3,790	-
Legal suit 1	5,500	-
Legal suit 2	863	-
Legal suit 3	46	-
Legal suit 4	12	-
Legal suit 5	5,600	-
	15,811	-

Enforcement proceedings

Eleven enforcement cases were filed against the Subsidiary and CEO Xu, together with 7 other parties, for an aggregate amount of RMB5,107,400 in the Sichuan Chengdu Longquanyi District People’s Court from 6 March 2020 to 7 August 2020. These cases have ended in August 2020 and the Group is liable for the full amount claimed. The provision of RMB3,790,000 represents the remaining unsettled amount as at 31 December 2020.

Legal suit 1

The Subsidiary was named as a second defendant alongside its related party, Jiangyin Comat Metal Products Co., Ltd (“Jiangyin Comat”), being the first defendant in a civil suit instituted by a Hangzhou Xiaoshan Jiangnan Iron Printing & Cans Manufacturing Co., Ltd (“Plaintiff 1”) during 2019 before the Jiangyin People’s Court. This relates to a corporate guarantee provided by the Subsidiary, on certain trading agreements between Plaintiff 1 and Jiangyin Comat. Plaintiff 1 has claimed for compensation amounting to RMB11,000,000 in view that Jiangyin Comat has preliminary failed to fulfill the terms of the contract. The Group has represented that the corporate guarantee was provided without the knowledge and approval by the Board of Directors. Nevertheless, the Board of Directors has provided for 50% of the claim of RMB5,500,000.

Legal suit 2

The Subsidiary was named as a co-defendant alongside its related party, Jiangyin Shengtong Aluminium Co., Ltd, CEO Xu, and spouse in a legal suit instituted by a Bank of China, WuXi Branch (the “Bank”) during 2020 before the Jiangsu Wuxi Liangxi District People’s Court. This is in relation to the default payment on the facilities granted to the Subsidiary (Note 19). The Bank has claimed for an aggregate amount of RMB12,292,000, including the outstanding loan amount, interests, legal fees and penalties (“Total Claim”). The Board of Directors has made an additional provision of RMB836,000 representing the difference in Total Claim and defaulted loans in Note 19 to the financial statements. In addition, the Bank has the right to list the pledged assets with net carrying amount of RMB 3,356,000 (Note 19) on auction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

20. PROVISIONS (Continued)

Legal suit 3

The Subsidiary was named as a co-defendant alongside CEO Xu, in a legal suit instituted by a trade creditor, PPG Paint (Tianjin) Co., Ltd. (“Plaintiff 3”) during 2020 before the Tianjin Haibin New District People’s Court in relation to a trade balance owing to Plaintiff 3 amounting to RMB1,239,000, which is currently recorded in “Trade Payables”. The Group has recognised the provision of RMB46,000 on legal fees and penalties relating to this claim.

Legal suit 4

The Subsidiary was named as a sole defendant in a legal suit instituted by a trade creditor, Taizhou Longxin Maozhan Co., Ltd. (“Plaintiff 4”) during 2020 before the Taizhou Jiangyan District People’s Court in relation to a trade balance owing to Plaintiff 4 amounting to RMB1,050,000, which is currently recorded in “Trade Payables”. The Group has recognised the provision of RMB12,000 on legal fees and penalties related to this claim.

Legal suit 5

The Subsidiary was named as a co-defendant, alongside thirteen other related parties (collectively, the “Defendants”) in a legal suit instituted by a Yu Hong Xia (“Plaintiff 5”) during 2020 before the Hangzhou Intermediate People’s Court in relation to a loan agreement entered into between Plaintiff 5 and the Defendants. The loan amount has been disbursed by Plaintiff 5 to one of the Defendants. The Group has represented that the loan agreement was entered into without approval by the Board of Directors. As of the date of these financial statements, the Court has ruled that nine parties, including the Subsidiary, are equally liable for the total claim amounting to RMB50,000,000. Accordingly, the Board of Directors made a provision, calculated on the basis of 1 out of 9 percentage of the total claim, of RMB5,600,000.

21. DEFERRED TAX LIABILITIES

	Group	
	2020 RMB’000	2019 RMB’000
Undistributed earnings of the Subsidiary		
At beginning and end of the year	-	1,182
Recognised in profit or loss (Note 27)	-	(1,182)
	-	-

As the Subsidiary is in an accumulated tax loss position as at 31 December 2020, deferred tax liabilities relating to undistributed earnings of the Subsidiary have been reversed accordingly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue

	Sale of aluminium single panel		Sale of aluminium composite panel		Spray-painting services		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Primary geographical markets								
PRC	12,695	89,672	11,088	45,027	894	23,404	24,677	158,103
Overseas	-	19	5,991	49,661	-	-	5,991	49,680
	<u>12,695</u>	<u>89,691</u>	<u>17,079</u>	<u>94,688</u>	<u>894</u>	<u>23,404</u>	<u>30,668</u>	<u>207,783</u>

	Sale of aluminium single panel		Sale of aluminium composite panel		Spray-painting services		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Timing of transfer of goods and services								
At a point of time	12,695	89,691	17,079	94,688	-	-	29,774	184,379
Over time	-	-	-	-	894	23,404	894	23,404
	<u>12,695</u>	<u>89,691</u>	<u>17,079</u>	<u>94,688</u>	<u>894</u>	<u>23,404</u>	<u>30,668</u>	<u>207,783</u>

(b) Contract liabilities

Information about contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2020 RMB’000	2019 RMB’000
Contract liabilities	<u>1,331</u>	<u>2,633</u>

Contract liabilities primarily relate to the Group’s obligation to transfer goods to customers of which the Group has received advances from customers for the sale of aluminium panels. Contract liabilities are recognised as revenue as the Group delivers the goods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

22. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Significant changes in contract liabilities are as follows:

