HAIDA

QUALITY CHOICE • MODERN IMAGE

ANNUAL REPORT 2014

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CORPORATE PROFILE
公司概况

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

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

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

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

中国海达国际有限公司，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市场上市。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。由集团创立人和首席执行官徐友才先生于 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。

利泰所生产铝塑复合板和铝单板以驰名“海达”品牌销售到海内外。利泰也成功的研发和生产适合用于室内和室外多种颜色和多种表面的铝塑复合板。铝单板是坚实的金属也适用于室内和室外。比如帷幕墙、墙板、外墙、天花板、屋檐、面板、店面、隔间、家具、楼梯和电梯等，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，同时加大营销力度，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。

CHAIRPERSON'S STATEMENT
主席致辞

Ms Zhao Guiying · Chairperson
赵桂英女士 · 主席

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of China Haida Ltd. ("the Company") and its subsidiary, Jiangyin Litai Decorative Materials Co., Ltd. ("Litai", and collectively, the "Group") for the financial year ended December 31, 2014 ("FY2014"). 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

Economic slowdown and uncertainty in the global and domestic markets within the PRC had continued to weigh down on the performance of the Group. For FY2014, the Group achieved total revenue of RMB383.7 million, a decrease of approximately RMB48.4 million or 11.2% as compared to the previous year. The decrease was attributed mainly to lower demand of aluminium panels within the PRC as well as export sales to the overseas markets.

Although revenue was lower this year, however, there was a net profit after taxation RMB15.7 million as compared to a net loss RMB19.9 million in the previous year. This was attributed mainly to the net write back of doubtful debts RMB13.9 million as a result of collections from major customers during the year. Earnings per ordinary share was RMB6.1 cents as compared to loss per share of RMB7.8 cents in FY2013.

No dividend was declared in FY2014 to enable the Group to conserve cash for working capital purposes. Any form, frequency and amount of dividends to be recommended and paid, will depend on the Company's earnings, general financing conditions, capital requirements, cash flow, or factors which the Board may deem appropriate.

尊敬的股东们：

我很荣幸能代表董事会向各位呈现中国海达国际有限公司（“公司”）和她的子公司，江阴利泰装饰材料有限公司（“利泰”, 合称为“集团”）截至到 2014 年 12 月 31 日财务年度（2014 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

经济不稳定和经济增长在国内和全球市场放缓，集团在 2014 财年仍享有人民币 383.7 百万元的总销售额，同 2013 财年相比下降了人民币 48.4 百万元约 11.2%。主要是铝板在国内外的需求下降了。

虽然销售额减少但集团在 2014 财年的税后盈利为人民币 15.7 百万元，（2013 财年的税后亏损为人民币 19.9 百万元）。利润大幅度增加是因为一笔坏账准备净冲回款，净收款为人民币 13.9 百万元。可归于股东的普通股每股收益为人民币 6.1 分，2013 财年为每股亏损人民币 7.8 分。

截至 2014 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。

CHAIRPERSON'S STATEMENT
主席致辞

Commitment To Operations and Product Development

We are always committed to increasing our research and development efforts to widen our existing range of high quality and proprietary products. We will continue to work with our customers to provide them with a wide range of aluminium panels to meet their requirements and specifications. During the years, we have always rolled out new panels which have been well received by our customers. The 'Haida' aluminium panels are renowned for its high quality and reliability standards to be used for both interior and exterior purposes. Over the years, we have obtained various prestigious awards and certifications from the PRC government in recognition of our relentless pursuit of excellence.

Our Focus for the Future

The Group's performance will always be impacted by the slowdown and uncertainty in the global economy. Governmental policies and regulations within the PRC, inflationary pressures, keen competition and rising costs of operations will affect the construction and building industry in which the Group operates.

To stay competitive, the Group's strategy is to focus on improving the quality and variety of our panels. We will continue to innovate and create new panels and to exercise prudence in the management of our operations. Management will remain vigilant on cash collection, cash management and will continue to safeguard the Group's assets.

