HAIDA
QUALITY CHOICE • MODERN IMAGE

2018
ANNUAL REPORT

CONTENTS

公司概况
CORPORATE PROFILE

CHINA HAIDA LTD.

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

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

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

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

中国海达国际有限公司

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

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

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

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

主席致辞
NON-EXECUTIVE CHAIRPERSON'S MESSAGE

Ms Zhao Guiying
Chairperson
赵桂英女士
主席

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the annual report of China Haida Ltd. ("**the Company**") and its subsidiary, Jiangyin Litai Ornamental Materials Co., Ltd. (previously known as Jiangyin Litai Decorative Materials Co., Ltd) ("Litai" and the Company, collectively, the "**Group**") for the financial year ended December 31, 2018 ("**FY2018**"). On behalf of the Board and all of the employees of the Group, I wish to express my gratitude to all our shareholders for your continuous support.

Financial Results

Global uncertainty, economic slowdown and coupled with the trade tension and tariffs between China and the United States of America, the sales of our aluminium panels have declined during FY2018. For FY2018, the Group achieved total revenue of RMB228.9 million, a decrease of approximately RMB9.3 million or 3.9% as compared to the financial year ended 31 December 2017 ("**FY2017**") revenue of RMB238.2 million. The decrease was attributed mainly to lower demand of export sales of aluminium panels.

With lower revenue, the Group registered a net loss after taxation of approximately RMB21.7 million as compared to a net loss after taxation of RMB26.9 million in FY2017. The net loss was attributed mainly to lower gross profit and net impairment loss on financial assets of RMB2.7 million.

The loss per ordinary share was RMB8.5 cents in FY2018 as compared to the loss per ordinary share of RMB10.6 cents in FY2017.

No dividend was declared in FY2018 so as to enable the Group to conserve cash for working capital purposes. Any form, frequency and amount of dividends to be recommended and paid, will depend on the Company's earnings, general financing conditions, capital requirements, cash flow, or factors which the Board may deem appropriate.

尊敬的股东们：

我很荣幸能代表董事会向各位呈现中国海　国际有限公司（“公司”）和她的子公司，江阴利泰装饰材料有限公司（“利泰”, 合称为“集团”）截至2018年12月31日财务年度(“2018财年”) 的年报。同时，我谨代表董事会和集团的所有员工，向公司各位股东对我们一直以来的支持表示谢意。

财务状况

全球不确定性与经济放缓加上中美贸易紧张和出口关税直接影响我们在海外市场的铝板的需求。 于2018财年，本集团的总收入为人民币228.9百万元，较2017财年总收人民币238.2百万元减少约人民币9.3百万元或3.9％。减少的主要原因是铝板出口下降。

随著较低的收入，集团也因此遭遇约人民币21.7百万元的税后净亏损，2017财年的税后净亏损为人民币26.9百万元。净亏损的原因是毛利率下降和金融资产减值损失净额约人民币2.7百万元。因此，本财年普通股的每股亏损为人民币8.5分，2017财年普通股的每股亏损为人民币10.6分。

截至2018财年，集团将不分发股息，以保留现金作营运资金用途。以任何形式，次数及被推荐股息和支付金额，将取决于公司的盈利，一般为金融条件，资本需求，现金流，或董事局认为适当的因素。

Continuous Commitment in Research and Product Development

The Group is committed in research and development to further expand our existing range of aluminium panels to meet the varied requirements of our customers. We have a wide range of innovative aluminium panels of various designs and colours to cater to their diverse needs and specifications. Over the years, we have rolled out several new panels which have been well received by our customers. The Haida aluminium panels are renowned for their high quality and reliability standards to be used for both the interior and exterior walls. The Group has successfully developed the grade A fireproof aluminium composite panels which was launched in the markets in 2018. However, during FY2018, the demand for such panels was affected by the trade tariffs between China and USA.

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 inaugural sustainability report for FY2017 has been published separately via SGXNet in December 2018.

Looking Ahead

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

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

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 2018. At the same time, I wish to express my appreciation to the management team and all staff for their dedication, commitment and contribution to the growth of the Group. We look forward to greater support and success in the future.

Ms Zhao Guiying
Chairperson
3 April 2019

我们致力于营业操作和产品研发

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

可持续发展报告

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

前景展望

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

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

谢函

在此，我谨代表董事局，向我们尊贵的客户、供应商和业务夥伴在 2018 年给予海达集团的支持表示真诚的谢意。同时，我也想借此机会感谢管理层和所有员工为集团的成长所付出的努力和贡献。期待大家继续给予我们更大的支持。

赵桂英 女士
主席
2019 年 4 月 3 日

FINANCIAL OVERVIEW

Compared to FY2017, the Group's total revenue decreased 3.9% or RMB9.3 million, from approximately RMB238.2 million to RMB228.9 million in FY2018. The decrease was attributed mainly to lower demand of export sales of aluminium panels.

In FY2018, total revenue comprised domestic sales of approximately RMB157.2 million or 68.7% and export sales approximately RMB71.7 million or 31.3% as compared to FY2017 domestic sales of approximately RMB143.4 million or 60.2% and export sales approximately RMB94.8 million or 39.8% respectively.

Compared to FY2017, domestic sales increased by approximately RMB13.8 million or 9.6% in FY2018. This was attributed to the higher sales of ASP which was used mainly in the private housing projects within the PRC. In the mean time, the intense competition and falling selling prices within a shrinking market in both the public and private sectors had not shown signs of improvement. The stringent governmental control over the large building projects remained unchanged and had adversely affected the demand of our ACP. The auxiliary sales of spray-painting services had similarly declined by approximately RMB2.8 million or 10.3% to RMB24.3 million as compared to the previous financial year.

In FY2018, export sales of ACP declined by approximately RMB22.2 million or 23.7% as compared to FY2017. In late 2018, the Group launched a new fireproof ACP which had been tested and certified for its quality safety standards by reputable quality assurance authorities, both local and overseas. There was potential and interest for this new product, unfortunately, the demand for our ACP was adversely affected by the ongoing trade tension and tariffs between China and the United States of America, the uncertainty and the slowdown in the global markets.

As a result of the lower revenue, gross profit decreased approximately RMB3.1 million or 36.0%, from RMB8.6 million to RMB5.5 million in FY2018 as compared to FY2017. Gross profit margin had also decreased from 3.6% to 2.4% in FY2018 due to the lower sales and no change in the fixed overheads as a result of the lower volume of production.

In FY2018, total other operating income RMB2.8 million was marginally higher than the previous year (FY2017: RMB2.4 million). This was due mainly:

– Higher grants and incentives from the PRC government.

财务概况

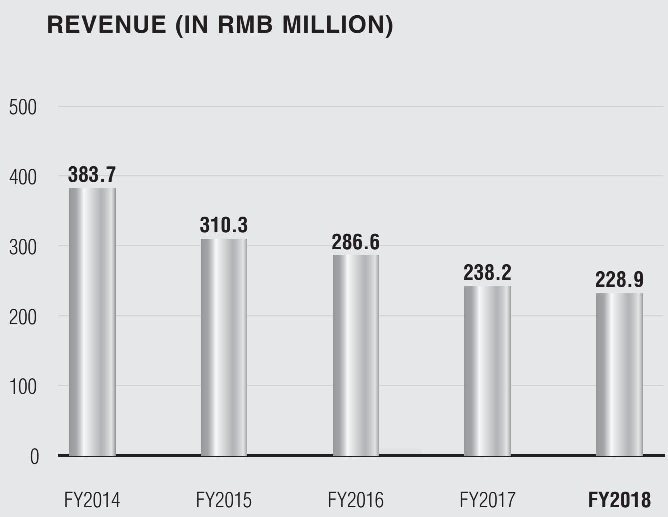
与 2017 财年相比，集团 2018 财年的总销售额下降了 3.9% 或约人民币 9.3 百万元，即从约人民币 238.2 百万元降至人民币 228.9 百万元。总销售额下降的主要是铝板的出口下降。2018 财年内销收入是人民币 157.2 百万元或 68.7% 和外销约为人民币 71.7 百万元或 31.3%。而 2017 财年的内销是人民币 143.4 百万元或 60.2% 和外销约为人民币 94.8 百万元或 39.8%。

与 2017 财年相比，国内销售额增加约人民币 13.8 百万与元或 9.6％，这是主要用于国内的私人住宅项目的铝单板的销售额增加。同时，铝塑板在公共部和私人企业的萎缩市场中销售价格竞争激烈且下跌并没有显示出改善的迹象。政府对大型建筑项目的严格控制保持不变，对我们的铝塑板的需求产生了不利影响。同上个财年相比喷漆服务的销售也下降约人民币 2.8 百万元或降 10.3%。铝单板的外销同 2017 财年相比也下降约人民币 22.2 百万元或 23.7%。于 2018 年年底，集团推出一款新的防火铝塑板，该防火铝塑板已通过本地及海外知名质量保证机构的质量安全标准测试及认证。 新产品原存有潜在力和受关注的，但不幸的是，这个新面世的防火铝塑板的需求也受到中美贸易关系紧张的不利影响。

由于收入较低，毛利润下降 36.0％或约人民币 3.1 百万元，从 2017 财年的毛利润人民币 8.6 万元降至 2018 财年的约人民币 5.5 百万元。 2018 财年毛利率下降的主要原因是销售和生产量下降但固定成本不变。所以毛利率从 2017 财年的 3.6% 降至 2018 财年的 2.4%。

2018 财年的其他营业收入为人民币 2.8 百万元高于 2017 财年的其他营业收入的人民币 2.4 百万元。 主要是：

– 来自中国政府的更高补助金和奖励。



- a net foreign gain was recorded in FY2018 as compared to a net loss in the previous year, offset by:
  - lower interest income on bank deposits due to the slightly lower weighted average bank deposit rate of 0.3% per annum for the current year as compared to 0.5% per annum in the previous year.
  - Lower sales of scraps and raw materials due to the lower volume of sales for the current year.

Total operating expenses decreased RMB7.3 million or 22.2%, from RMB32.9 million to RMB25.6 million in FY2018, due to absence of other operating expenses while offset by higher selling and distribution expenses and Administrative expenses.

Selling and distribution expenses
For FY2018, there was an increase in expenses of approximately RMB0.9 million or 33.7% as compared to FY2017. The increase was mainly due to increase in expenditure to certify and test the newly launched fireproof ACP.

Administrative expenses
Administrative expenses were marginally higher by RMB0.6 million as compared to FY2017 attributed mainly to higher repair costs, social insurance and depreciation expenses.

Other operating expenses
For FY2018, there was nil balance in other operating expenses as there was no write-off of PPE as compared to the write-off of the hostel accommodation for production workers of approximately RMB7.1 million in FY2017. The exchange gain in FY2018 of approximately RMB0.7 million was reported under other operating

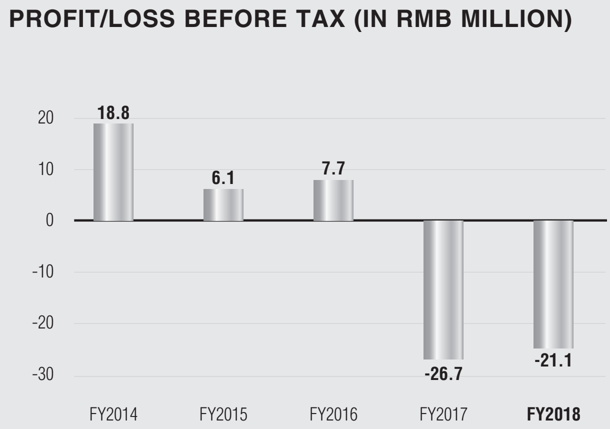
- 2018财年的净外汇收益与上一年的外汇净亏损相比，抵消掉：
  - 本年度银行平均存款利率0.3％，而去年同期为0.5％，因此银行存款的利息收入减少。
  - 由于本年度的销售量较低，废料和原材料的销售下降。

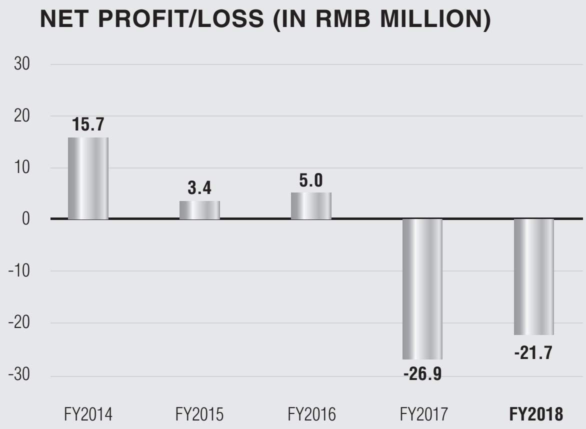
总营业费减少约人民币7.3百万元或22.2%，2017财年约人民币32.9百万元降至2018财年的约人民币25.6百万元。

营业费用
与2017财年相比，2018财年的费用增加约人民币0.9百万元或33.7％。增加的主要原因是对新推出的防火铝塑板进行认证和测试的支出增加。

管理费用
与2017财年相比，管理费略高为人民币0.6百万元，主要原因是维修费用，社会保险和折旧费用增加。

其他营运费用
2018财年，其他营业费用馀额为零，因为与2017财年有一笔固定资产（工人宿





income as compared to an exchanged loss of approximately RMB1.6 million in FY2017, reported in other operating expenses.