	Group	
	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,302	1,786

23. OTHER OPERATING INCOME / IMPAIRMENT LOSS ON FINANCIAL ASSETS, NET

	Group	
	2020 RMB'000	2019 RMB'000
Other operating income		
Sale of scraps	-	831
Government grants	252	425
Interest income on bank deposits	40	60
Foreign exchange gain, net	-	252
Others	49	-
	341	1,568
Impairment loss on financial assets, net		
Impairment loss on financial assets (Note 33 (iii))		
(a) Amount due from related parties (trade)	13,929	13,990
(b) Advance payments to a related party	26,555	25,575
	40,484	39,565
(c) Trade receivables	24,201	9,585
(d) Other receivables, deposits and prepayments	9,560	-
Impairment loss written back	(121)	(790)
	74,124	48,360

24. FINANCE COSTS

	Group	
	2020 RMB'000	2019 RMB'000
Interest on bank loans	764	1,044

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

25. OTHER EXPENSES

	Group	
	2020 RMB’000	2019 RMB’000
Loss on sales of scraps	3,590	-
Loss on sales of inventories	5,510	-
Write-down of inventories to net realisable values (Note 12)	3,891	-
Impairment losses on Pledged Assets		
- Property, plant and equipment (Note 9)	34,691	-
- Right-of-use assets (Note 11)	9,911	-
- Inventories (Note 12)	3,710	-
- Cash and cash equivalents (Note 16)	3,487	-
	51,799	-
Provisions for enforcement proceedings and legal suits (Note 20)	15,811	-
Foreign exchange loss, net	526	-
	81,127	-

26. PERSONNEL EXPENSES

	Group	
	2020 RMB’000	2019 RMB’000
Wages, salaries and bonuses *	15,704	31,236
Contributions to defined contribution plan *	1,255	3,399
Other payroll related expenses*	673	1,046
	17,632	35,681

* Inclusive of directors’ fees and directors’ remuneration of approximately RMB438,000 and RMB2,475,000 (2019: RMB492,000 and RMB3,166,000), as disclosed in Note 27 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

27. LOSS BEFORE TAX

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

	Note	Group	
		2020 RMB'000	2019 RMB'000
Audit fees			
- Auditor of the Company		400	517
- Other auditors		50	98
Non-audit fees paid / payable to auditors of the Company		9	9
Depreciation of property, plant and equipment	9	4,498	4,830
Loss on disposal of property, plant and equipment		183	-
Write-off of property, plant and equipment		29	-
Depreciation of right-of-use assets	11	300	302
Impairment loss on financial assets, net	23	74,124	48,360
Loss on sales of scraps	25	3,590	-
Loss on sales of inventories	25	5,510	-
Write down of inventories to net realisable values	25	3,891	-
Provision for enforcement proceedings and legal suits	25	15,811	-
Impairment losses on Pledged Assets			-
- Property, plant and equipment	25	34,691	-
- Right-of-use assets	25	9,911	-
- Inventories	25	3,710	-
- Cash and cash equivalents	25	3,487	-
Directors of the Company:			
- Directors' fees	26	438	492
- Directors' remuneration	26	2,475	3,166
Personnel expenses *	26	17,632	35,681
Foreign exchange loss / (gain), net	25	526	(252)
Lease expenses not included in lease liabilities			
- short term leases		141	272
Cost of inventories recognised as cost of sales	12	26,463	147,588

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

28. TAX CREDIT

	Group	
	2020 RMB'000	2019 RMB'000
Current tax		
- Withholding tax	-	238
Deferred tax		
- Reversal of temporary differences (Note 21)	-	(1,182)
	-	(944)

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in thousands of Chinese Renminbi (“RMB’000”))

28. TAX CREDIT (Continued)

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

	Group	
	2020 RMB’000	2019 RMB’000
Accounting loss before tax	(181,419)	(51,753)
Tax at the domestic rates applicable to loss in the countries where the Group operates	(44,999)	(12,508)
Tax effect of:		
- non-deductible expenses	38,605	3,376
- non-taxable income	(65)	(201)
Deferred tax asset not recognised	6,459	9,333
Reversal of deferred tax provided in prior years	-	(1,182)
Withholding tax on dividend income	-	238
Tax credit	-	(944)

The Company’s applicable tax rate is 17% (2019: 17%). However, the Company has no material Singapore-sourced chargeable income, and hence the administrative expenses representing corporate expenses are not tax deductible.

The Subsidiary in PRC is subject to an applicable tax rate of 25% (2019: 25%). The Subsidiary has unused tax losses of RMB85,484,000 (2019: RMB59,643,000) 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 tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in PRC.

The tax losses of PRC Subsidiary expire at end of 5 years from the losses recorded are as follows:

	Group			
	2020		2019	
	RMB’000	Expiring on	RMB’000	Expiring on
Tax losses arising from financial year of:				
2017	9,887	2022	9,887	2022
2018	12,424	2023	12,424	2023
2019	37,332	2024	37,332	2024
2020	25,841	2025	-	-
	85,484		59,643	

29. LOSS PER SHARE

Loss per share is calculated by dividing the Group’s loss for the year of approximately RMB181,419,000 (2019: RMB50,809,000) by the weighted average number of shares in issue during the financial year of 254,880,660 (2019: 254,880,660). There is no dilutive earnings per share of the Company as there is no dilutive potential ordinary share issued.

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in thousands of Chinese Renminbi ("RMB'000"))

30. RELATED PARTIES INFORMATION

Some of the arrangements with related parties (as defined in Note 3 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	
	2020 RMB'000	2019 RMB'000
(a) Purchase of goods and services		
Subcontracting costs paid / payable	-	6,461
Purchase of raw materials and consumables	-	36,097
Rental expenses	17	30
(b) Sale of goods and services		
Spray-painting income included in revenue	-	(18,027)
Sales of aluminium panels included in revenue	-	(445)
Sales of raw material	-	(5,120)
Other income from sub-processing fee	-	(85)
(c) Advances and reimbursements		
Payments made in advance to purchase raw materials *	980	74,559
Reimbursement received for utilities expenses	-	(1,264)
(d) Impairment losses		
Amount due from related parties	13,929	13,990
Advance payment to a related party	26,555	25,575
(e) Key management personnel compensation		
Short-term employee benefits	3,001	5,360
Contribution to defined contribution plan	55	127

* 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.