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 2014. 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

我们致力于营业操作和产品研发

集团将致力于提高运营效率和发挥其专长，集中精力制造高品质量的“海达”铝板，满足客户的不同需求。在未来继续开拓和创新并改进和研发现有的各类型铝板为客户的提供更高品质的“海达”铝板及服务。作为市场主要的高端铝板供应商，我们维护与建立高质量水准的“海达”铝板，同时，她亦是海内外家喻户晓的顶级品牌。多年来，我们不懈地追求卓越的认可。并获得不少奖项和中华人民共和国政府颁发的证书。

前景展望

集团的业绩将继续受到经济增长缓慢和政府政策及法规的影响。加上通胀的压力，同行竞争和营运开支上升也会影响集团的盈利。

为了维持竞争力，集团的策略是集中在改良铝板的品质和制造多元化的铝板，并继续研发和制造新的铝板。管理层将密切关注应收帐款的收款，成本控制，现金管理，将继续保障集团的资产。

谢函

在此，我谨代表董事局，向我们尊贵的客户、供应商和业务伙伴在 2014 财年里给予海达集团的支持表示真诚的谢意。同时，我也想借此机会感谢管理层和所有员工为集团所作出的努力和贡献。

期待大家继续给予我们更大的支持。

赵桂英 女士
主席

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

Financial Overview

Compared to FY2013, the Group's total revenue decreased 11.2% or RMB48.4 million, from approximately RMB432.1 million to RMB383.7 million. The decrease was attributed mainly to lower domestic sales within the PRC as well as lower export sales to the overseas markets. Total revenue comprised domestic sales RMB203.4 million or 53.0% and export sales RMB180.3 million or 47.0 % respectively. (FY2013: domestic sales RMB242.5 million or 56.1% and export sales RMB189.6 million or 43.9% respectively)

The lower domestic sales of aluminium composite panels and single panels ('ACP' and 'ASP') were due to lower demands from the public sectors within the building and construction industry. The decline and lower spending by the government on large infrastructure projects coupled with over supply and falling demand on the private housing projects had contributed to the lower demand of our panels. Paint spray services, an ancillary service provided by Litai had remained relatively unchanged at approximately 13.8% of total revenue.

Export sales to major customers in the United States, Europe and Middle East were mainly due to sales of aluminium composite panels (ACP) amidst the intense competition and falling selling prices.

With lower revenue, gross profit decreased 12.1% or approximately RMB4.8 million while gross profit margin remained relatively unchanged at 9%.

Interest income from bank deposits was slightly lower than the previous year due to the lower weighted average interest rate of 0.05% per annum as compared to 0.35% per annum in the previous year. Sales of scrap and raw materials were lower than the last financial year.

Total operating expenses decreased by 9.9% or approximately RMB3.3 million, from RMB33.6 million to RMB30.3 million due to lower Selling and distribution and Administrative expenses. With lower sales, Selling and distribution expenses decreased 4.6% or approximately RMB0.5 million attributed mainly to lower direct labour, transport, exhibition and insurance expenses. Administrative expenses decreased 12.5% or approximately RMB2.8 million due to lower exchange loss, salary related expenses and repair and maintenance costs.

财务概况

与 2013 财务年度（2013 财年）相比，集团 2014 财务年度（2014 财年）的总销售额下降了 11.2% 或约人民币 48.4 百万元，即从约人民币 432.1 百万元降至人民币 383.7 百万元。总销售额下降的主要原因是国内外的需求减少。总内销为人民币 203.4 百万元或 53.0%，外销为人民币 180.3 百万元或 47.0%。（2013 财年总内销为人民币 242.5 百万元或 56.1%，外销为人民币 189.6 百万元或 43.9%。）

国内较低的铝塑板和铝单板销售，主要是建筑业的需求减少和政府的公共建设开支也下调。加上房屋过度供应和房屋项目的需求下降，这些都影响铝塑板和铝单板铝板的需求。喷涂服务由利泰提供配套服务，一直保持相对不变，约为总收入的 13.8%。