Finance costs in FY2018 were comparable to FY2017, attributed mainly to the comparable bank loans interest rate of 3.99% per annum as compared to 4.39% per annum in the previous financial year.

The income tax rate applicable to Litai was 25% (FY2017: 25%), and the income tax expenses in FY2018 was related to the withholding tax on remittance of dividend from Litai.

With lower revenue and lower gross profit in FY2018, the Group registered a net loss after taxation of approximately RMB21.7 million as compared to a net loss after taxation of RMB26.9 million in FY2017.

As at 31 December 2018, cash and bank balances decreased by approximately RMB27.2 million to RMB25.0 million as compared to RMB52.2 million as at 31 December 2017. The decrease was attributed mainly to cash used in operating activities RMB27.0 million, purchase of PPE approximately RMB0.6 million. Shareholders' funds decreased by approximately 11.5% or RMB29.0 million, from RMB252.3 million to RMB223.3 million.

OPERATIONS REVIEW

In addition to the slowdown and uncertainty in both the domestic and global markets, the ongoing trade tension and tax tariffs between China and the United States will continue to adversely affect the demand of our aluminium panels. Stringent control by the Chinese government and prudent expenditure on building infrastructure projects in both the public and private sectors within China will remain unchanged and the intense competition and falling selling prices of the panels will prevail.

舍）减值约为人民币 7.1 百万元加上外汇亏损约为人民币 1.6 百万元。

2018 财年的财务费用同 2017 财年相若，本财年的银行平均贷款年利率为 3.99%，2017 财年的银行平均贷款年利率约为 4.39%。

江阴利泰装饰材料有限公司的所得税税率仍是 25% (2017 财年：25%)。2018 财年的所得税费用与利泰装饰材料有限公司的股息汇款预扣税有关。

随著较低的收入和毛利，集团的税后亏损约为人民币 21.7 百万元，2017 财年的税后亏损约为人民币 26.9 百万元。

截至 2018 年 12 月 31 日，货币资金减少约为人民币 27.2 百万元，从人民币 52.2 百万元降至人民币 25.0 百万元，减少的主要是现金流入营业活动约为人民币 27.0 百万元，固定资产购入约人民币 0.6 百万元。股东总权益从人民币 252.3 百万元降至人民币 223.3 百万元，减约 11.5% 或约人民币 29.0 百万元。

运作概况

全球和国内市场的不确定性将继续挑战海内外市场。国内政府和私人企业对大型基础设施项目和建设也持续的削减开支，还有面对同行竞争，销售价的压力和中美贸易关系紧张全都影响铝板的需求。

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

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

Commitment to sustainable operation

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

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

Going Forward

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

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

我们将继续灵活应对客户的要求，并谨慎和选择地向具有良好信誉的潜在客户进行销售。

致力于可持续运营

产品创新和发展是我们成功的关键，我们始终致力于投入时间和资源来研发新产品。 我们增加了各种类型，颜色和功能的新面板，以增强我们现有的产品系列，以满足客户的需求和规格。 此外，我们也在2018年开发并推出了防火铝板。我们将不断努力确保我们的'海达'品牌的铝板持有高质量标准。

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

前景展望

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

BOARD OF DIRECTORS

MS ZHAO GUIYING
NON-EXECUTIVE CHAIRMAN

Ms Zhao Guiying (Age 61) is the Non-Executive Chairman of our Company. She is a substantial shareholder and she was appointed as a Director on 20 September 2004 and was last re-elected on 27 April 2018. From 1997 to 2000, she was the chief accountant in Jiangyin Haida. She is also the Deputy General Manager of Jiangyin Huayou since 1999 and is responsible for its administrative functions. From 1997 to 1998, Ms Zhao was the chief accountant in Jiangyin Haida Agricultural Film Plant.

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

MR XU YOUCAI
CHIEF EXECUTIVE OFFICER

Mr Xu Youcai (Age 63) is currently the Chief Executive Officer of our Company. He is a substantial shareholder and he was appointed as an Executive Director on 20 September 2004. Since he founded Litai in 1997, he has held the position of General Manager of Litai. He is responsible for the formulation and execution of our Group's overall business strategies and policies and is also responsible for the development of our Group's overseas market. Since 1997, he was the General Manager in Jiangyin Haida and was overall in charge of its day-to-day operations until 2000.

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

MR GUO YUN
EXECUTIVE DIRECTOR

Mr Guo Yun (Age 55) is an Executive Director of our Company. He was appointed on 20 September 2004 and was last re-elected on 28 April 2017. Mr Guo is responsible for all legal and financial matters, investor relations, formulating and implementing our Company's business policies and expansion plans. Prior to joining Litai as a Deputy General Manager in 2003, Mr Guo was the President of Agricultural Bank of China, Jiangyin Huashi Subbranch from 2000 to 2003.

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

MR WANG LIANGFA
INDEPENDENT DIRECTOR

Mr Wang Liangfa (Age 66) is an Independent Director of our Company. He was appointed on 27 April 2005 and was last re-elected on 26 April 2016. Mr Wang Liangfa is the founder and the Managing Director of Jiangyin Gaofeng Printing Textile Co., Ltd, a position which he has held since 1997. Jiangyin Gaofeng Printing Textile Co., Ltd is principally engaged in the production and sales of quality blankets, carpets and other related textile products for the PRC and overseas markets. Mr Wang is responsible for the formulation and execution of the company's overall business strategies and policies, the development of its overseas market, as well as overseeing the day-to-day operations. Mr Wang has completed his high school education in the PRC.

BOARD OF DIRECTORS

MR SOH BENG KENG
LEAD INDEPENDENT DIRECTOR

Mr Soh Beng Keng (Age 65) is our Company's Lead Independent Director. He was appointed to our Board on 27 April 2007 and was last re-elected on 28 April 2017. Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. Mr Soh is also an independent director of the following public listed companies, namely ISDN Holdings Ltd, Sino Grandness Food Industry Group Ltd and BM Mobility Ltd. He is also a full member of the Singapore Institute of Directors and a fellow member of the Institute of Singapore Chartered Accountants. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

MR TANG CHUN MENG
INDEPENDENT DIRECTOR

Mr Tang Chun Meng (Age 65) was appointed on 2 June 2015 as an independent director and was last re-elected on 27 April 2018. He also sits on the Remuneration Committee as Chairman and is a member of Audit Committee.

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

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

KEY MANAGEMENT

MR WANG ZAIQUAN

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

MR GONG GUOHONG

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

MR XU GANG

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

MS CHAN LAI YOKE

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

MR ZHANG QINYU

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

FINANCIAL CONTENTS 2018

REPORT ON CORPORATE GOVERNANCE

The board of directors (the "**Board**" or the "**Directors**") and Management of China Haida Ltd. (the "**Company**", together with its subsidiaries, 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 2012 (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.

The Board is pleased to confirm that for the financial year ended 31 December 2018 ("**FY2018**"), the Group has adhered to the principles and guidelines as set out in the Code, and where applicable, the reasons have been provided for any principles and/or guidelines that have not been complied with.

I. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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.

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.

REPORT ON CORPORATE GOVERNANCE

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.

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 FY2018, as well as the frequency of such meetings held, is summarised in the table 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	2	2	No	2	2*
Xu Youcai	2	2	No	2	2*
Guo Yun	2	2	No	2	2*
Wang Liangfa	2	2	Yes	2	2
Soh Beng Keng	2	2	Yes (Chairman)	2	2
Tang Chun Meng	2	2	Yes	2	2

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	No	N/A	N/A	No	N/A	N/A
Xu Youcai	No	N/A	N/A	No	N/A	N/A
Guo Yun	Yes	1	1	No	1	1*
Wang Liangfa	Yes (Chairman)	1	1	Yes	1	1
Soh Beng Keng	No	1	1*	Yes	1	1
Tang Chun Meng	Yes	1	1	Yes (Chairman)	1	1

** Attended by invitation*

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.

There were no incoming directors during FY2018. An orientation programme will be organised for new Director to ensure that incoming Directors are familiar with the Group's key business and governance practices. Prior to their appointment, new Directors are provided with the relevant information on their duties as Directors, the Company's governance processes as well as relevant statutory and regulatory compliance issues. Newly appointed Directors will be provided with a formal letter setting out their duties and obligations.

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.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board consists of six (6) Directors, of whom one (1) is Non-Executive Director, two (2) are Executive Directors and three (3) are Independent Directors:

Non-Executive Director
Ms Zhao Guiying (Chairman)

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

Independent Directors
Mr Soh Beng Keng (Lead Independent Director)
Mr Tang Chun Meng
Mr Wang Liangfa

The composition of the Board complies with the relevant guideline of the Code that independent directors making up at least one-third of the Board.

Where the Chairman is not an independent director, the independent directors shall make up at least half of the Board. The Company has complied with the relevant guideline of the Code as half of the Board members are independent directors.

The composition of the Board is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning.

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 has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Group.

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.

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 end of FY2018, Mr Wang Liangfa ("**Mr Wang**") and Mr Soh Beng Keng ("**Mr Soh**") have served on the Board beyond nine (9) years from the date of their respective first appointment. The Board has subjected their independence to a particularly rigorous review by all other fellow Directors, before deciding if they should continue with the appointment.

The NC (save for Mr Wang) has taken the opportunity to consider and assess Mr Wang and Mr Soh specifically on their length of service, judgement and character:

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

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

As such, the Board concurred with the NC's view that both Mr Wang and Mr Soh remain independent in their exercise of judgement and objectivity in Board matters despite their length of service. In reviewing their independence, the Board and the NC have determined that both Mr Wang and Mr Soh have continued to demonstrate the essential characteristics of independence expected by the Board by exercising independent judgement in the Group's best interest in discharging their duties and responsibilities. The independence of character and judgement of each of Mr Wang and Mr Soh was not in any way affected or impaired by the reason of their length of service. There are also no relationships or circumstances which would likely to affect, or could appear to affect their independent judgment.

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

The Board, taking into consideration the scope and nature of the operations of the Group, considered its current composition of six (6) 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 with 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.

The Non-Executive Directors will constructively challenge and help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. To facilitate a more effective check on Management, Non-Executive and Independent Directors are encouraged to meet regularly without the present of Management. In FY2018, the Non-Executive and Independent Directors have met at least once without the presence of Management.

Non-Executive Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

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

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

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

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

Mr Soh has been appointed as the Lead Independent Director since 2 June 2015. As the Lead Independent Director, Mr Soh is available to shareholders of the Company where they have concerns and for which contact though the normal channels of the Non-Executive Chairman, CEO, or Chief Financial Officer ("**CFO**") has failed to resolve or is inappropriate. In addition, Mr Soh would lead the periodic meetings of the Independent Directors and provide feedback to the Non-Executive Chairman after such meetings, where appropriate.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises three (3) members, (one (1) Executive Director and two (2) Independent Directors), the majority of whom, including the NC Chairman, are independent. The members of the NC as at the date of this report are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The NC is also responsible for determining annually, the independent 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 three (3) Independent Directors, Mr Soh Beng Keng, Mr Wang Liangfa and Mr Tang Chun Meng.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately in FY2018. The Company does not have a formal guideline on the maximum number of listed company board representations 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.

The Company has not appointed any alternate Director.

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).

The Company's Constitution require 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.

The NC has recommended the re-election of Mr Guo Yun and Mr Wang Liangfa in accordance with Article 107 of the Company's Constitution respectively, at the forthcoming AGM of the Company. In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs, especially the operational and technical contributions.