Related parties in (a) – (d) refers to companies in which CEO Xu and members of his close family have controlling financial interests.

As at the date of this report, all of the related parties with transactions with the Group, together with CEO Xu, were involved in litigations and enforcement proceedings and are placed under bankruptcies as disclosed in Note 31.

Net outstanding balances as at 31 December 2020 and 2019 arising from sale / purchase of goods and services, advances for purchases and reimbursement of utilities expenses are disclosed as amount due to / from related parties and advance payments to a related party (Note 15) on the face of the consolidated statement of financial position.

Until 30 September 2019, CEO Xu has provided personal financial guarantee of RMB22,000,000 in favour of a financial institution for facilities granted to the Subsidiary (Note 19) at no charge. It is uncertain whether the personal guarantee had since been renewed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

30. RELATED PARTIES INFORMATION (Continued)

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.

31. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

As announced by the Company in its various announcements on 8 April 2020, 15 April 2020 and 22 April 2020, the Subsidiary was involved in several litigations and enforcement proceedings as summarised below:

A) Courts’ enforcement orders against the Subsidiary

An application for a preservation of assets order was filed by an individual, Zhang Kun (“Applicant”), against 12 respondents including the Subsidiary, CEO Xu and some of his controlled entities (collectively, the “Respondents”) for the purpose of preserving or freezing the assets of the Respondents up to RMB14 million in connection with a legal dispute over certain lending / borrowing arrangements between the Applicant and the Respondents. As a result of this application, an interim court order dated 28 November 2019 (“ICO”) was issued by the Sichuan Chengdu Longquanyi District People’s Court for the purpose of preserving or freezing the assets of the Respondents collectively up to a sum of RMB 14 million in favour of the Applicant. To the best knowledge of the Company, the Company and the Subsidiary have no business relationship with the Applicant.

Two of the Subsidiary’s bank accounts with balances of RMB753,725 and US\$3,001 had been frozen for a period of 12 months, with effect from 10 March 2020 and 18 March 2020 respectively although it is not conclusively related to or in consequence of the ICO and/or the enforcement proceedings described in Note 31(C). As to date of these financial statements, all of the Subsidiary’s bank accounts with balances of RMB2,354,000 and US\$174,000 are inaccessible and have been deemed frozen.

B) Enforcement Proceedings against the Subsidiary

Enforcement Proceedings (1) and (2)

On 3 November 2020, the Subsidiary has been named as a co-defendant, alongside its related parties, in two legal suits instituted by the Bank of China, Wuxi Branch, before the Jiangsu Wuxi Liangxi District People’s Court, for an aggregate amount of RMB102,500,000, in relation to a financial guarantee by way of pledging of the Subsidiary’s assets for banking facilities granted to CEO Xu and its related parties.

C) Other Enforcement Proceedings against the Subsidiary

Enforcement Proceedings (3), (4), and (5)

On 7 January 2021, the Subsidiary was also named as a co-defendant alongside CEO Xu, and eleven other related parties in two legal suits instituted by Industrial and Commercial Bank of China Limited (Jiangyin Sub-Branch) (“Bank of China”) before the Wuxi Intermediate People’s Court and Jiangyin People’s Court, for an aggregate amount of RMB368,232,000.

Further, on 2 February 2021, the Bank of China has also named the Subsidiary, CEO Xu, and ten other related parties as defendants before the Wuxi Intermediate People’s Court and Jiangyin People’s Court, for an aggregate amount of RMB93,571,000.

Enforcement Proceeding (6)

On 11 January 2021, the Subsidiary was named as a sole defendant in a legal suit instituted by one of its trade creditor, Henan Yulong Metal Products Co., Ltd. (the “Plaintiff”) for an aggregate amount of RMB262,000 before the Zhechuan County People’s Court in relation to a trade balance owing to the Plaintiff, which is currently recorded as “Trade Payables”. As of the date of these financial statements, the enforcement proceeding is still ongoing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

31. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Contingent liabilities (Continued)

C) Other Enforcement Proceedings against the Subsidiary (Continued)

Following the above enforcement proceedings and legal suits, CEO Xu, the Subsidiary, alongside its related party, Jiangyin Haida Technology (collectively, the “Defendants”) has been subject to consumption restriction orders (“CRO”) issued by the competent courts in China for the purpose of impelling the Defendants to fulfill their payment obligations and preventing their assets from being unlawfully and furtively abated and dissipated by unwarranted consumption through different ways or means. With effect of the CRO, the Defendants are thus restricted from high-level and unnecessary consumption for their livelihood and business operations.

As of the date of these financial statements, the Board of Directors is unable to determine the reasons for which the Subsidiary was being embroiled in these Enforcement Proceedings and has appointed a PRC legal counsel to investigate into these Enforcement Proceedings. Based on the legal report dated 25 February 2021, certain key operating assets of the Subsidiary has been pledged, comprising certain leasehold buildings, right-of-use assets, plant and machinery, and inventories (“Pledged Assets”). However, the detailed extent of these Pledged Assets is still undetermined. Consequently, the Board of Directors made a full impairment on the entire carrying amounts of all non-financial assets comprising property, plant and equipment of RMB34,691,000, right-of-use assets of RMB9,911,000 and inventories of RMB3,710,000 as at 31 December 2020.

As of the date of these financial statements, the enforcement proceedings are still ongoing and no provision of additional liabilities have been made in these financial statements, except as disclosed in Note 20.

Commitments

The Group has commitments for future minimum lease payments under a non-cancellable operating lease in respect of rental of office, which is renewable on a yearly basis. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group	Company
	2020	2020
	RMB’000	RMB’000
Future minimum lease payments		
- Within 1 year	17	17

32. 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 22.