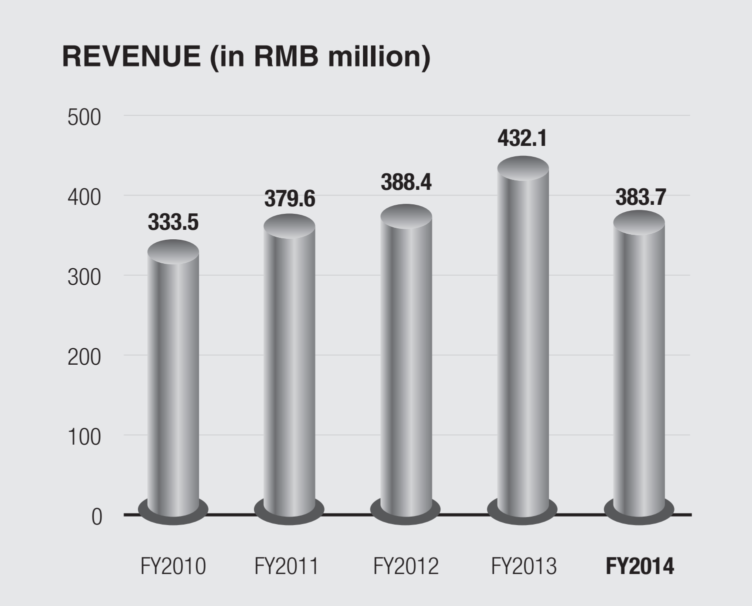
外销的主要顾客是分布在美国，欧洲和中东。重点销售是铝塑板，但也面对同行竞争和销售价下滑的压力。

随着较低的收入，毛利润也下降 12.1%，即约人民币 4.8 百万元。毛利率相对不变 9%。

利息收入比 2013 财年略低，因为银行存款平均利率也较低。废料和原材料销售均低于 2013 财年。

同 2013 财年相比，集团的总运营成本下降 9.9% 或约人民币 3.3 百万元，从人民币 33.6 百万元降至人民币 30.3 百万元。这是因为营运费用和管理费用减少。营运费用减少 4.6% 或人民币 0.5 百万元，其中包含较低的直接劳务费用，运输费，参展费和保险费。管理费用下降 12.5% 或约人民币 2.8 百万元，主要原因是较低的外汇损益，薪酬相关费用和维修费。

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



A net write back of doubtful debts RMB13.9 million was recorded in other operating income as compared to a net allowance for doubtful debts of RMB23.3 million in FY2013. This was made up of an allowance of doubtful debts RMB4.8 million (FY2013: RMB24.5 million) and a write back RMB18.7 million (FY2013: 1.2 million). The allowance were for outstanding balances owing by trade customers who had no relationships with any of the Group's directors or substantial shareholders or controlling shareholders or their associates. The write back of doubtful trade debts RMB18.7 million (FY2013: RMB1.2 million) comprised of cash collected RMB10.5 million either fully or partially paid by the 7 major customers during the year and their outstanding balance RMB8.2 million which were anticipated to be collected in 2015.

2014 财年有笔记录在其他收入的坏帐准备净冲回款为人民币 13.9 百万元，而 2013 财年坏帐净计提是人民币 23.3 百万元。这笔坏帐准备净冲回款的由来是 2014 财年总计提人民币 4.8 百万元（2013 财年：人民币 24.5 百万元）减掉坏帐准备收款及转回额人民币 18.7 百万元（2013 财年：人民币 1.2 百万元）。这些呆帐的客户跟集团的董事，主要股东，控股股东和关联公司毫无关系。坏帐准备净冲回款人民币 18.7 百万元，包含 7 家主要客户的部份收款或总收款为人民币 10.5 百万元，预计余款人民币 8.2 百万元将逐步在 2015 年收回。

Although a slightly higher weighted average interest expense of 6.3% per annum was incurred in FY2014 (FY2013: weighted average 6.0% per annum), however, a lower interest expense of approximately RMB1.2 million was registered for the current year because there was no roll over of short-term bank loans for the months of March and April 2014.