The information in respect of each Director's academic and professional qualification 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 is as follows:

Name of Directors	**Zhao Guiying**	**Xu Youcai**	**Guo Yun**
Role	Non-Executive Chairman	Executive Director and Chief Executive Officer	Executive Director
Board Committee(s) serve on	None	None	Nominating Committee (member)
Date of first appointment as Director	20 September 2004	20 September 2004	20 September 2004
Date of last re-election as a Director	27 April 2018	Not applicable	28 April 2017
Present directorship in other listed companies	Nil	Nil	Nil
Past directorship in other listed companies over the preceding three (3) years	Nil	Nil	Nil
Other principal commitments	Nil	Nil	Nil

Name of Directors	Soh Beng Keng	Wang Liangfa	Tang Chun Meng
Role	Lead Independent Director	Independent Director	Independent Director
Board Committee(s) serve on	Audit Committee (Chairman) Remuneration Committee (member)	Nominating Committee (Chairman) Audit Committee (member) Remuneration Committee (member)	Remuneration Committee (Chairman) Audit Committee (member) Nominating Committee (member)
Date of first appointment as Director	27 April 2007	27 April 2005	2 June 2015
Date of last re-election as a Director	28 April 2017	26 April 2016	27 April 2018
Present directorship in other listed companies	ISDN Holdings Ltd (Independent Director) Sino Grandness Food Industry Group Ltd (Independent Director) BM Mobility Ltd (Independent Director)	Nil	Nil
Past directorship in other listed companies over the preceding three (3) years	Nil	Nil	Nil
Other principal commitments	Nil	Jiangyin Gaofeng Printing Textile Co., Ltd (Managing Director)	Nil

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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.

Each Director was required to complete the Board evaluation questionnaire for FY2018 and submit the completed questionnaire to the Company Secretary for collation of results. Such results will be presented to the NC Chairman and the Board Chairman. The performance of the Board Committees was also asked in the Board evaluation questionnaire where each member would evaluate whether each of the Board Committees was effective.

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

Although the Directors are not evaluated individually, the factors taken into consideration for the re-election or re-appointment of the Directors are, *inter alia*, contributions by the Directors to the effectiveness of the Board and their commitment to their role.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to function effectively and to fulfil its responsibilities, Management strives to provide the Board and the Board Committees with adequate information for meetings and on an ongoing basis. Financial information and relevant reports are provided to the Board and/or Board Committees in advance prior to the respective meetings.

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

The appointment and the removal of the Company Secretary are subject to the Board's approval.

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

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises three (3) members who are independent non-executive directors, all of whom, including the RC Chairman, are independent. The members of the RC as at the date of this report are as follows:

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

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

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

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

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

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

The RC has full authority to seek external professional advice on remuneration matters where necessary. During FY2018, the RC did not seek advice from external remuneration consultant.

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.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC and the Board are of the view that the remuneration of the Directors is adequate but not excessive in order to attract, retain and motivate them to run the Company successfully. The RC has also reviewed the performance-based compensation package for Executive Directors where the remuneration structure for Executive Directors is based on service contracts. The remuneration packages of the Executive Directors and key 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 Company's performance across financial, operational and compliance objectives.

The RC has recommended to the Board that the Independent Directors be paid Directors' fees for FY2018. The Board has considered and has recommended the proposed payment of Directors' fees for shareholders' approval at the forthcoming AGM. There was no increment in fees to be paid to our Independent Directors for FY2018. No external remuneration consultant was engaged to assist in the review of remuneration packages.

The Company 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 to remedies against these personnel in the event of such breach of fiduciary duties.

Disclosure on Remuneration

Principle 9: *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

A breakdown, showing the level and mix of each individual Director's remuneration payable for FY2018 is as follows:

Remuneration Band and Name of Directors	Directors' Fee	Salary(1)	Bonus	Benefits in Kind	Total	Total
	%	%	%	%	%	S$
S$250,000 – S$499,000						
Executive						
Mr Guo Yun	–	72	15	13	100	413,000
Below S$250,000						
Executive						
Mr Xu Youcai	–	35	65	–	100	239,000
Non Executive						
Ms Zhao Guiying	–	–	–	–	–	–
Mr Soh Beng Keng(2)	100	–	–	–	100	35,000
Mr Tang Chun Meng(2)	100	–	–	–	100	30,000
Mr Wang Liangfa(2)	100	–	–	–	100	30,000

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

(2) Directors' fees for the Independent Directors for FY2018 have been recommended for shareholders' approval at the forthcoming AGM.

The RC ensures that the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. Given the highly competitive conditions of the manufacturing industry in China, and the prevalent poaching of experienced executives, the Company believes that the disclosure of the total remuneration of each individual executive (who are not directors or the CEO) ("**Key Management Personnel**") as recommended by the Code may not be in the best of the Group's interests. The Company has sought to provide the remuneration of these Key Management Personnel in the bands of S$250,000. All of the top five Key Management Personnel (who are not directors) of the Company are within the band of less than S$250,000. The aggregate remuneration paid to the top 5 Key Management Personnel for FY2018 was S$324,000.

Remuneration Band and Name of Key Management Personnel	Salary	Bonus	Benefits in Kind	Total
	%	%	%	%
Below S$250,000				
Executive				
Wang Zaiquan (Sales and Marketing Manager, Litai)	100	–	–	100
Gong Guohong (Chief Production Officer, Litai)	64	36	–	100
Xu Gang (Chief Engineering Officer, Litai)	67	33	–	100
Chan Lai Yoke (Chief Financial Officer)	86	14	–	100
Zhang Qinyu (General Manager, Litai)	51	49	–	100

There is also no employee who is an immediate family member of a Director or CEO whose remuneration exceeds S$50,000 during FY2018.

III. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balance and understandable assessment of the Company's and Group's performance, position and prospects. Financial results and other price-sensitive information are disseminated to shareholders through announcement via SGXNet.

The Board, with the assistance of the professional advisors, ensures compliance with legislative and regulatory requirements, including the disclosure requirements under the Listing Manual of the SGX-ST.

The Management will present to the Board, management accounts of the Company's performance, position and prospects on a regular basis, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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.

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

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

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

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

Risk Management

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

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

Other business and operational risks the Group may experience include:

- the use of aluminium panels as building materials is subject to changing trends in architectural and building designs;

- the unauthorised use of our trademarks, brand names and other intellectual property may damage the brand and name recognition and reputation of our Group;

- any prolonged significant equipment downturn as a result of our incapacity or uncontrollable external factors. This will adversely affect our operations; and

- customer default risk as a result of our credit terms extended to our customers.

Other than the risks arising from business operations, the Group's main financial operations risks are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Group's financial risk management objectives and policies are discussed in the notes to the financial statements found on pages 82 to 92 of the Annual Report.

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

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

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises three (3) members who are independent non-executive directors, all of whom, including the AC Chairman, are independent. Two members of the AC, including the AC Chairman, are fellow members of the Institute of Singapore Chartered Accountants and have recent and relevant accounting or financial management experience. The members of the AC as at the date of this report are as follows:

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

The AC 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 with the external auditors on the audit plan, including the nature and scope of the audit before the audit commences, their evaluation of the system of internal accounting controls, audit report and management letter and Management's response.

- To ensure co-ordination where more than one audit firm is involved.

- To review the half-year and annual financial statements to ensure integrity of the financial statements before submission to the Board for approval.

- To meet with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have.

- To review annually the scope and results of the external audit and its cost effectiveness as well as the independence and objectivity of the external auditors.

- To review the non-audit services to the Company.
- To review the internal audit program and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure co-ordination between the internal and external auditors and Management.
- To review the adequacy of the Company's internal controls as set out in the Code.
- To review scope and results of the internal audit procedures including the effectiveness of the internal audit functions.
- To review the adequacy and effectiveness of the Company's risk management and internal control systems and to report to the Board annually.
- To oversee and advise the Board in formulating its risks policies to effectively identify and manage the Company's current (and future) risks.
- To oversee design and implementation of the overall risk management systems and internal control systems.
- To administer the Whistle Blowing Policy.
- To review interested person transactions (IPTs).
- To recommend to the Board the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.
- To approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting firm/auditing firm or corporation to which the internal audit function is outsourced. To ensure that the internal audit function is staffed with persons with the relevant qualification and experience and that they carry out their functions according to the standards set by nationally or internationally recognised professional bodies, including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC met two (2) times during FY2018 and all Executive Directors were invited to attend the meetings.

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 services such as tax and was satisfied that the independence of the external auditors would not be impaired.

The AC also monitors proposed changes in accounting policies, reviews internal audit functions and discusses accounting implications of major transactions. In addition, the AC advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its reports.

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

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

For FY2018, the total audit fees paid to the external auditors of the Company was S$100,000 (equivalent to RMB503,000), of which the non-audit fees paid to the external auditors of the Company for income tax compliance service was approximately S$1,600 (equivalent to RMB8,000). For audit fees paid to our external auditors, please refer to page 77 of the Annual Report.

The Company 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 FY2018.

The AC is kept abreast by Management and the external auditors of the changes to the financial reporting standards, Listing Rules of the SGX-ST 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.

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.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

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

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

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.

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Company should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

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

(i) SGXNET announcements and press releases;

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

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

The Company ensures that it does not practice selective disclosure of material information. Material information is publicly released before the Company meets with investors or analysts or simultaneously with such meetings. In the event an investor relations briefing is held, the Company will engage an external investor relations consultant to facilitate and gather the exchange of views and queries of shareholders at such events.

Shareholders are also encouraged to attend the AGM, to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The notice of the AGM together with the annual report will be dispatched to shareholders. At the AGM, shareholders are given the opportunity to communicate their views to the Directors and Management on matters relating to the Company and the Group. Before and after AGM, the Board will engage in dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.

The Company's Constitution allows a shareholder (who is not a relevant intermediary as defined in Section 181 of the Companies Act, Cap. 50) 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.

The Company does not have a fixed dividend policy at present. The declaration and payment of dividends by the Company from time to time is subject to many factors, including but not limited to, the Company's results of operations, cash flows and financial position, the Company's expansion requirements and working capital requirements. The Company did not declare dividends for FY2018 due to the losses recorded, as well as the conditions in which it operates in remains challenging and competitive and a conservative approach to cash flow would be prudent.

Conduct of Shareholder Meetings

Principle 16: Company should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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 Company's Constitution allows shareholders to appoint proxy(ies) to attend and vote on their behalf.

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.

Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions. "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 Directors and Board Committees, including the Chairman of the Board and the respective Chairman of the Board Committees, Management, and Company Secretary will 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 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.

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.

To promote greater transparency in the voting process, the Company puts all resolutions proposed at the general meetings to vote by poll. Shareholders who are present in person or represented by proxies will be entitled to one vote for each share held. A scrutineer is appointed to validate the votes cast at the general meetings. The detailed results showing the total number of votes cast for and against each resolution and the respective percentages are announced and released to the SGX-ST via SGXNet.

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 of the SGX-ST in respect of the IPTS for FY2018 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholder's Mandate to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) RMB'000
Jiangyin Haida Caitu Co., Ltd		
– Reimbursements of utility	–	1,304
– Advances paid for purchase of raw material	–	(135,321)
– Purchase of raw materials	–	(108,074)
– Sales of paint	–	968
Jiangyin East-China Aluminium Technology Co., Ltd.		
– Spray-painting income	–	20,623
– Sales of aluminium panels	–	853
– Sales of paint	–	751
– Purchase of raw materials	–	(2,819)
Jiangyin Comat Metal Products Co., Ltd.		
– Sales of aluminium panels	–	1,669

Footnote: Please refer to Note 27 of page 79.

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 of the SGX-ST 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 is seeking a renewal of the Shareholders' Mandate for IPTs at the forthcoming AGM.

MATERIAL CONTRACTS

Save as disclosed above and in the Directors' Statements and 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 2018 or if not then subsisting, entered into since the end of the previous financial year.

Dated: 3 April 2019

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

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 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 41 to 100 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 2018 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

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

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

Directors

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

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

Directors' interests in shares or debentures

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

	Direct interests		**Deemed interests**	
	At 1 January 2018	**At 31 December 2018**	**At 1 January 2018**	**At 31 December 2018**
Company				
Ordinary shares				
Zhao Guiying	–	–	74,425,700	74,425,700
Xu Youcai	–	–	74,425,700	74,425,700
Guo Yun	–	–	14,439,020	14,439,020

Directors' interests in shares or debentures (Continued)

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

There were no changes in any of the above-mentioned interests in the Company and its related corporation between the end of the financial year and 21 January 2019.