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 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

32. 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	
	2020 RMB’000	2019 RMB’000
Revenue		
People’s Republic of China	24,677	158,103
Ukraine	-	12,118
Brazil	-	6,542
UK	-	5,679
Tunisia	-	4,969
Austria	-	3,986
Italy	-	2,742
Saudi Arabia	-	2,696
Mexico	-	861
South Africa	-	455
USA	-	82
Australia	-	67
Other countries	5,991	9,483
	<hr/>	<hr/>
Total (Note 22(a))	30,668	207,783
	<hr/>	<hr/>
Non-current asset		
People’s Republic of China	-	49,345
Singapore	-	647
	<hr/>	<hr/>
Total	-	49,992
	<hr/>	<hr/>

Information about major customers

Revenue from 3 (2019: 3) major third party customers in Europe and South America, arising from sales of aluminium panels, amounted to approximately RMB5,768,957 (2019: RMB23,616,000). This represents 19% (2019: 11%) of the Group’s revenue. Revenue from these customers, individually, does not exceed 10% of the Group’s revenue.

In addition, the Group’s major customers, who contributed 13% (2019: 9%) or approximately RMB3,992,771 (2019: RMB18,472,000) to the Group’s revenue (Note 22).

33. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies(Continued)

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 20% (2019: 25%) 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.

Group As at 31 December 2020	Singapore dollars	United States dollars	Chinese Renminbi	Euro	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets</u>					
Cash and cash equivalents	476	-	771	-	1,247
Trade receivables and bill receivables	227	-	34,018	-	34,245
Other receivables and deposits	35	-	2,388	-	2,423
Intra-group receivables (non-trade)	-	-	2,372	-	2,372
	738	-	39,549	-	40,287
<u>Financial liabilities</u>					
Trade payables	216	-	12,321	-	12,537
Other payables and accruals	944	-	4,708	-	5,652
Bank loans	-	-	11,429	-	11,429
Provisions	-	-	15,811	-	15,811
Intra-group payables (non-trade)	-	-	2,372	-	2,372
	1,160	-	46,641	-	47,801
Net financial (liabilities)/assets	(422)	-	(7,092)	-	(7,514)
Add: Net financial liabilities denominated in the respective entities' functional currencies	422	-	-	-	422
Foreign currency exposure	-	-	(7,092)	-	(7,092)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 31 December 2019	Singapore dollars RMB’000	United States dollars RMB’000	Chinese Renminbi RMB’000	Euro RMB’000	Total RMB’000
Financial assets					
Cash and cash equivalents	4,799	234	6,503	-	11,536
Trade receivables and bill receivables	-	4,655	81,893	18	86,566
Other receivables and deposits	51	-	2,474	-	2,525
Due from related parties (trade)	-	-	13,938	-	13,938
Advance payments to a related party	-	-	25,575	-	25,575
Intra-group receivables (non-trade)	-	-	2,250	-	2,250
	<u>4,850</u>	<u>4,889</u>	<u>132,633</u>	<u>18</u>	<u>142,390</u>
Financial liabilities					
Trade payables	-	-	26,699	-	26,699
Other payables and accruals	1,554	-	7,829	-	9,383
Bank loans	-	-	13,943	-	13,943
Intra-group payables (non-trade)	-	-	2,250	-	2,250
	<u>1,554</u>	<u>-</u>	<u>50,721</u>	<u>-</u>	<u>52,275</u>
Net financial assets	3,296	4,889	81,912	18	90,115
Less: Net financial assets denominated in the respective entities’ functional currencies	(3,296)	-	(84,162)	-	(87,458)
Foreign currency exposure	<u>-</u>	<u>4,889</u>	<u>(2,250)</u>	<u>18</u>	<u>2,657</u>

As at 31 December 2020 and 2019, the Company has no financial instruments denominated in foreign currency, except for an amount due to subsidiary of approximately RMB2,372,000 (2019: RMB2,250,000) which is denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

33. 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% (2019: 5%) increase and decrease in the Chinese Renminbi and Singapore dollars against the relevant foreign currencies. 5% (2019: 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% (2019: 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% (2019: 5%) against the respective functional currencies of the Group entities, with all other variables held constant, the loss for the year will increase / (decrease) by:

	2020	2019
	Loss net of tax RMB'000	Loss net of tax RMB'000
Group		
USD against RMB		
- strengthened	-	(183)
- weakened	-	183
RMB against SGD		
- strengthened	266	84
- weakened	266	(84)
Euro against RMB		
- strengthened	-	(1)
- weakened	-	1
Company		
RMB against SGD		
- strengthened	89	84
- weakened	(89)	(84)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

33. 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 2020, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The Group’s total comprehensive loss not affected by changes in interest rates as the interest-bearing financial instruments carry fixed interest (Note 19) 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 16) on the basis of expected cash flows.

As disclosed in Note 16, all of the Subsidiary’s bank balances as at 31 December 2020 are inaccessible and have been deemed frozen.

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 (2019: 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. Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The Group manages credit losses based on expected credit losses (ECL) model. The Group and Company have the following financial assets subject to ECL:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Carrying amount				
Trade receivables	34,245	86,251	227	-
Amount due from related parties (trade)	-	13,938	-	-
Advance payments to a related party (Note 15)	-	25,575	-	-
	<u>34,245</u>	<u>125,764</u>	<u>227</u>	<u>-</u>
Other receivables and deposits	2,423	2,525	7	51
Cash and cash equivalents	1,247	11,536	476	4,799
	<u>37,915</u>	<u>139,825</u>	<u>710</u>	<u>4,850</u>

(A) Trade receivables, amount due from related parties (trade), advance payment receivable from a related party and other receivables, deposits and prepayments

At the end of the reporting period, out of the Group's trade receivables:

- 25% (2019: 29%) were due from 3 (2019: 3) major PRC customers who are established companies engaged in the construction and building material sector.
- 71% (2019: 56%) were due from customers located in Jiangsu province and Shanghai in PRC which are companies engaged in construction and building material sector.
- 2% (2019: 5%) were due from 2 (2019: 3) major overseas customers (located in Europe) who are engaged in the construction industry sector.