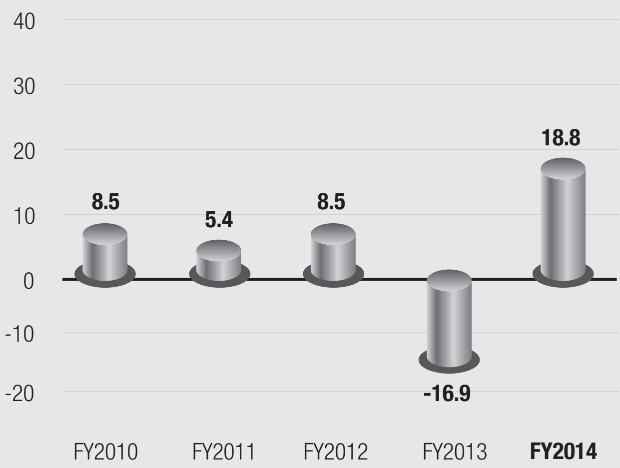
同 2013 财年相比，虽然银行的贷款平均利率较高，但 2014 财年的财务费用微跌，这是因为集团在 3 月和 4 月份的周期并无转入短期借贷的借款。2014 财年的财务费用为人民币 1.2 百万元（2013 财年：人民币 1.3 百万元）。银行平均利率从 2013 财年的 6.00% 升至 2014 财年的 6.30%。

The income tax rate applicable to Litai was 25% (FY2013: 25%). Despite the lower revenue, the Group ended the year with a net profit after taxation of RMB15.7 million as compared to a net loss of RMB19.9 million in FY2013. This was attributed mainly to the net write back of trade debts RMB13.9 million. Without the write back, the net profit after taxation would have been RMB1.8 million.

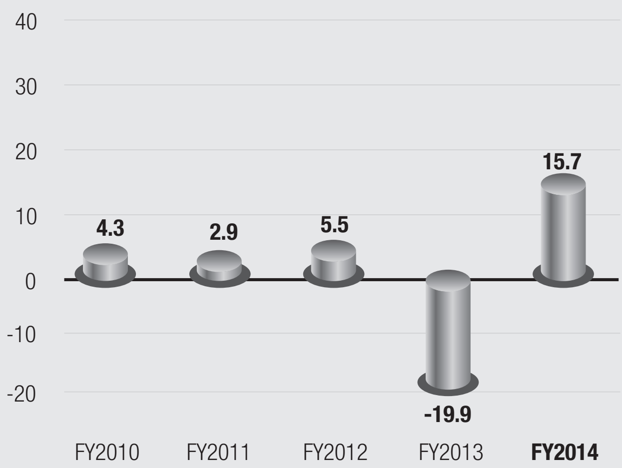
江阴利泰装饰材料有限公司的所得税税率仍是 25%。即使收入较低，集团的税后盈利为人民币 15.6 百万元，同 2013 财年的税后亏损的人民币 19.9 百万元相比，税后利润大幅度增加，主要是因为坏帐准备净冲回款人民币 13.9 百万元，如没有这笔坏帐准备净冲回款，集团的税后盈利应该是人民币 1.8 百万元。

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

PROFIT BEFORE TAX (in RMB million)



NET PROFIT (in RMB million)



As at 31 December 2014, the Group's financial position remained healthy and strong with zero gearing. Cash and bank balances increased by RMB3.9 million, from RMB48.8 million to RMB52.7 million, due to net cash generated from operating activities RMB7.0 million offset by purchases of PPE of approximately RMB3.1 million. Shareholders' funds increased by approximately 6.1% or RMB15.6 million, from RMB254.9 million to RMB270.5 million.

截至 2014 年 12 月 31 日，集团的财务状况保持稳健和资本负债率为零，货币资金增加了人民币 3.9 百万元，从人民币 48.8 百万元升至人民币 52.7 百万元。主要是现金流回营业活动约人民币 7 百万元冲掉投资在固定资产及在建建工程约人民币 3.1 百万元。股东总权益从人民币 254.9 百万元升至人民币 270.5 百万元，升约 6.1% 或约人民币 15.6 百万元。

Operations Review

The uncertainty in the global and domestic markets had continued to challenge the Group's operations throughout FY2014. We faced keen competition within the PRC due to the governmental control over their expenditure on the large infrastructure projects. For the private sector, the falling demand and lower spending on the housing projects posed another challenge during the year. Gross profit had been flat at about 9% per annum during the last four years due to rising labour related costs and other operational expenses whilst the cost of raw materials had remained relatively constant.