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

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

Share options

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

Audit committee

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

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

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

– the scope and the results of internal audit procedures with the internal auditor;

– the audit plan of the Company's external auditors and any recommendations on internal accounting controls arising from the statutory audit;

– the assistance given by the Company's management to the independent auditors;

– the periodic results announcements prior to their submission to the Board for approval;

– the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 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).

Audit committee (Continued)

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.

Independent auditors

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

On behalf of the Board of Directors

XU YOUCAI	**GUO YUN**
Director	Director

3 April 2019

INDEPENDENT AUDITOR'S REPORT

To the members of China Haida Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of China Haida Ltd. (the Company) and its subsidiary (the Group), set out on pages 41 to 100, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, 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.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

Key Audit Matters (Continued)

Impairment of trade receivables
Refer to Note 30(iii) – Financial risk management objectives and policies credit risk and
Note 2 – Critical accounting estimates and assumptions on impairment of financial assets
Note 12 – Trade receivables

The key audit matter	***How the matter was addressed in our audit***
The Group has trade receivables amounting to RMB100,536,000 (2017: RMB118,094,000), representing 36% (2017: 38%) of the Group's total assets as at 31 December 2018. Due to the inherent nature of the construction industry which the Group operates in, the credit terms and payment history of the Group's customers may be prolonged, giving rise to increased risks in the collection of trade receivables. The Group determines the expected credit losses ("ECL") of trade receivables by making debtor specific assessment of overdue trade receivables and using probability of default from an external rating agency, where available, or historical credit loss experience, taking into consideration of the debtors' ability to pay and adjusting for forward-looking information specific to the debtors and the economic environment. This assessment requires management to exercise significant judgement. Accordingly, we determined this as a key audit matter. As at 31 December 2018, the Group's impairment loss for trade receivables amounted to RMB24,679,000 (2017: RMB14,634,000), which includes a net allowance of RMB2,716,000 (2017: RMB3,765,000) recognised in the profit or loss during the financial year.	We reviewed management's assessment on the impairment of trade receivables. Our audit procedures included, amongst others, the following: (1) Obtaining an understanding of the Group's processes and key controls relating to the monitoring of trade receivables and review of credit risks of customers. (2) Reviewing the reasonableness of significant judgement used by the management in assessing the recoverability of long outstanding and overdue trade receivables. (3) Testing the reasonableness of the management's assumptions and inputs used in the ECL model by reviewing historical repayment trend and forward-looking economic data. (4) Reviewing the debtors' ageing analysis and checking to subsequent receipts from major trade receivables. (5) Reviewing the adequacy of the disclosures relating to impairment of trade receivables and credit risk. We found management's assessment of the impairment of trade receivables to be reasonable and the relevant disclosures to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Adeline Ng Cheah Chen.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group			Company		
				1 January			1 January
		2018	2017	2017	2018	2017	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	3	**140,543**	140,543	140,543	**140,543**	140,543	140,543
Statutory reserve fund	4	**23,367**	23,367	23,367	**–**	–	–
Capital reserve	5	**47,946**	47,946	47,946	**–**	–	–
Currency translation reserve/(deficit)	6	**244**	67	–	**5,955**	1,631	–
Retained earnings/ (Accumulated losses)	7	**11,173**	40,334	67,275	**(22,240)**	(22,124)	(22,104)
TOTAL EQUITY		**223,273**	252,257	279,131	**124,258**	120,050	118,439
ASSETS							
Non-current assets							
Property, plant and equipment	8	**44,324**	49,870	51,218	**722**	760	139
Investment in a subsidiary	9	**–**	–	–	**119,342**	115,194	113,631
Lease prepayments	10	**10,211**	10,513	10,815	**–**	–	–
Current assets							
Lease prepayments	10	**302**	302	302	**–**	–	–
Inventories	11	**51,574**	54,948	53,055	**–**	–	–
Trade and bills receivables	12	**105,688**	119,537	122,827	**–**	–	–
Due from related parties (trade)	12	**17,261**	2,063	11,126	**–**	–	–
Other receivables, deposits and prepayments	13	**4,285**	3,442	3,319	**129**	117	125
Advance payments to a related party	14	**23,467**	14,211	11,950	**–**	–	–
Cash and cash equivalents	15	**25,023**	52,193	73,523	**7,479**	7,276	7,729
		227,600	246,696	276,102	**7,608**	7,393	7,854
TOTAL ASSETS		**282,135**	307,079	338,135	**127,672**	123,347	121,624

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group			Company		
		2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000	2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
LIABILITIES							
Current liabilities							
Trade payables		**22,655**	17,664	24,431	**–**	–	–
Other payables and accruals	16	**11,239**	11,614	9,174	**1,153**	1,023	903
Due to a subsidiary (non-trade)	17	**–**	–	–	**2,261**	2,274	2,282
Bank loans	18	**22,000**	22,000	22,000	**–**	–	–
Contract liabilities	20(b)	**1,786**	2,362	1,443	**–**	–	–
Income tax payable		**–**	–	774	**–**	–	–
		57,680	53,640	57,822	**3,414**	3,297	3,185
Non-current liability							
Deferred tax liabilities	19	**1,182**	1,182	1,182	**–**	–	–
TOTAL LIABILITIES		**58,862**	54,822	59,004	**3,414**	3,297	3,185
NET ASSETS		**223,273**	252,257	279,131	**124,258**	120,050	118,439

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group	
		2018	**2017**
		RMB'000	**RMB'000**
			(Restated)
Revenue	20(a)	**228,880**	238,183
Cost of sales		**(223,413)**	(229,575)
Gross profit		**5,467**	8,608
Other operating income	21	**2,815**	2,431
Selling and distribution expenses		**(3,482)**	(2,605)
Administrative expenses		**(22,128)**	(21,542)
Other operating expense	21	**–**	(8,781)
Finance costs	23	**(1,046)**	(1,060)
Impairment loss on financial asset, net	21	**(2,716)**	(3,765)
Loss before tax	24	**(21,090)**	(26,714)
Tax	25	**(569)**	(227)
Loss for the year		**(21,659)**	(26,941)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**177**	67
Total comprehensive loss for the year		**(21,482)**	(26,874)
Loss attributable to:			
Equity holders of the Company		**(21,659)**	(26,941)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(21,482)**	(26,874)
Loss per share (RMB cents)			
Basic and diluted	26	**(8.5)**	(10.6)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Attributable to equity holders of the Company					
	Share capital RMB'000	Statutory reserve fund RMB'000	Capital reserve RMB'000	Currency translation reserve/ (deficit) RMB'000	Retained earnings RMB'000	Total equity RMB'000
Opening balance at 1 January 2017 (FRS framework)	140,543	23,367	47,946	(843)	68,118	279,131
Cumulative effects of adopting SFRS(I) (Note 32)	–	–	–	843	(843)	–
Opening balance at 1 January 2017 (SFRS(I) framework)	140,543	23,367	47,946	–	67,275	279,131
Loss for the year	–	–	–	–	(26,941)	(26,941)
Other comprehensive income, net of tax						
– Currency translation differences arising from consolidation	–	–	–	67	–	67
Total comprehensive income/(loss)	–	–	–	67	(26,941)	(26,874)
Balance at 31 December 2017	140,543	23,367	47,946	67	40,334	252,257
Opening balance at 1 January 2018 (FRS framework)	**140,543**	**23,367**	**47,946**	**(776)**	**41,177**	**252,257**
Cumulative effects of adopting SFRS(I) (Note 32)	**–**	**–**	**–**	**843**	**(8,345)**	**(7,502)**
Opening balance at 1 January 2018 (SFRS(I) framework)	**140,543**	**23,367**	**47,946**	**67**	**32,832**	**244,755**
Loss for the year	**–**	**–**	**–**	**–**	**(21,659)**	**(21,659)**
Other comprehensive income, net of tax						
– Currency translation differences arising from consolidation	**–**	**–**	**–**	**177**	**–**	**177**
Total comprehensive income/(loss)	**–**	**–**	**–**	**177**	**(21,659)**	**(21,482)**
Balance at 31 December 2018	**140,543**	**23,367**	**47,946**	**244**	**11,173**	**223,273**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group	
		2018	**2017**
		RMB'000	**RMB'000**
Cash flows from operating activities			
Loss before tax		**(21,090)**	(26,714)
Adjustments:			
Impairment loss on financial asset, net	21	**2,716**	3,765
Amortisation of lease prepayments	10	**302**	302
Depreciation of property, plant and equipment	8	**6,133**	6,567
Property, plant and equipment written off	8	**–**	7,143
Gain on disposal of property, plant and equipment		**(18)**	(149)
Tender deposit written off	24	**–**	216
Interest expense	23	**1,046**	1,060
Interest income	21	**(156)**	(187)
Translation difference		**(263)**	300
Operating loss before working capital changes		**(11,330)**	(7,697)
Inventories		**3,374**	(1,893)
Trade and bills receivables		**3,782**	(475)
Other receivables, deposits and prepayments		**(843)**	(339)
Due from related parties (trade)		**(15,350)**	9,063
Trade and other payables and contract liabilities		**4,042**	(3,408)
Advance payments to a related party		**(9,256)**	(2,261)
Cash used in operations		**(25,581)**	(7,010)
Interest paid		**(1,046)**	(1,060)
Interest received		**156**	187
Income tax paid		**(569)**	(1,001)
Net cash used in operating activities		**(27,040)**	(8,884)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(581)**	(12,362)
Proceeds from disposal of property, plant and equipment		**35**	149
Net cash used in investing activities		**(546)**	(12,213)
Cash flows from financing activities			
Proceeds from short term bank loans		**22,000**	22,000
Repayment of short term bank loans		**(22,000)**	(22,000)
Deposit released		**–**	1,849
Net cash from financing activities		**–**	1,849
Net decrease in cash and cash equivalents		**(27,586)**	(19,248)
Cash and cash equivalents at beginning of year		**52,193**	71,674
Effect of exchange rate changes in cash and cash equivalents		**416**	(233)
Cash and cash equivalents at end of year	15	**25,023**	52,193

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018
(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 420 North Bridge Road, #04-06 North Bridge Centre, Singapore 188727. The address of the principal place of business of its subsidiary is at 388 Qinfeng Lu, Huashi Town, Jiangyin City, Jiangsu Province, the People's Republic of China ("PRC") 214421.

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

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 3 April 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the 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.

For all periods up to and including the year ended 31 December 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first set that the Group has prepared in accordance with SFRS(I). Details of first-time adoption of SFRS(I) including initial application of SFRS(I) 9 and 15 are included in Note 32.

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

2. 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:

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 Financial Instruments: *Prepayment Features with Negative Compensation*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
– SFRS(I) 3: *Business Combinations*	1 January 2019
– SFRS(I) 11: *Joint Arrangements*	1 January 2019
– SFRS(I) 1-12: *Income taxes*	1 January 2019
– SFRS(I) 1-23: *Borrowing costs*	1 January 2019
Amendments to SFRS(I) 1-19 Employee Benefits: *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to SFRS(I) 1-28 Investments in Associates and Joint Ventures: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
SFRS(I) 17: *Insurance Contracts*	1 January 2021
Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred indefinitely

Except for SFRS(I) 16, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below.

<u>SFRS(I) 16 *Leases*</u>

This new standard on leases brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasees, SFRS(I) 16 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

SFRS(I) 16 *Leases* (Continued)

Implementation of SFRS(I) 16 will result in almost all leases being recognised on the reporting date, as the distinction between operating and finance leases is removed. The standard will affect primarily the Group's accounting for operating leases. As of 31 December 2018, the Group and the Company have short term non-cancellable operating lease commitments of RMB118,000 (2017: RMB144,000) and RMB118,000 (2017: RMB114,000) respectively (Note 28). For short-term leases (lease term of 12 months or less), the Group shall elect to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense will be presented within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

Subsidiaries (Continued)

(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.

2. 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

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

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

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

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

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

Lease prepayments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayment for land use rights is stated at cost less accumulated amortisation and accumulated impairment loss. The land use rights are amortised on a straight-line basis over their respective lease term of 43 and 48 years. The remaining lease term range from 32 and 38 years (2017: 33 to 39 years).