The average credit period on sales of goods and spray painting income is 90 days (2019: 90 days). No interest is imposed on overdue trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(A) Trade receivables, amount due from related parties (trade), advance payment receivable from a related party and other receivables, deposits and prepayments (Continued)

The credit risk based on the information provided to key management is as follows:

	Group	
	2020 RMB’000	2019 RMB’000
<u>By geographical areas</u>		
- PRC	32,914	121,862
- UK	1	457
- Ukraine	1,267	2,699
- Austria	46	331
- Other countries*	17	415
	34,245	125,764

* Other countries include Africa, Australia, Singapore and Tunisia.

	Group	
	2020 RMB’000	2019 RMB’000
<u>By types of customers</u>		
- Related parties	-	39,513
- Third parties	34,245	86,251
	34,245	125,764

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 Group’s exposure to credit risk from trade receivables are linked to the individual characteristics of each customer, and also influenced by the default risk specific to the country brought about by the general economic condition.

The Group uses qualitative and quantitative information like geographical location, profile of the customers, historical repayment trend, probability of default from external rating agencies, if any, to group debtors with similar characteristics for purposes of the ECL assessment. The following tables provide information about the breakdown and exposure to ECL:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(A) Trade receivables, amount due from related parties (trade), advance payment receivable from a related party and other receivables, deposits and prepayments (Continued)

The movement of the lifetime ECL are as follows:

	Group		
	Collective impairment - Not credit impaired RMB'000	Individual impairment - Credit impaired RMB'000	Total RMB'000
Balance at 1 January 2020	7,283	65,929	73,212
ECL allowance recognised during the year:			
- Additional ECL allowance	23,966	50,279	74,245
- Reversal of ECL allowance	-	(121)	(121)
	23,966	50,158	74,124
Balance at 31 December 2020	31,249	116,087	147,336
	Group		
	Collective impairment - Not credit impaired RMB'000	Individual impairment - Credit impaired RMB'000	Total RMB'000
Representing allowance on:			
Trade receivables	31,249	26,389	57,638
Amount due from related parties (trade)	-	28,008	28,008
Other receivables, deposits and prepayments	-	9,560	9,560
Advance payment to a related party	-	52,130	52,130
Balance as at 31 December 2020	31,249	116,087	147,336

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi ("RMB'000"))

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(A) Trade receivables, amount due from related parties (trade), advance payment receivable from a related party and other receivables, deposits and prepayments (Continued)

	31 December 2020			31 December 2019		
	Gross carrying amount RMB'000	Probability of default rate %	ECL allowance RMB'000	Gross carrying amount RMB'000	Probability of default rate %	ECL allowance RMB'000
<u>Third parties – not credit impaired</u>						
<u>PRC customers</u>	57,928	~ 40	30,361	89,106	1.94–14.51	6,966
<u>Overseas customers</u>						
Austria	77	40	31	337	1.97	7
United Kingdom	1	40	1	679	1.36	9
Ukraine	2,112	40	845	2,992	9.79	293
Other countries	28	40	11	420	0.55-5.64	8
			31,249			7,283
Third parties – credit impaired ⁽ⁱⁱⁱ⁾	26,389	100	26,389	26,275	100	26,275
Total trade receivables	86,535		57,638	119,809		33,558
Related parties						
- Credit impaired ⁽ⁱⁱ⁾	80,138	100	80,138	79,167	~ 50	39,654
Other receivables, deposits and prepayments	11,983	~ 80	9,560	4,174	-	-
Total	178,656		147,336	203,150		73,212

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(A) Trade receivables, including amount due from related parties (trade) and advance payment receivable from a related party (Continued)

(ii) As of 31 December 2020, management estimated ECL allowance rate for related parties to be approximately 100% (2019: 50%) taking into consideration of the on-going enforcement proceedings and claims made against the related parties as discussed in Note 31.

(iii) Trade receivables classified as credit impaired are customers whose turnover days are substantially longer than industry norms with minimal repayment during the year.

(B) Bill receivables, other receivables and deposits, cash and cash equivalents

The Group and Company uses a similar approach for assessment of ECL for its other financial assets. Impairment on these balances has been calculated on the 12-month expected loss basis which reflects the low credit risk of the counterparties and short maturities of the exposures.

For cash and cash equivalents, the Subsidiary’s bank balances are deemed frozen and have been fully impaired as disclosed in Note 16.

(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	
	2020 RMB’000	2019 RMB’000	2020 RMB’000	2019 RMB’000
Financial assets at amortised cost	37,915	140,140	710	4,850
Financial liabilities at amortised cost	45,429	50,025	3,430	3,804

Capital risk management policies and objectives

The Group manages its capital to ensure that 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 structures of the Group and the Company consist of debt, which include the borrowings disclosed in Note 19, 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 retained earnings. The Group’s and Company’s strategies were unchanged from 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Chinese Renminbi (“RMB’000”))

33. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives (Continued)

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 new share issues as well as the issuance of new debts.

As disclosed in Note 5, 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 Subsidiary for the financial years ended 31 December 2020 and 2019.

34. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair values in 2020 and 2019.

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.

35. SUBSEQUENT EVENTS

On 21 January 2021, the Group announced the suspension of Mr. Xu Youcai, Ms. Zhao Guiying and Mr. Wang Liangfa (the “PRC Directors”) and, subsequently, the PRC Directors vacated office with effect from 9 June 2021.

On 28 January 2021, the Group entered into a loan agreement with a lender who is a family member of a director. The loan amounting to S\$500,000 (equivalent to RMB 2,400,000) with interest-bearing at 6% per annum will be used to meet short term working capital requirements of the Group.

On 18 February 2021, the Company incorporated a wholly-owned subsidiary, CHD Engineering and Trading Pte. Ltd. (“CHD”) with share capital of S\$200,000. In addition, on 24 March 2021, the Company incorporated a wholly-owned subsidiary, AAAAA Holdings Pte. Ltd. with share capital of S\$20,000. Further, on 14 April 2021, the Company incorporated a wholly-owned subsidiary in the PRC, Jianguin Xinwan International Trade Limited with share capital of S\$150,000.