To remain competitive, we will continue our marketing strategy to target customers interested in our high end high quality 'Haida' panels. We will continue to establish alliance with and maintain a wide network of sales agents to support our global sales activities. Overseas demand of our aluminium panels was increasing steadily over the years and has now accounted for approximately 47% or RMB180.3 million of the Group's total revenue in FY2014. (FY2013: 43.9% or RMB189.6 million)

运作概况

2014 年度全球和国内市场的不确定性将继续影响集团业务。我们也面临中国境内的激烈竞争尤其对政府控制大型基础设施项目的支出。对私营企业的，市场需求下降和住房项目消费降低也带来另一个挑战。在过去的四年里，由于劳工相关成本和其他运营成本不断上升，毛利率一直持平约 9%，而原材料成本一直保持相对稳定。

为了保持竞争力，集团将继续其营销战略为客户提供高端及高品质的"海达"铝板。继续建立海外合作伙伴和维持广泛的代理销售网络，以支持我们的全球销售活动。多年来铝板的海外的需求也稳建增长。外销已经达到总销售的 47%，或占集团 2014 财年的总收入约人民币 180.3 百万元。（2013 财年：43.9% 或约人民币 189.6 百万元）

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

We will exercise flexibility towards customers' requests and be nimble in our operations. For sales within the domestic market, we will be prudent and selective in selling to potential customers with good credit reputation.

我们对客户的要求行使较灵活性的操作。针对国内市场的销售，我们将谨慎的选择具有潜力和实力的客户。

The Group will exercise care and prudence to control and manage the operating costs and cash management. To protect our assets and maintain good cash-flow, we will exercise caution and are selective in accepting orders from customers who are credit-worthy.

集团将小心和谨慎的控制运营成本和现金管理。除了保护我们的资产和维持健康的现金流，我们更严格的审核新的客户，选择符合公司的客户评估程序后才接受新客户的订单。

Commitment to product enhancement and staff development

提高我们的生产能力和员工培训

Product innovation and development had been the key to our success and we remained committed to invest time and resources to research and develop new products. During the year, we have added some new panels to enhance our existing range to cater to customers' demands and specifications. We will continuously strive to ensure that the high quality standards are attained for all our aluminium panels.

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

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

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集团迈向成功是非常重要的。

Going Forward

前景展望

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.

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

BOARD OF DIRECTORS

1. Ms Zhao Guiying
Non-Executive Chairman

Ms Zhao Guiying is the Non-Executive Chairman of our Company. She is the spouse of the Chief Executive Officer and substantial shareholder of our Company, Mr Xu Youcai. She was appointed as a Director on 20 September 2004 and was last re-elected on 29 April 2014. Ms Zhao is currently the Chairman and General Manager of Jiangyin Haida, a position which she has held since 2000. From 1997 to 2000, she was a chief accountant in Jiangyin Haida. She is also the Deputy General Manager of Jiangyin Huayou since 1999 and is responsible for its administrative functions. From 1997 to 1999, she held the position of the Deputy General Manager in Litai and was responsible for its administrative matters. From 1997 to 1998, Ms Zhao was a chief accountant in Jiangyin Haida Agricultural Film Plant.

From 1993 to 1997, she was a chief accountant in Jiangyin Haida Industrial Company. She was a chief accountant in Jiangyin Haida Aluminium Composite Material Plant from 1992 to 1993 and a chief accountant 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.

2. Mr Xu Youcai
Chief Executive Officer

Mr Xu Youcai is currently the Chief Executive Officer of our Company. He is the spouse of the Non-Executive Chairman and substantial shareholder, Ms Zhao Guiying. 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 a General Manager in Jiangyin Haida and was overall in charge of its day-to-day operations until 2000.

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

BOARD OF DIRECTORS

3. Mr Guo Yun
Executive Director

Mr Guo Yun is an Executive Director of our Company. He was appointed on 20 September 2004 and was last re-elected on 25 April 2013. 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.