Impairment of non-financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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

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

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

Inventories

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (From 1 January 2018 onwards)

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (From 1 January 2018 onwards) (Continued)

(ii) Classification and subsequent measurement (Continued)

Debt investments at FVOCI

Unless designated at FVPL, a debt investment is measured at FVOCI if:

– It is held within a business model with objectives of both collecting contractual cash flows and selling financial assets; and

– Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognised in profit or loss. Other net gains and losses (including changes in fair value) are recognised in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition.

Equity investments at FVOCI

Unless held-for-trading, the Group may irrevocably elect on initial recognition, on an investment-by-investment basis, to present subsequent changes of fair value of the equity investments in OCI.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses (including changes in fair value) are recognised in OCI which will never be reclassified to profit or loss.

Financial assets at FVPL

All financial assets not at amortised cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be measured at FVPL, if doing so eliminates or significantly reduce accounting mismatch that would otherwise arise.

Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis would be mandatorily measured at FVPL.

These assets are subsequently measured at fair value. Net gains or losses, including any interest income or dividend income are recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (From 1 January 2018 onwards) (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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (From 1 January 2018 onwards) (Continued)

(iii) Derecognition (Continued)

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.

Impairment of financial assets (From 1 January 2018 onwards)

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(1) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (From 1 January 2018 onwards) (Continued)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (From 1 January 2018 onwards) (Continued)

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.

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.

Financial assets (Before 1 January 2018)

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, including amounts due from a related party. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Before 1 January 2018) (Continued)

(iii) Derecognition

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

Impairment of financial assets (Before 1 January 2018)

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

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

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Before 1 January 2018)

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

Financial liabilities not at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

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

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities. Borrowings are initially recorded at fair value, net of transaction costs incurred and carried for at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Borrowing costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

When contracts contains 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

Employees' benefits

(i) Retirement benefits

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

<u>Singapore</u>

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

<u>People's Republic of China ("PRC")</u>

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

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

(ii) Employee leave entitlement

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

Operating lease

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 16% from 1 May 2018 onwards (2017: 17%) for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other receivables" or "Other payables" in the statement of financial position. The Group's export sales are not subjected to VAT.

2. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and assumptions

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

(i) Critical accounting estimates and assumptions

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

(a) Impairment of 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 30(iii).

(b) Income tax – Deferred tax

In determining the amount of deferred tax liabilities on the undistributed earnings of the subsidiary, the management considers the dividend policy and cash flows needs for the corporate and treasury functions at the holding company level for the foreseeable future. Such deferred tax liabilities stood at RMB1,182,000 (2017: RMB1,182,000) as at 31 December 2018 (Note 19), which arose from retained earnings of the subsidiary totalling RMB23,646,000 (2017: RMB23,646,000). Deferred tax liabilities are not recognised on the remaining undistributed earnings amounting to RMB17,616,000 (2017: RMB33,443,000) as it is probable that such undistributed earnings will be reinvested for the foreseeable future as part of the Company's continuing investment in the subsidiary.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and assumptions (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(b) Income tax – Deferred tax (Continued)

Had the subsidiary increases its expected dividend pay-out for the foreseeable future by 10% (2017: 10%), the deferred tax liabilities would have increased by RMB118,000 (2017: RMB118,000).

The Group has tax losses carried forward amounting to RMB22,311,000 (2017: RMB9,887,000), for which no deferred tax asset is recognised due to uncertainty of its recoverability in view of the loss-making position. If the Group was to recognise all unrecognised deferred tax assets, loss for the year would reduce by RMB5,578,000 (2017: RMB2,472,000). The expiry of such tax losses are disclosed in Note 25.

(c) Useful lives of plant and equipment

The cost of plant and equipment for the manufacture of aluminium panels is depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these machines to be within 5 to 10 years (2017: 5 to 10 years) and that the residual value to be 5% to 10% (2017: 5% to 10%) of the cost of these assets. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's machinery and equipment at reporting date was approximately RMB21,310,000 (2017: RMB23,430,000) (Note 8).

(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.

3. SHARE CAPITAL

	Group and Company			
	2018		2017	
	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.

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

4. STATUTORY RESERVE FUND

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

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

5. CAPITAL RESERVE

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

6. CURRENCY TRANSLATION RESERVE/(DEFICIT)

	Group		Company	
	2018 RMB'000	**2017 RMB'000**	**2018 RMB'000**	**2017 RMB'000**
At the beginning of the year	**67**	(843)	**1,631**	(4,766)
Effect of adopting SFRS(I) 1	**–**	843	**–**	4,766
Foreign currency translation difference for the financial year	**177**	67	**4,324**	1,631
At the end of the year	**244**	67	**5,955**	1,631

Currency translation deficit 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.

7. ACCUMULATED LOSSES

	Company	
	2018 RMB'000	**2017 RMB'000**
At the beginning of the year	**(22,124)**	(17,338)
Effect of adopting SFRS(I) 1	**–**	(4,766)
Loss for the year	**(116)**	(20)
At the end of the year	**(22,240)**	(22,124)

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

8. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture and fittings, office equipment and renovation RMB'000	Total RMB'000
Cost					
As at 1 January 2017	61,429	72,299	4,722	3,844	142,294
Additions	1,945	9,199	744	474	12,362
Disposal	–	–	(460)	–	(460)
Written off	(13,065)	–	–	(10)	(13,075)
Translation differences	–	–	5	5	10
As at 31 December 2017	50,309	81,498	5,011	4,313	141,131
Additions	–	341	165	75	581
Disposal	–	–	(175)	–	(175)
Translation differences	–	–	23	2	25
As at 31 December 2018	**50,309**	**81,839**	**5,024**	**4,390**	**141,562**
Accumulated depreciation					
As at 1 January 2017	29,000	54,740	3,952	3,384	91,076
Charge for the year	2,786	3,328	254	199	6,567
Disposal	–	–	(460)	–	(460)
Written off	(5,922)	–	–	(10)	(5,932)
Translation differences	–	–	5	5	10
As at 31 December 2017	25,864	58,068	3,751	3,578	91,261
Charge for the year	3,191	2,461	205	276	6,133
Disposal	–	–	(158)	–	(158)
Translation differences	–	–	–	2	2
As at 31 December 2018	**29,055**	**60,529**	**3,798**	**3,856**	**97,238**
Net carrying amount					
As at 1 January 2017	32,429	17,559	770	460	51,218
As at 31 December 2017	24,445	23,430	1,260	735	49,870
As at 31 December 2018	**21,254**	**21,310**	**1,226**	**534**	**44,324**

As at 31 December 2018, leasehold buildings with carrying amount of approximately RMB2,880,000 (2017: RMB3,390,000) was pledged as security for the Group's bank loans (Note 18).

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

8. 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 2017	450	228	678
Additions	748	15	763
Disposal	(460)	–	(460)
Written off	–	(10)	(10)
Translation differences	5	5	10
As at 31 December 2017	743	238	981
Additions	4	25	29
Translation differences	23	2	25
As at 31 December 2018	**770**	**265**	**1,035**
Accumulated depreciation			
As at 1 January 2017	352	187	539
Charge for the year	122	20	142
Disposal	(460)	–	(460)
Written off	–	(10)	(10)
Translation differences	5	5	10
As at 31 December 2017	19	202	221
Charge for the year	75	16	91
Translation differences	–	1	1
As at 31 December 2018	**94**	**219**	**313**
Net carrying amount			
As at 1 January 2017	98	41	139
As at 31 December 2017	724	36	760
As at 31 December 2018	**676**	**46**	**722**

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

9. INVESTMENT IN A SUBSIDIARY

	Company	
	2018	**2017**
	RMB'000	**RMB'000**
Unquoted equity shares, at cost – at beginning of year	**115,194**	113,631
Translation differences	**4,148**	1,563
Unquoted equity, at cost – at end of year	**119,342**	115,194

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2018 %	Effective equity held by the Group 2017 %
Held by the Company				
Jiangyin Litai Ornamental Materials Co., Ltd.*	Manufacturing and sale of aluminium composite panels and aluminium single panels and spray painting	PRC	**100**	100

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

10. LEASE PREPAYMENTS

Group	Total RMB'000
Cost	
As at 1 January 2017, 31 December 2017 and 31 December 2018	14,075
Accumulated amortisation	
As at 1 January 2017	2,958
Charge for the year	302
As at 31 December 2017	3,260
Charge for the year	302
As at 31 December 2018	**3,562**
Net carrying amount	
As at 1 January 2017	11,117
As at 31 December 2017	10,815
As at 31 December 2018	**10,513**

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

10. LEASE PREPAYMENTS (CONTINUED)

	Group		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Amount to be amortised			
Current portion	**302**	302	302
Non-current portion			
– Later than one year but not later than five years	**1,207**	1,207	1,207
– Later than five years	**9,004**	9,306	9,608
	10,211	10,513	10,815
	10,513	10,815	11,117

Lease prepayments represent payments for land use rights on which the buildings of the subsidiary is erected.

As at 31 December 2018, the land use rights (expiring on 23 May 2050) of RMB1,130,000 (2017: RMB1,167,000) were pledged as security for the Group's short term bank loans (Note 18).

Two other land use rights with carrying amounts of RMB6,262,000 and RMB3,121,000 (2017: RMB6,428,000 and RMB3,220,000) will expire on 5 September 2056 and 23 May 2050 respectively.

11. INVENTORIES

	Group		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Finished goods	**13,154**	12,373	12,981
Work-in-progress	**2,234**	3,126	956
Raw materials	**34,750**	38,276	38,035
Consumables	**1,436**	1,173	1,083
	51,574	54,948	53,055

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB184,542,000 (2017: RMB192,196,000).

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

12. TRADE AND BILLS RECEIVABLES AND AMOUNT DUE FROM RELATED PARTIES (TRADE)

	Group		
	2018	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**
Trade receivables	**125,215**	132,728	130,646
Impairment loss on trade receivables (Note 30 (iii))	**(24,679)**	(14,634)	(10,869)
	100,536	118,094	119,777
Bills receivables	**5,152**	1,443	3,050
	105,688	119,537	122,827
Amount due from related parties (trade)	**17,433**	2,063	11,126
Impairment loss on amount due from related parties (Note 30 (iii))	**(172)**	–	–
	17,261	2,063	11,126

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group			Company		
	2018	**2017**	**1 January 2017**	**2018**	**2017**	**1 January 2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Deposits	**169**	384	273	**49**	49	48
Prepayments	**1,858**	1,339	1,178	**80**	68	68
Advance payments to third party (trade)	**159**	450	81	**–**	–	–
Other receivables	**2,099**	1,269	891	**–**	–	9
VAT receivable	**–**	–	896	**–**	–	–
	4,285	3,442	3,319	**129**	117	125

14. ADVANCE PAYMENTS TO A RELATED PARTY

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

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

15. CASH AND CASH EQUIVALENTS

	Group			Company		
	2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000	2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
Cash and bank balances	**24,014**	47,323	71,121	**6,470**	2,406	5,327
Fixed deposit	**1,009**	4,870	2,402	**1,009**	4,870	2,402
Cash and bank balances in the statement of financial position	**25,023**	52,193	73,523	**7,479**	7,276	7,729
Deposit pledged	**–**	–	(1,849)	**–**	–	–
Cash and cash equivalents per consolidated statement of cash flows	**25,023**	52,193	71,674	**7,479**	7,276	7,729

As at 31 December 2018, 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 RMB15,549,000 (2017: RMB36,424,000). 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.

The fixed deposit bear effective interest rate of 1.3% (2017: 1.2% to 1.3%) per annum and mature within 2 months (2017: 7 to 10 months) from the financial year end.

16. OTHER PAYABLES AND ACCRUALS

	Group			Company		
	2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000	2018 RMB'000	2017 RMB'000	1 January 2017 RMB'000
Other taxes payable	**310**	390	317	**–**	–	–
Accrued operating expenses	**7,619**	7,037	7,102	**32**	29	26
Accrued directors' fees	**479**	463	456	**479**	463	456
Other payables	**1,875**	1,981	1,299	**642**	531	421
VAT payables	**956**	1,743	–	**–**	–	–
	11,239	11,614	9,174	**1,153**	1,023	903

17. DUE TO A SUBSIDIARY (NON-TRADE)

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

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

18. BANK LOANS

	Group		
			1 January
	2018	2017	2017
	RMB'000	RMB'000	RMB'000
Total bank loans due within one year (secured)	**22,000**	22,000	22,000

Secured loan

The bank loans of RMB22,000,000 (2017: RMB22,000,000) are secured by a pledge of the Group's leasehold buildings and land use right with net carrying amounts of approximately RMB2,880,000 (2017: RMB3,390,000) (Note 8) and RMB1,130,000 (2017: RMB1,167,000) (Note 10) respectively.