On 24 May 2021, CHD entered into a joint operation arrangement (“JO”) with K-United Builder Pte. Ltd. to design, supply, test and install proprietary aluminium standing-seam type roofing system, support sub-structure, coated aluminium perforated over-cladding for 1 commercial project in Malaysia and 2 residential projects in Singapore, amounting to an aggregate contract value of S\$2.43 million.

STATISTICS OF SHAREHOLDINGS

(as at 31 May 2021)

Class of equity securities	:	Ordinary Shares
Number of issued shares	:	254,880,660
Number of issued shares excluding treasury shares and subsidiary holdings	:	254,880,660
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of		Number of	
	Shareholders	%	Shares	%
1 – 99	2	0.35	160	0.00
100 – 1,000	37	6.61	32,656	0.01
1,001 – 10,000	176	31.43	1,150,713	0.45
10,001 – 1,000,000	331	59.11	34,359,200	13.48
1,000,001 and above	14	2.50	219,337,931	86.06
Total:	560	100.00	254,880,660	100.00

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
China Delta Limited	74,425,700 ⁽¹⁾	29.20%	–	–
Xu Youcai	–	–	74,425,700 ⁽²⁾	29.20%
Zhao Guiying	–	–	74,425,700 ⁽³⁾	29.20%
Lai Shih-Wei	30,236,540 ⁽¹⁾	11.86%	–	–
Forbury Investments Limited	14,439,020 ⁽¹⁾	5.67%	–	–
Guo Yun	–	–	14,439,020 ⁽⁴⁾	5.67%

Notes:

- (1) These shares are held through a nominee bank account.
- (2) Mr Xu Youcai is deemed to have an interest in the 74,425,700 ordinary shares in the Company held by China Delta Limited (“CDL”) through his 60% shareholding in CDL.
- (3) Ms Zhao Guiying is deemed to have an interest in the 74,425,700 ordinary shares in the Company held by CDL through her 30% shareholding in China Delta Limited.
- (4) Mr Guo Yun is deemed to have an interest in the 14,439,020 ordinary shares in the Company held by Forbury Investments Limited (“FIL”) through his 100% shareholding in FIL.

STATISTICS OF SHAREHOLDINGS

(as at 31 May 2021)

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Raffles Nominees (Pte.) Limited	140,345,860	55.06
2.	DBS Nominees (Private) Limited	49,303,849	19.34
3.	Philip Securities Pte Ltd	4,776,000	1.87
4.	OCBC Securities Private Limited	3,489,900	1.37
5.	Law Peng Kwee	3,000,000	1.18
6.	Wan Zuofeng	2,899,900	1.14
7.	Wang Yisheng	2,802,700	1.10
8.	Kalandoro Tjitra Siantar	2,550,700	1.00
9.	Maybank Kim Eng Securities Pte. Ltd.	2,169,022	0.85
10.	Ronnie Poh Tian Peng	2,100,000	0.82
11.	Choy Wee Chiap	1,913,000	0.75
12.	Tan Guan Heng (Chen Yuanxing)	1,394,500	0.55
13.	Tan Lye Seng	1,355,600	0.53
14.	Peh Hock Choon	1,236,900	0.49
15.	Choy Shien Yang	1,000,000	0.39
16.	Quey Sew Leng @ Quek Siew Leng	1,000,000	0.39
17.	Lee Kunfeng Daniel	995,000	0.39
18.	Yuen Chooi Yeng	900,000	0.35
19.	Soh Geok Choon	883,100	0.35
20.	Loh Lee Fon Amy	700,000	0.27
	Total:	<u>224,816,031</u>	<u>88.19</u>

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 31 May 2021, approximately 53.27% of the Company's issued shares (excluding treasury shares and subsidiary holdings) were held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of China Haida Ltd. (the “Company”) will be held by way of electronic means on Tuesday, 29 June 2021 at 10.00 a.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 2020 together with the Auditors’ Report thereon.

(Resolution 1)

2. To re-elect Mr Tang Chun Meng, a Director of the Company, retiring pursuant to Regulation 107 of the Constitution of the Company and Listing Rule 720(5) of the Mainboard Listing Rules of the Singapore Exchange Securities Trading Limited.

(Resolution 2)

[See Explanatory Note (i)]

3. To re-elect Mr Soh Yeow Hwa, a Director of the Company, pursuant to Regulation 117 of the Constitution of the Company.

(Resolution 3)

[See Explanatory Note (ii)]

4. To re-elect Mr Zhu Peng, a Director of the Company, pursuant to Regulation 117 of the Constitution of the Company.

(Resolution 4)

[See Explanatory Note (iii)]

5. To approve the payment of Directors’ fees of S\$100,000 for the financial year ended 31 December 2021 to be paid quarterly in arrears. (2020: S\$95,000)

(Resolution 5)

6. To re-appoint Messrs. Crowe Horwath First Trust LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 6)

7. 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 any modifications:

8. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
- (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a 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 earlier.

[See Explanatory Note (iv)]

(Resolution 7)

By Order of the Board

Lim Kok Meng
Company Secretary
Singapore, 14 June 2021

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Tang Chun Meng will, upon re-election as a Director of the Company pursuant to the Ordinary Resolution 2 in item 2 above, remain as Chairman of the Audit Committee and the Nominating Committee, and a member of the Remuneration Committee and he will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
- (ii) Mr Soh Yeow Hwa will, upon re-election as a Director of the Company pursuant to the Ordinary Resolution 3 in item 3 above, remain as the Executive Director of the Company and a member of the Nominating Committee.
- (iii) Mr Zhu Peng will, upon re-election as a Director of the Company pursuant to the Ordinary Resolution 4 in item 4 above, remain as Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nominating Committee and he will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
- (iv) The Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

On 16 March 2021, SGX Regco announced an update to its news release issued on 8 April 2020 which allows Mainboard issuers to seek or renew a general mandate for an issue of shares and convertible securities of up to an aggregate of 100% of its issued shares (excluding treasury shares and subsidiary holdings), versus up to 50% previously (the "Enhanced Share Issue Limit"). In accordance with the updated announcement, the Enhanced Share Issue Limit will expire at the conclusion of the next Annual General Meeting or on the date by which the next Annual General Meeting is required by law or the Listing Manual of SGX-ST to be held, whichever is earlier and by which date any shares issued pursuant to the Enhanced Share Issue Limit must be listed, and no further shares may be issued under this limit.