4. Mr Wang Liangfa
Independent Director

Mr Wang Liangfa is an Independent Director of our Company. He was appointed on 27 April 2005 and was last re-elected on 25 April 2013. 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

5. Mr Ong Kian Guan
Lead Independent Director

Mr Ong Kian Guan is our Company's Lead Independent Director. He was appointed on 27 October 2006 and last re-elected on 29 April 2014. Mr Ong is also an Independent Director of the following public listed companies, namely, Alliance Mineral Assets Limited, China XLX Fertiliser Ltd, Serrano Limited and Wei Ye Holdings Limited. He is presently a partner of Baker Tilly TFW LLP. He has vast professional experiences in financial audits of public listed companies and multi-national corporations, initial public offerings, financial due diligences and outsourced internal audit assignments. From August 2002 to November 2004, Mr Ong was the Chief Financial Officer of a public listed company on SGX-ST. Prior to that, he had more than 10 years experiences with international accounting firms. He graduated from Nanyang Technological University with a Bachelor's degree in Accountancy in 1992 and is a Fellow of the Institute of Singapore Chartered Accountants.

6. Mr Soh Beng Keng
Independent Director

Mr Soh Beng Keng is an Independent Director of our Company. He was appointed to our Board on 27 April 2007 and was last re-elected on 26 April 2012. 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 Ziwo Holdings 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.

KEY MANAGEMENT

MR WANG ZAIGUAN

Mr Wang Zaiguan 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

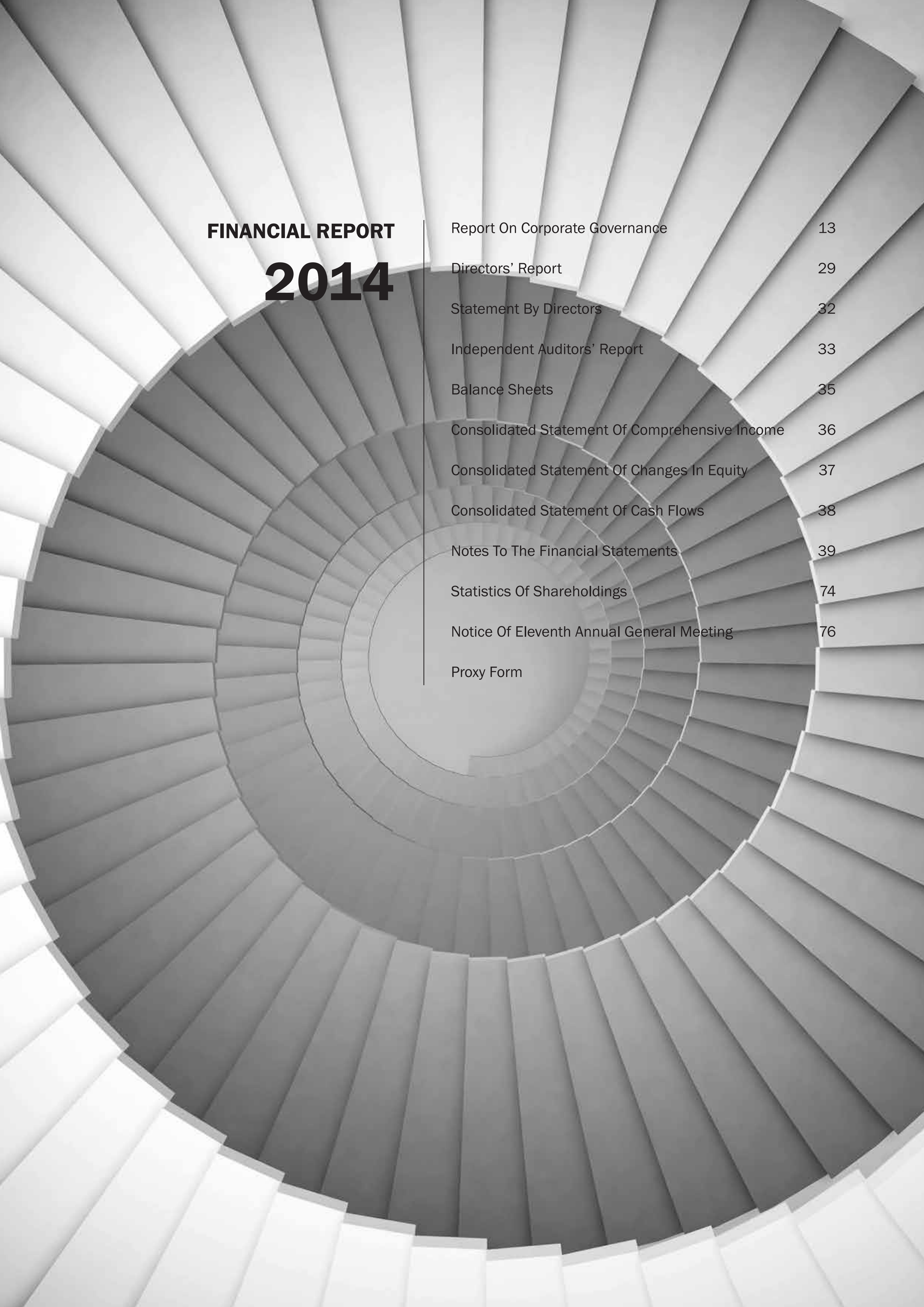
Mr Xu Gang was appointed in 2011 as the Chief Engineering Officer of our Group. He is responsible for Litai's production, technology and quality control. Prior to joining Litai in 2004, Mr Xu has several years of experience working in the engineering departments of factories in Chengdu and the Canton 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 experience in a senior management position in the listed company. 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 Plant Manager of Litai in 2011. He reports to the CEO and is responsible for the overall operational, financial and administrative functions of Litai. Prior to joining Litai as an accountant in 2001, Mr Zhang spent three years with Jiangyin Huashi Automobile Seat Manufacturing Co., Ltd. as an accountant. From 1986 to 1997, Mr Zhang worked with Jiangyin Huagao Group Company as an accountant. Mr Zhang holds a professional qualification in accounting from Zhonghua Accounting School in Jiangsu Province, PRC.