The Chief Executive Officer 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, up to a maximum of RMB22,000,000 and RMB15,000,000 respectively.

Interest on secured bank loans were charged at the rate of 3.99% to 4.79% (2017: 3.99% to 4.79%) per annum and repayable in 2019.

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

Subsequent to the financial year, on 30 January 2019, one of the bank loans amounting to RMB7,000,000 has matured and was renewed for one year with the similar terms, and at an interest of 3.98% per annum.

19. DEFERRED TAX LIABILITIES

	Group	
	2018	2017
	RMB'000	RMB'000
Undistributed earnings of the subsidiary		
At beginning and end of the year	**1,182**	1,182

No deferred tax liabilities has been recognised on the remaining undistributed earnings of the subsidiary amounting to RMB17,616,000 (2017: RMB33,443,000) as it is probable that such undistributed earnings will be reinvested for the foreseeable future as part of the Company's continuing investment in the subsidiary.

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

20. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue

	Sale of aluminum single panel		Sale of aluminum composite panel		Spray-painting services		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Primary geographical markets								
PRC	**100,999**	77,162	**31,888**	39,134	**24,274**	27,062	**157,161**	143,358
Overseas	**265**	1,117	**71,454**	93,708	**–**	–	**71,719**	94,825
	101,264	78,279	**103,342**	132,842	**24,274**	27,062	**228,880**	238,183
Timing of transfer of goods and services								
At a point of time	**101,264**	78,279	**103,342**	132,842	**–**	–	**204,606**	211,121
Over time	**–**	–	**–**	–	**24,274**	27,062	**24,274**	27,062
	101,264	78,279	**103,342**	132,842	**24,274**	27,062	**228,880**	238,183

(b) Contract liabilities

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

	Group		
	2018	2017	1 January 2017
	RMB’000	RMB’000	RMB’000
Contract liabilities	**1,786**	2,362	1,443

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

Significant changes in contract liabilities are as follows:

	Group	
	2018	2017
	RMB’000	RMB’000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**1,191**	147

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

21. OTHER OPERATING INCOME/(EXPENSE)

	Group	
	2018 RMB'000	2017 RMB'000
Other operating income		
Sale of scraps	**1,013**	1,575
Government grants	**962**	669
Interest income on bank deposits	**156**	187
Foreign exchange gain, net	**670**	–
Others	**14**	–
	2,815	2,431
Other operating expense		
Property, plant and equipment written off	**–**	7,143
Foreign exchange loss, net	**–**	1,638
	–	8,781
Impairment loss on financial asset, net		
Impairment loss on financial asset (Note 30 (iii))		
(a) Trade receivables	**3,033**	6,661
(b) Amount due from related parties (trade)	**151**	–
Impairment loss written back	**(468)**	(2,896)
	2,716	3,765

22. PERSONNEL EXPENSES

	Group	
	2018 RMB'000	2017 RMB'000
Wages, salaries and bonuses*	**30,487**	29,850
Contributions to defined contribution plan*	**3,623**	3,209
Other payroll related expenses	**1,362**	1,337
	35,472	34,396

* Included directors' fees and directors' remuneration of approximately RMB478,000 and RMB3,281,000 (2017: RMB465,000 and RMB3,060,000) as disclosed in Note 24 respectively.

23. FINANCE COSTS

	Group	
	2018 RMB'000	2017 RMB'000
Interest on bank loans	**1,046**	1,060

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

24. LOSS BEFORE TAX

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

	Note	Group 2018 RMB'000	Group 2017 RMB'000
Audit fees			
– Auditor of the Company		**503**	465
– Other auditors		**83**	67
Non-audit fees paid/payable to auditors of the Company		**8**	8
Depreciation of property, plant and equipment	8	**6,133**	6,567
Gain on disposal of property, plant and equipment		**(16)**	(149)
Property, plant and equipment written off	21	**–**	7,143
Amortisation of lease prepayments	10	**302**	302
Tender deposits written off		**–**	216
Impairment loss on financial asset, net	21	**2,716**	3,765
Directors of the Company:			
– Directors' fees		**478**	465
– Directors' remuneration		**3,281**	3,060
Personnel expenses*	22	**35,472**	34,396
Foreign exchange (gain)/loss, net	21	**(670)**	1,638
Operating lease expenses		**265**	259
Cost of inventories recognised as cost of sales	11	**184,542**	192,196

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

25. TAX

	Group 2018 RMB'000	Group 2017 RMB'000
Current tax		
– (Over)/Under provision in prior years	**(1)**	6
– Withholding tax	**570**	221
	569	227

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

25. TAX (CONTINUED)

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

	Group	
	2018 RMB'000	2017 RMB'000
Accounting loss before tax	**(21,090)**	(26,714)
Tax at the domestic rates applicable to loss in the countries where the Group operates	**(4,852)**	(6,281)
Tax effect of:		
– non-deductible expenses	**2,197**	4,671
– non-taxable income	**(449)**	(750)
– tax exemption	**–**	(6)
(Over)/Under provision in prior years	**(1)**	6
Deferred tax asset not recognised	**3,104**	2,366
Withholding tax on dividend income	**570**	221
Tax expenses	**569**	227

The Company's applicable tax rate is 17% (2017: 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% (2017: 25%).

The subsidiary has unused tax losses of RMB22,311,000 (2017: RMB9,887,000) 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			
	2018		2017	
	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	–	–
	22,311		9,887	

26. LOSS PER SHARE

Loss per share is calculated by dividing the Group's loss for the year of approximately RMB21,659,000 (2017: RMB26,941,000) by the weighted average number of shares in issue during the financial year of 254,880,660 (2017: 254,880,660).

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

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

27. RELATED PARTIES INFORMATION

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

		Group	
		2018 RMB'000	2017 RMB'000
(a)	**Purchase of goods and services**		
	Subcontracting costs paid/payable	**39**	1
	Purchase of raw materials and consumables	**110,893**	113,191
	Rental expenses	**30**	30
(b)	**Sale of goods and services**		
	Spray-painting income included in revenue	**(20,623)**	(25,235)
	Sales of aluminium panels included in revenue	**(2,576)**	(1,751)
	Sales of raw material	**(1,719)**	(1,600)
	Other income from sub-processing fee	**(44)**	(127)
(c)	**Advances and reimbursements**		
	Payments made in advance to purchase raw materials*	**135,321**	132,427
	Reimbursement received for utilities expenses	**(1,304)**	(2,487)
(d)	**Key management personnel compensation**		
	Short-term employee benefits	**4,958**	4,733
	Contribution to defined contribution plan	**162**	146

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

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

Net outstanding balances as at 31 December 2018 and 2017 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 14) on the face of the consolidated statement of financial position. No expense has been recognised for the year for bad or doubtful debts in respect of balances with related parties except for provision of impairment loss on ECL as disclosed in Note 21.

The Chief Executive Officer has provided personal financial guarantee of RMB22,000,000 (2017: RMB22,000,000) in favour of a financial institution for facilities granted to a subsidiary (Note 18) at no charge.

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

Note: Please refer to page 32 on interested person transactions.

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

28. COMMITMENTS

Non-cancellable operating lease commitment

The Group has commitment 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	
	2018 **RMB'000**	**2017** **RMB'000**	**2018** **RMB'000**	**2017** **RMB'000**
Future minimum lease payments				
– Within 1 year	**118**	144	**118**	114

29. SEGMENT INFORMATION

Business segment

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

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

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

29. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	Group	
	2018 RMB'000	2017 RMB'000 (Restated)
Revenue		
People's Republic of China	**157,161**	143,358
Ukraine	**14,501**	11,646
UK	**10,173**	16,544
Brazil	**6,874**	11,265
Austria	**5,912**	6,196
Mexico	**4,937**	5,852
Tunisia	**3,385**	4,304
Italy	**2,920**	5,669
Australia	**2,574**	4,422
USA	**2,213**	7,620
South Africa	**1,173**	3,978
Other countries	**17,057**	17,329
Total (Note 20)	**228,880**	238,183
Non-current asset		
People's Republic of China	**53,813**	59,623
Singapore	**722**	760
Total	**54,535**	60,383

Information about major customers

Revenue from 3 (2017: 3) major third party customers in Europe and America, arising from sales of aluminium panels, amounted to approximately RMB29,096,000 (2017: RMB36,292,000). This represents 13% (2017: 15%) 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 customer is one of its related parties, who contributed 10% (2017: 11%) or approximately RMB22,226,000 (2017: RMB26,515,000) to the Group's revenue.

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

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

(i) Market risk

(a) Foreign exchange risk

The Group operates mainly in Singapore and China and the Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily United States dollars ("USD"). Approximately 31% (2017: 40%) 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 2018**	**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	7,479	1,995	15,549	–	25,023
Trade receivables and bill receivables	–	11,968	93,704	16	105,688
Other receivables and deposits	49	–	2,219	–	2,268
Due from related parties (trade)	–	–	17,261	–	17,261
Intra-group receivables (non-trade)	–	–	2,261	–	2,261
	7,528	13,963	130,994	16	152,501
Financial liabilities					
Trade payables	–	–	22,655	–	22,655
Other payables and accruals	1,153	–	8,820	–	9,973
Bank loans	–	–	22,000	–	22,000
Intra-group payables (non-trade)	–	–	2,261	–	2,261
	1,153	–	55,736	–	56,889
Net financial assets	6,375	13,963	75,258	16	95,612
Less: Net financial assets denominated in the respective entities' functional currencies	(6,375)	–	(77,519)	–	(83,894)
Foreign currency exposure	–	13,963	(2,261)	16	11,718

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

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

As at 31 December 2018 and 2017, the Company has no financial instruments denominated in foreign currency, except for an amount due to subsidiary of approximately RMB2,261,000 (2017: RMB2,274,000) which is denominated in RMB.

Foreign exchange risk sensitivity

The following table details the sensitivity to a 5% (2017: 5%) increase and decrease in the Chinese Renminbi and Singapore dollars against the relevant foreign currencies. 5% (2017: 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% (2017: 5%) change in foreign currency rates. The sensitivity analysis includes external loans.

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

If the United States dollars, Chinese Renminbi and Euro strengthen/weaken by 5% (2017: 5%) against the respective functional currencies of the Group entities, with all other variables held constant, the profit for the year will increase/(decrease) by:

	2018 Profit net of tax RMB'000	2017 Profit net of tax RMB'000
Group		
USD against RMB		
– strengthened	**524**	970
– weakened	**(524)**	(970)
RMB against SGD		
– strengthened	**(85)**	(85)
– weakened	**85**	85
Euro against RMB		
– strengthened	**1**	1
– weakened	**(1)**	(1)
Company		
RMB against SGD		
– strengthened	**(85)**	(85)
– weakened	**85**	85

(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 2018, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

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

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

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

The remaining contractual maturity for all financial liabilities of the Group and Company is on demand or due within 1 year from the reporting date. The average credit period for trade payables from non-related parties is 60 days (2017: 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.

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		
	2018 RMB'000	**2017 RMB'000**	**1 January 2017 RMB'000**	**2018 RMB'000**	**2017 RMB'000**	**1 January 2017 RMB'000**
Trade receivables	**100,536**	118,094	119,777	**–**	–	–
Amount due from related parties (trade)	**17,261**	2,063	11,126	**–**	–	–
Other receivables and deposits	**2,268**	1,653	1,164	**49**	49	48
Bills receivables	**5,152**	1,443	3,050	**–**	–	–
Cash and cash equivalents	**25,023**	52,193	73,523	**7,479**	7,276	7,729

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(A) Trade receivables, including amount due from related parties (trade)

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

– 20% (2017: 23%) were due from 3 (2017: 3) major PRC customers who are established companies engaged in the construction and building material sector.

– 47% (2017: 54%) were due from customers located in Jiangsu province and Shanghai in PRC which are companies engaged in construction and building material sector.

– 10% (2017: 11%) were due from 3 (2017: 5) major overseas customers (located in North & South America and Europe) who are engaged in the construction industry sector.