The Company is proposing to avail itself to the Enhanced Share Issue Limit and accordingly is seeking shareholders' approval for the same at the Meeting. The Board of Directors is of the view that it would be in the interests of the Company and its shareholders to do so in the event that circumstances evolve before the next Annual General Meeting for the financial year ending 31 December 2022 amid the Covid-19 situation to such an extent that a 50% limit for pro rata issue of shares is not sufficient to meet the Company's needs. Under such circumstances, fund raising efforts would be unnecessarily hampered and compromised in view of the time needed to obtain shareholders' approval for the issue of shares above the 50% threshold.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. The Annual General Meeting ("AGM") is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternate Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's website at the URL www.haida.com.sg. This Notice will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. The proceedings of this AGM will be broadcasted "live" through an audio-and-video webcast and audio-only feed. Shareholders and investors holding shares through Supplementary Retirement Scheme ("SRS") ("SRS Investors") who wish to follow the proceedings must submit their request with their full name (as per CDP/CPF/Script-based records), identification number (e.g. NRIC/Passport Number/FIN), shareholding type(s) (e.g. CDP/CPF/Script-based), email address and contact number (to enable the Company and/or its agents and service providers to authenticate their status as member) to the Company no later than 10.00 a.m. on 26 June 2021 (i.e. not less than 72 hours before the time appointed for holding the above AGM), to chinahaidald@gmail.com.

Upon successful authentication, each member will receive an email reply by 2.00 p.m. on 27 June 2021. The email reply will contain instructions to access the live webcast of the AGM proceedings. Only authenticated members are permitted to access and attend the AGM proceedings. Members who have pre-registered by the deadline of 10.00 a.m. on 26 June 2021 but have not received an email reply by 3.00 p.m. on 27 June 2021 are to contact the Company for assistance by phone (at (65) 6230 9768) or by email to chinahaidald@gmail.com as soon as practicable.

On the day of the AGM, before an authenticated and pre-registered member may access the live webcast and attend the AGM (by electronic means), the member's identity is required to be verified by the Company's Share Registrar. Members are encouraged to log in (to access the live webcast of the AGM proceedings) early to avoid possible bottlenecks and potential delays. We seek your kind understanding and cooperation. Members may log in from 9.30 a.m. on Tuesday, 29 June 2021.

3. Investors holding shares through relevant intermediaries ("Investors") (other than SRS Investors) will not be able to pre-register for the "live" broadcast of the AGM. An Investor (other than SRS Investors) who wishes to participate in the "live" broadcast of the AGM should instead approach his/her relevant intermediary as soon as possible in order to make the necessary arrangements. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/Passport number) to the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., via email to chinahaidald@gmail.com no later than 10.00 a.m. on 26 June 2021.

In this Notice of AGM, a "relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore 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, Chapter 289 of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, 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 CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

4. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The accompanying proxy form for the AGM may be accessed at the Company's website at the URL www.haida.com.sg, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of Chairman of the Meeting as proxy for that resolution will be treated as invalid.

SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their SRS Operators to submit their votes by 5.00 p.m. on 17 June 2021.

5. The Chairman of the Meeting, as proxy, need not be a member of the Company.
6. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
- if submitted by post, be lodged at the Share Registrar of the Company at **Boardroom Corporate & Advisory Services Pte Ltd**, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
 - if submitted electronically, be submitted via email to the Company at chinahaidaldtd@gmail.com,

in either case not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

A member who wishes to submit instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

7. Shareholders and Investors will not be able to ask questions "live" during the broadcast of this AGM. All Shareholders and Investors may submit questions relating to the business of this AGM no later than 10.00 a.m. on 26 June 2021:
- by email to chinahaidaldtd@gmail.com; or
 - by post to the Registered Office of the Company at **Boardroom Corporate & Advisory Services Pte Ltd**, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

The Company will endeavour to answer all substantial and relevant questions prior to or at the AGM.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult to submit questions by post, shareholders and investors are strongly encouraged to submit their questions via the pre-registration website or by email. The Company will answer all substantial and relevant questions prior to, or at this AGM.

8. The Annual Report 2020 may be accessed at the Company's website at the URL www.haida.com.sg.

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Mr Tang Chun Meng, who is retiring pursuant to Regulation 107 of the Company's Constitution and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), as well as Mr Soh Yeow Hwa and Mr Zhu Peng, who are retiring pursuant to Regulation 117 of the Company's Constitution, will be seeking re-election at the forthcoming annual general meeting ("AGM") of the Company scheduled to be held on Tuesday, 29 June 2021 under Ordinary Resolutions 2, 3 and 4 respectively, as set out in the Notice of AGM dated 14 June 2021.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Director proposed for re-election and appointment set out in Appendix 7.4.1 as required under the Listing Manual of the SGX-ST is disclosed in the following tables.

Name of Director	Tang Chun Meng	Soh Yeow Hwa	Zhu Peng
Date of Appointment	2 June 2015	3 November 2020	21 January 2021
Date of last re-appointment (if applicable)	27 April 2018	Not applicable	Not applicable
Age	68	54	46
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the NC and assessed the qualifications and experience of Mr Tang Chun Meng, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as a Non-Executive and Lead Independent Director of the Company.	The Board, having considered the recommendation of the NC and assessed the qualifications and experience of Mr Soh Yeow Hwa, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Executive Director of the Company.	The Board, having considered the recommendation of the NC and assessed the qualifications and experience of Mr Zhu Peng, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as a Non-Executive and Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive and Independent.	Executive. Mr Soh will be responsible in overseeing the day-to-day operations of the Company which includes the finance department. Both the current Management in Singapore and China will report to Mr Soh directly.	Non-Executive and Independent.

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Tang Chun Meng	Soh Yeow Hwa	Zhu Peng
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman of the Board, Lead Independent Director, Chairman of the Audit Committee and the Nominating Committee, and a member of the Remuneration Committee	Member of the Nominating Committee	Chairman of the Remuneration Committee, and member of the Audit Committee and Nominating Committee
Professional qualifications	Professional qualification from the Association of Chartered Certified Accountants Fellow member of the Institute of Singapore Chartered Accountants (ISCA Singapore)	Certified Practising Accountant of the Certified Practising Accountant Australia (CPA Australia) Member of the Institute of Singapore Chartered Accountants (ISCA Singapore)	Fellow member of the Association of Chartered Certified Accountants (United Kingdom) Member of the Institute of Singapore Chartered Accountants (ISCA Singapore)
Working experience and occupation(s) during the past 10 years	2005 - present: Self employed by providing advisory to Chinese (PRC) companies for listing/reporting requirements on the SGX.	July 2011 - January 2016: Renewable Energy Asia Group Limited (REAG), Group Financial Controller & Corporate Secretary to Board July 2009 - July 2011: Asia Environment Holdings Limited (AEH), Group Financial Controller & Corporate Secretary to Board January 2021 - Present: China Haida Ltd., Executive Director	December 2002 - June 2013: RSM Chio Lim LLP Singapore, Senior Manager (Audit) August 2013 - April 2018: Singapore Long Sing International Pte Ltd, Finance and Risk Control Manager April 2018 - January 2020: Shandong Hi-Speed (Singapore) Pte Ltd, Finance Manager January 2020 - Present: CSFG (Singapore) Pte Ltd, Finance Manager
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Tang Chun Meng	Soh Yeow Hwa	Zhu Peng
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments Including Directorships			
Past (for the last 5 years)	Nil	Ace Achieve Infocom Limited Hu An Cable Holdings Ltd. Hu An Electric (Singapore) Pte. Ltd. General Pacific Power Pte. Ltd. Auric 3 Pte. Ltd. SNG International Trading Pte. Ltd. Renewable Energy Asia Power Pte. Ltd.	Accounts Solution Pte. Ltd.
Present	China Haida Ltd. DNO Capital (Pte.) Ltd. Sky Associates Holdings Pte. Ltd.	China Haida Ltd. Green Build Technology Limited HQ Environment Pte. Ltd. Yixing Jeffcon Pte. Ltd. Golden Sands Seafood Pte. Ltd. Sandhon Trading Pte. Ltd. CHD Engineering and Trading Pte. Ltd.	China Haida Ltd. Biz Advisory Pte. Ltd.

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Tang Chun Meng	Soh Yeow Hwa	Zhu Peng
Information required pursuant to Rule 704(7) of the Listing Manual of the SGX-ST			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Tang Chun Meng	Soh Yeow Hwa	Zhu Peng
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Tang Chun Meng	Soh Yeow Hwa	Zhu Peng
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Tang Chun Meng	Soh Yeow Hwa	Zhu Peng
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only.			
<p>Any prior experience as a director of an issuer listed on the Exchange?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer or prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	<p>Yes</p> <p>China Haida Ltd.</p>	<p>Yes</p> <p>China Haida Ltd. Ace Achieve Infocom Limited Green Build Technology Limited Hu An Cable Holdings Ltd.</p>	<p>Yes</p> <p>China Haida Ltd.</p>

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CHINA HAIDA LTD.
(Company Registration No.: 200410428C)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

*This proxy form has been made available on the SGX's website at the URL <https://www.sgx.com/securities/company-announcements>. A printed copy of this proxy form will **NOT** be despatched to members of the Company.*

IMPORTANT:

1. The Annual General Meeting ("AGM") is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of Annual General Meeting will not be sent to members. Instead, the Notice of AGM will be sent to members by electronic means via publication on the Company's website at the URL www.haida.com.sg. The Notice of AGM will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual website or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 14 June 2021. This announcement may be accessed at the Company's website at the URL www.haida.com.sg and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their SRS Operators to submit their votes by 5.00 p.m. on 17 June 2021.
5. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 June 2021.
6. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting.**

I/We _____ (Name), NRIC/Passport Number/Company Registration Number _____ of _____ (Address)

being a member/members of **China Haida Ltd.** (the "**Company**"), hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be convened and held by way of electronic means on Tuesday, 29 June 2021 at 10.00 am and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against each item below on how I/we wish the Chairman of the Meeting as my/our proxy to vote, or to abstain from voting.

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020			
2	Re-election of Mr Tang Chun Meng as a Director			
3	Re-election of Mr Soh Yeow Hwa as a Director			
4	Re-election of Mr Zhu Peng as a Director			
5	Approval of Directors' fees amounting to S\$100,000 for the financial year ended 31 December 2021 to be paid quarterly in arrears			
6	Re-appointment of Messrs Crowe Horwath First Trust LLP as Auditors			
7	Authority to issue shares			

Note: Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

Dated this _____ day of June 2021

Total number of Shares held in:	
CDP Register	
Register of Members	

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

Important: Please read notes overleaf

Notes:

1. Please insert the total number of shares (Shares) held by you. If you have Shares entered against your name in the Depository Register (maintained by the Central Depository (Pte) Limited), you should insert that number of Shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), 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. If no number is inserted, this instrument of proxy will be deemed to relate to all Shares held by you.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The accompanying proxy form for the AGM may be accessed at the Company's website at the URL www.haida.com.sg, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of Chairman of the Meeting as proxy for that resolution will be treated as invalid.

SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their SRS Operators to submit their votes by 5.00 p.m. on 17 June 2021.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged at the Share Registrar of the Company at **Boardroom Corporate & Advisory Services Pte Ltd**, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
 - (b) if submitted electronically, be submitted via email to the Company at chinahaidald@gmail.com,

in either case not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

A member who wishes to submit instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy 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 (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, it must be emailed with the instrument, failing which the instrument may be treated as invalid.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 June 2021.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged or submitted if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

中国海达有限公司

Company Registration No. 200410428C

CHINA HAIDA LTD.

(Incorporated in Singapore on 18 August 2004)

ADD: 24 Raffles Place #20-03 Clifford Centre
Singapore 048621