The average credit period on sales of goods and spray painting income is 90 days (2017: 90 days). No interest is imposed on overdue trade receivables.

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

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
By geographical areas		
– PRC	**105,844**	103,382
– UK	**2,643**	4,239
– USA	**–**	2,210
– Brazil	**1,473**	2,537
– Ukraine	**5,665**	3,627
– Austria	**753**	1,037
– Mexico	**589**	1,343
– Other countries*	**830**	1,782
	117,797	120,157

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

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(A) Trade receivables, including amount due from related parties (trade) (Continued)

	Group	
	2018 RMB'000	**2017 RMB'000**
By types of customers		
– Related parties	**17,261**	2,063
– Third parties	**100,536**	118,094
	117,797	120,157

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:

The movement of the lifetime ECL are as follows:

	Group		
	Collective impairment – Not credit impaired RMB'000 Note (a)	**Individual impairment – Credit impaired RMB'000**	**Total RMB'000**
Balance at 1 January 2018			
– SFRS 39	–	14,634	14,634
– Initial adoption of SFRS(I) 9	7,502	–	7,502
	7,502	14,634	22,136
ECL allowance recognised during the year:			
– Additional ECL allowance	151	4,099	4,250
– Reversal of ECL allowance	(1,066)	(468)	(1,534)
– Transfer to credit impaired	(407)	407	–
	(1,322)	4,038	2,716
Balance at 31 December 2018	6,180	18,672	24,852

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(A) Trade receivables, including amount due from related parties (trade) (Continued)

Note (a)

	31 December 2018			1 January 2018		
	Gross carrying amount	Probability of default rate %	ECL allowance RMB'000	Gross carrying amount	Probability of default rate %	ECL allowance RMB'000
PRC customers[(i)]						
Grade I	44,160	1.83	806	41,597	2.09	871
Grade II	47,333	8.84	3,697	59,097	10.00	5,204
Overseas customers						
Austria	861	12.64	109	1,037	8.99	93
United Kingdom	2,818	6.21	175	4,239	7.09	300
Ukraine	7,059	15.31	1,081	3,627	17.18	623
USA	–	–	–	2,210	8.08	178
Other countries	4,312	1.19 – 10.54	139	6,287	1.39 – 11.88	212
ECL allowance for third parties			6,007			7,481
ECL allowance for related parties	17,433	0.99	173	2,063	0.99	21
Total ECL allowance			6,180			7,502
Credit impaired[(ii)]	18,672		18,672	14,634		14,634
Total	142,648		24,852	134,791		22,136

(i) The Group's current credit risk grading framework for PRC customers comprises the following categories:

Category	Description
Grade I	The counterparty has more than 2 years of trading history with the Group, with a regular payment pattern.
Grade II	The counterparty has less than 2 years of trading history with the Group and/or has an erratic payment pattern.

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

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(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.

Cash and cash equivalents are held with banks and financial institutions counterparties, which are rated investment grade based on Standard & Poor's ratings. The Group and Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of these counterparties.

The management assessed that there are no material ECL on bill receivables, other receivables and deposits as the amounts of the allowances on these financial assets are insignificant.

Credit risk information for Financial Year 2017 under FRS 39

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

	Group	
	31 December 2017 RMB'000	**1 January 2017 RMB'000**
Not past due and not impaired	59,715	69,920
Past due but not impaired		
– Past due 0 to 3 months	15,136	16,768
– Past due 3 to 9 months	27,659	23,129
– Past due over 9 months	17,337	20,762
	60,132	60,659
Impaired trade receivables (gross)	14,944	11,193
Less: Allowance for impairment of trade receivables	(14,634)	(10,869)
	120,157	130,903
Represented by:		
– Third parties (Note 12)	118,094	119,777
– Related parties	2,063	11,126
	120,157	130,903

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Credit risk information for Financial Year 2017 under FRS 39 (Continued)

Included in the Group's trade receivables are debtors with total carrying amount of approximately RMB60,132,000 (01.01.2017: RMB60,659,000) which are past due but not impaired as these debtors are established domestic customers with continuous transactions with the Group and/or collection track record and not known to be in significant financial difficulty. Accordingly, the management is of the view that there has been no changes in credit quality and the amounts are considered recoverable.

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

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

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

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

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Credit risk information for Financial Year 2017 under FRS 39 (Continued)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors with deteriorating payment patterns or known to be facing significant financial difficulties.

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

(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		
	2018 RMB'000	**2017 RMB'000**	**1 January 2017 RMB'000**	**2018 RMB'000**	**2017 RMB'000**	**1 January 2017 RMB'000**
Financial assets at amortised cost	**150,240**	–	–	**7,528**	–	–
Loans and receivables	**–**	175,446	208,640	**–**	7,325	7,786
Financial liabilities at amortised cost	**54,628**	49,145	55,288	**3,414**	3,297	3,185

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 18, net of cash and cash equivalents and the equity attributable to equity holders of the parent, comprising issued capital, statutory reserve fund, capital reserve, currency translation reserve and retained earnings. The Group's and Company's strategies were unchanged from 2017.

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category (Continued)

Capital risk management policies and objectives (Continued)

As disclosed in Note 4, the subsidiary of the Group is required by the relevant law and regulations of the PRC to contribute and to maintain a non-distributable statutory reserve fund, the utilisation of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 31 December 2018 and 2017.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair values in 2018 and 2017.

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.

32. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

Transition and first-time adoption of Singapore Financial Reporting Standards (International)

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for the financial year ended 31 December 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15, which are effective at the same time, and the election of certain transition options available under SFRS(I) 1.

32. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Transition and first-time adoption of Singapore Financial Reporting Standards (International) (Continued)

The following reconciliations summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018, the Company's financial position as at 1 January 2017 and 31 December 2017 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I)s.

(a) SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

Foreign currency translation reserve (FCTR)

The Group and the Company considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as the acquisition of the subsidiary was transacted at a date that preceded the statutory record keeping period. The Group and the Company elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR to nil at the date of transition, and reclassified the cumulative FCTR of RMB843,000 and RMB4,766,000 respectively as at 1 January 2017 determined in accordance with FRS to the retained earnings.

By electing this optional exemption, the cumulative FCTR of the Group and the Company increased by RMB843,000 and RMB4,766,000 respectively and retained earnings decreased by the same amount as at 31 December 2017.

(b) SFRS(I) 9

Classification and measurement of financial assets

All recognised financial assets that are within the scope of SFRS(I) 9 are required to be 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 profit or loss (FVPL)
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments

32. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Transition and first-time adoption of Singapore Financial Reporting Standards (International) (Continued)

(b) SFRS(I) 9 (Continued)

Classification and measurement of financial assets (Continued)

SFRS(I) 9 eliminates the previous categories of financial assets, namely loans & receivables (L&R), held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets. As required by SFRS(I) 1, the Group adopts the classification and measurement categories on 1 January 2018 based on facts and circumstances existed at the date for the determination of the business model, and as allowed by SFRS(I) 1 and 9, does not restate comparative information for prior periods. Difference in carrying amounts of financial assets resulting from adoption of SFRS(I) 9 are adjusted to retained earnings and reserve as at 1 January 2018.

The Group and the Company does not own any equity or debt investment other than investments in a subsidiary. The financial assets of the Group and the Company mainly comprise trade and other receivables, including amount due from related parties, and cash and cash equivalents. These are previously classified as loans and receivables under SFRS 39 and is now classified as financial assets at amortised costs under SFRS(I) 9. The change in the carrying amount is due to impairment loss for expected credit losses, as disclosed below.

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under SFRS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of SFRS(I) 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVPL on 1 January 2018 upon the adoption of SFRS(I) 9.

Impairment of financial assets

The "incurred loss" model in FRS 39 was replaced by the "Expected Credit Losses (ECL)" model in SFRS(I) 9, which applies to financial assets measured at amortised costs, FVOCI (debt investment), contract assets and intragroup financial guarantee contracts. Impairment loss for trade receivables are provided using the simplified approach at the life time ECL. For assets within the scope of SFRS(I) 9 impairment model, impairment losses are generally expected to be provided at a higher amount and earlier than what was provided using FRS 39.

As allowed by SFRS(I) 1 and 9, the Group does not restate comparative information for prior periods in respect changes with respect of classification and measurement (including impairment). Additional impairment resulting from adoption of SFRS(I) 9 of RMB7,502,000 are adjusted to retained earnings as at 1 January 2018.

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

32. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Transition and first-time adoption of Singapore Financial Reporting Standards (International) (Continued)

(b) SFRS(I) 9 (Continued)

Impairment of financial assets (Continued)

Reconciliation of the movement in impairment loss allowance is as follows:

	Group		
	Trade receivables RMB'000	**Amount due from related parties (trade) RMB'000**	**Total RMB'000**
Loss allowance as at 31 December 2017, under FRS 39			
– Trade receivables	14,634	–	14,634
– Due from related parties (trade)	–	–	–
	14,634	–	14,634
Additional impairment loss recognised on 1 January 2018, under SFRS(I) 9			
– Trade receivables	7,481	–	7,481
– Due from related parties (trade)	–	21	21
	7,481	21	7,502
Loss allowance as at 1 January 2018, under SFRS(I) 9	22,115	21	22,136

Further details of impairment loss are disclosed in Note 30 (iii).

The adoption of SFRS(I) 9 also brought about consequential amendment to SFRS(I) 1-01 which requires the impairment losses, determined in accordance with SFRS(I) 9, to be presented as a separate line item in the Statement of Profit or Loss and Other Comprehensive Income. An amount of RMB3,765,000 has been reclassified from 'Other operating expenses' to be presented separately on the Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2017.

32. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Transition and first-time adoption of Singapore Financial Reporting Standards (International) (Continued)

(c) SFRS (I) 15

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

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

(i) Change in accounting policy

- Freight and insurance on sale of goods

  For certain contracts, the Group provides freight and insurance services ("Services") under cost, insurance and freight delivery terms ("CIF"), based on the International Chamber of Commerce ("Incoterms") as part of the bundled services with the sale of goods. Previously, the Group recognised the full revenue upon the transfer of risks and rewards. Under SFRS(I) 15, the Group assessed the contractual delivery terms and concluded that the Services that occurs after the transfer of control of goods to the customers (onboard the vessels) are separate performance obligations. As these Services under CIF incoterms are provided by another party, management concludes that the Group is acting as an agent, because the Group does not obtain control over these Services and does not have the right to re-direct these Services to other customers. Accordingly, the fees, if any, from arranging these Services are recognised at the net amount retained, and is recognised when the arrangement is made, which coincides with the timing of recognition for the sale of good.

(ii) Change in presentation

On the adoption of SFRS(I) 15, the Group has reclassified "advances from customers" in "other payables" amounting to RMB2,362,000 as at 31 December 2017 and RMB1,443,000 as at 1 January 2017 to "Contract liabilities".

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

32. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity

Consolidated statement of financial position

	Note	31 December 2017				1 January 2018	
		FRS framework RMB'000	SFRS(I) 1 RMB'000	SFRS(I) 15 RMB'000	SFRS(I) framework RMB'000	SFRS(I) 9 RMB'000	SFRS (I) framework RMB'000
Equity							
Share capital		140,543	–	–	140,543	**–**	**140,543**
Currency translation reserve/(deficit)	(a)	(776)	843	–	67	**–**	**67**
Retained earnings	(a), (b)	41,177	(843)	–	40,334	**(7,502)**	**32,832**
Other reserves		71,313	–	–	71,313	**–**	**71,313**
Total equity		252,257	–	–	252,257	**(7,502)**	**244,755**
Non-current assets		60,383	–	–	60,383	**–**	**60,383**
Current assets							
Trade and bills receivables	(b)	119,537	–	–	119,537	**(7,481)**	**112,056**
Due from related parties (trade)	(b)	2,063	–	–	2,063	**(21)**	**2,042**
Others		125,096	–	–	125,096	**–**	**125,096**
Total current assets		246,696	–	–	246,696	**(7,502)**	**239,194**
Total assets		307,079	–	–	307,079	**(7,502)**	**299,577**
Liabilities							
Other payables and accrual	(c)	13,976	–	(2,362)	11,614	**–**	**11,614**
Contract liabilities	(c)	–	–	2,362	2,362	**–**	**2,362**
Others		39,664	–	–	39,664	**–**	**39,664**
Current liabilities		53,640	–	–	53,640	**–**	**53,640**
Non-current liabilities		1,182	–	–	1,182	**–**	**1,182**
Total liabilities		54,822	–	–	54,822	**–**	**54,822**
Net assets		252,257	–	–	252,257	**(7,502)**	**244,755**

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

32. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity (Continued)

Consolidated statement of financial position (Continued)

	Note	1 January 2017			
		FRS framework RMB'000	SFRS(I) 1 RMB'000	SFRS(I) 15 RMB'000	SFRS(I) framework RMB'000
Equity					
Share capital		140,543	–	–	140,543
Currency translation reserve/ (deficit)	(a)	(843)	843	–	–
Retained earnings	(a)	68,118	(843)	–	67,275
Other reserves		71,313	–	–	71,313
Total equity		279,131	–	–	279,131
Non-current assets		62,033	–	–	62,033
Current assets					
Trade and bills receivables		122,827	–	–	122,827
Due from related parties (trade)		11,126	–	–	11,126
Others		142,149	–	–	142,149
Total current assets		276,102	–	–	276,102
Total assets		338,135	–	–	338,135
Liabilities					
Other payables and accrual	(c)(ii)	10,617	–	(1,443)	9,174
Contract liabilities	(c)(ii)	–	–	1,443	1,443
Others		47,205	–	–	47,205
Current liabilities		57,822	–	–	57,822
Non-current liabilities		1,182	–	–	1,182
Total liabilities		59,004	–	–	59,004
Net assets		279,131	–	–	279,131

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

32. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's total comprehensive income
Consolidated statement of comprehensive income

	Note	2017		
		FRS framework RMB'000	SFRS(I) 15 RMB'000	SFRS(I) framework RMB'000
Revenue	(c)(i)	242,545	(4,362)	238,183
Cost of sales		(229,575)	–	(229,575)
Gross profit		12,970	(4,362)	8,608
Other operating income		2,431	–	2,431
Selling and distribution expenses	(c)(i)	(6,967)	4,362	(2,605)
Other items of expenses		(35,148)	–	(35,148)
Loss before tax		(26,714)	–	(26,714)
Tax		(227)	–	(227)
Loss for the year		(26,941)	–	(26,941)
Other comprehensive income		67	–	67
		(26,874)	–	(26,874)

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

32. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Company's equity
Statement of financial position

	Note	31 December 2017		
		FRS framework RMB'000	SFRS(I) 1 RMB'000	SFRS(I) framework RMB'000
Equity				
Share capital		140,543	–	140,543
Currency translation reserve/(deficit)	(a)	(3,135)	4,766	1,631
Accumulated losses	(a)	(17,358)	(4,766)	(22,124)
Total equity		120,050	–	120,050
Non-current assets		115,954	–	115,954
Current assets		7,393	–	7,393
Total assets		123,347	–	123,347
Current liabilities		3,297	–	3,297
Net assets		120,050	–	120,050

	Note	1 January 2017		
		FRS framework RMB'000	SFRS(I) 1 RMB'000	SFRS(I) framework RMB'000
Equity				
Share capital		140,543	–	140,543
Currency translation reserve/(deficit)	(a)	(4,766)	4,766	–
Accumulated losses	(a)	(17,338)	(4,766)	(22,104)
Total equity		118,439	–	118,439
Non-current assets		113,770	–	113,770
Current assets		7,854	–	7,854
Total assets		121,624	–	121,624
Current liabilities		3,185	–	3,185
Net assets		118,439	–	118,439

STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

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 Shareholders	%	Number of Shares	%
1 – 99	2	0.35	160	0.00
100 – 1,000	33	5.80	30,456	0.01
1,001 – 10,000	177	31.11	1,147,113	0.45
10,001 – 1,000,000	345	60.63	35,010,900	13.74
1,000,001 and above	12	2.11	218,692,031	85.80
Total:	**569**	**100.00**	**254,880,660**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	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 of 74,425,700 ordinary shares in the Company through his 60% shareholding in China Delta Limited.

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

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

STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	Raffles Nominees (Pte) Limited	140,958,760	55.30
2.	DBS Nominees (Private) Limited	50,765,849	19.92
3.	OCBC Securities Private Limited	5,293,800	2.08
4.	Philip Securities Pte Ltd	4,776,000	1.87
5.	Law Peng Kwee	3,000,000	1.18
6.	Wan Zuofeng	2,900,000	1.14
7.	United Overseas Bank Nominees (Private) Limited	2,369,000	0.93
8.	Maybank Kim Eng Securities Pte. Ltd.	2,169,022	0.85
9.	Ronnie Poh Tian Peng	2,100,000	0.82
10.	Choy Wee Chiap	1,913,000	0.75
11.	Tan Guan Heng (Chen Yuanxing)	1,394,500	0.55
12.	Wang Yisheng	1,052,100	0.41
13.	Choy Shien Yang	1,000,000	0.39
14.	Quey Sew Leng @ Quek Siew Leng	1,000,000	0.39
15.	Wee Thiam Chye	910,000	0.36
16.	Yuen Chooi Yeng	900,000	0.35
17.	Low Hwa Beng	800,000	0.31
18.	Loh Lee Fon Amy	700,000	0.27
19.	Lua Hung Seng	655,000	0.26
20.	Choy Shien Ing	620,000	0.24
	Total:	**225,277,031**	**88.37**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 18 March 2019, 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 FIFTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of China Haida Ltd. (the "**Company**") will be held at Portsdown 3, Temasek Club, 131 Rifle Range Road #03-03, Singapore 588406 on Monday, 29 April 2019 at 10.30 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 2018 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Constitution of the Company:

Mr Guo Yun **(Resolution 2)**
Mr Wang Liangfa **(Resolution 3)**

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

3. To approve the payment of Directors' fees of S$95,000 for the financial year ended 31 December 2018. (2017: S$95,000)

(Resolution 4)

4. 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 5)

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

AS SPECIAL BUSINESS

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

6. **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

(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 fifty per centum (50%) 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; 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 (i)] **(Resolution 6)**

7. **The proposed Renewal of the Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"):

(a) approval be and is hereby given for the renewal of the shareholders' mandate for the Company and its subsidiaries, or any of them, to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix A to the Notice of Annual General Meeting dated 12 April 2019 ("**Appendix A**"), with any party who is of the class of the interested persons described in the Appendix A, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such interested persons transactions as set out in the Appendix A;

(b) the shareholders' mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the shareholders' mandate as they may think fit.

[See Explanatory Note (ii)] **(Resolution 7)**

By Order of the Board

Victor Lai Kuan Loong
Company Secretary
Singapore, 12 April 2019

Explanatory Notes:

(i) The Ordinary Resolution 6 in item 6 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, 50% 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.

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 and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will authorise the interested person transactions as described in the Appendix A and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the shareholders' mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**"). Where such member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

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

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

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

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 420 North Bridge Road, #04-06, North Bridge Centre, Singapore 188727 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Mr Guo Yun and Mr Wang Liangfa (collectively, the "**Retiring Directors**"), who are retiring pursuant to Article 107 of the Constitution of the Company, will be seeking re-election at the forthcoming annual general meeting ("**AGM**") of the Company scheduled to be held on Monday, 29 April 2019 under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 12 April 2019.

Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Trading Securities Limited ("**SGX-ST**"), the information relating to the Retiring Directors set out in Appendix 7.4.1 as required under the Listing Manual of the SGX-ST is disclosed below:

Name of Director	**Guo Yun**	**Wang Liangfa**
Date of Appointment	20 September 2004	27 April 2005
Date of last re-appointment (if applicable)	28 April 2017	26 April 2016
Age	55	66
Country of principal residence	Singapore	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Not applicable	Not applicable
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Guo Yun is responsible for all legal and financial matters, investor relations, formulating and implementing the Company's business policies and expansion plans.	Non-executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	• Executive Director • Nominating Committee Member	• Independent Director • Nominating Committee Chairman • Audit Committee member • Remuneration Committee member
Professional qualifications	Diploma in Party and Political Administration from Jiangsu Province Wuxi Light Industry University	Not applicable
Working experience and occupation(s) during the past 10 years	2004 to present: Executive Director, China Haida Ltd.	1997 to present: Managing Director, Jiangyin Gaofeng Printing Textile Co., Ltd.
Shareholding interest in the listed issuer and its subsidiaries	Deemed to have an interest of 14,439,020 ordinary shares in the Company via his 100% shareholding in Forbury Investments Limited	Nil

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Guo Yun	Wang Liangfa
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
Conflict of interest (including any competing business)	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
Other Principal Commitments including Directorships		
Past (for the last 5 years)	Nil	Nil
Present	Nil	Jiangyin Gaofeng Printing Textile Co., Ltd.
Information required pursuant to Listing Rule 704(7)		
(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
(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

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Guo Yun	Wang Liangfa
(c) Whether there is any unsatisfied judgment against him?	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
(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
(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
(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

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Guo Yun	Wang Liangfa
(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
(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
(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; or	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
(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

ADDITIONAL INFORMATION ON DIRECTORS PROPOSED FOR RE-ELECTION

Name of Director	Guo Yun	Wang Liangfa
(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
(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
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. 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. 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).	Not applicable	Not applicable

This page has been intentionally left blank

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

IMPORTANT:
1. A Relevant Intermediary may appoint more than two (2) proxies to attend the Annual General Meeting of the Company ("**AGM**") and vote (please see note 4 for the definition of "**Relevant Intermediary**").
2. For SRS investors who have used their SRS monies to buy the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purpose if used or purported to be used by them. SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of **China Haida Ltd.** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") to be held at Portsdown 3, Temasek Club, 131 Rifle Range Road #03-03, Singapore 588406 on Monday, 29 April 2019, at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

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

No.	**Resolutions relating to:**	**Number of Votes For**[1]	**Number of Votes Against**[1]
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2	Re-election of Mr Guo Yun as a Director		
3	Re-election of Mr Wang Liangfa as a Director		
4	Approval of Directors' fees amounting to S$95,000.00		
5	Re-appointment of Messrs Crowe Horwath First Trust LLP as the Auditors of the Company		
6	Authority to issue shares		
7	The proposed Renewal of the Shareholders' Mandate for Interested Person Transactions		

(1) *If you wish to exercise all your votes "For" or "Against", please tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ________ day of April 2019

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

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: Please read notes overleaf.

Notes:

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

2. A member of the Company (other than a Relevant Intermediary) entitled to attend and vote at the Meeting is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member of the Company (other than a Relevant Intermediary) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

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

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

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

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

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 420 North Bridge Road, #04-06 North Bridge Centre, Singapore 188727, not less than forty-eight (48) hours before the time appointed for the Meeting.

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

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, (Cap. 50) of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 April 2019.

General:

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

This page has been intentionally left blank

This page has been intentionally left blank

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Xu Youcai (Executive Director and Chief Executive Officer)
Guo Yun (Executive Director)

Non-Executive:

Zhao Guiying (Non-Executive Chairman)
Soh Beng Keng (Lead Independent Director)
Wang Liangfa (Independent Director)
Tang Chun Meng (Independent Director)

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

Wang Liangfa (Chairman)
Guo Yun (member)
Tang Chun Meng (member)

REMUNERATION COMMITEE

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

COMPANY SECRETARY

Lai Kuan Loong Victor
(appointed on 21 September 2018)

COMPANY'S REGISTERED OFFICE

420 North Bridge Road
#04-06 North Bridge Centre
Singapore 188727

SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS

No. 388, Qinfeng Lu
Huashi Town, Jiangyin City
Jiangsu Province
PRC 214421

EXTERNAL AUDITORS

Crowe Horwath First Trust LLP
8 Shenton Way
#05-01 AXA Tower
Singapore 068811

Partner-in-charge: Ms Adeline Ng Cheah Chen
Date of appointment: Since financial year ended 31 December 2018

INTERNAL AUDITORS

Mazars LLP
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Standard Chartered Bank
6 Battery Road
Singapore 049909

Bank of China (Jiangyin Huashi Sub-branch)
No.18, Renmin Road
Huashi Town, Jiangyin
Jiangsu Province
PRC

Agricultural Bank of China
(Jiangyin Huashi Sub-branch)
No.98, Renmin Road
Huashi Town, Jiangyin
Jiangsu Province
PRC

HAIDA
QUALITY CHOICE • MODERN IMAGE

420 NORTH BRIDGE ROAD
#04-06 NORTH BRIDGE CENTRE
SINGAPORE 188727