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REPORT ON CORPORATE GOVERNANCE

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

PRINCIPLES 1 AND 2: BOARD MATTERS

The Board's conduct of Affairs

Board Composition and Guidance

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

Non-Executive Director

Ms Zhao Guiying (Chairman)

Executive Directors

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

Independent Directors

Mr Wang Liangfa
Mr Ong Kian Guan
Mr Soh Beng Keng

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

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

REPORT ON CORPORATE GOVERNANCE

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2014

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

The Board, taking into consideration the scope and nature of the operations of the Group, considered its current composition of six Directors to be adequate for effective decision-making. However, in view of the upcoming retirement of Mr Ong Kian Guan, who is not seeking re-election at the forthcoming AGM, the Board is currently in the process of identifying suitable candidates as an independent director of the Company to replace Mr Ong Kian Guan following his upcoming retirement. The Company shall make the necessary announcements to update shareholders upon finalization of the search and selection process.

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

The Board's principal functions include the following:

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

REPORT ON CORPORATE GOVERNANCE

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

An orientation programme will be organized 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 also provided the relevant information on their duties as Directors, the Company's governance processes as well as relevant statutory and regulatory compliance issues. Directors may request further explanations, briefings and informal discussions on any aspects of the Group's operations or business issues. On an ongoing basis, the Company updates the Directors regarding new legislation and/or regulations which are relevant to the Group. During the financial year ended 31 December 2014, Directors are provided with information such as updates on consultation papers issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") as well as the changes to the Singapore's Financial Reporting Standards.

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

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

Ms Zhao Guiying, Non-Executive Chairman of the Company, is the spouse of Mr Xu Youcai, the CEO and Executive Director. 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 separate to ensure an appropriate balance of power, increased accountability and greater capacity to the Board for independent decision-making.

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

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

Lead Independent Director

As recommended by the Code, the Board has also appointed Mr Ong Kian Guan as the Lead Independent Director on 28 February 2014. Shareholders of the Company with concerns that could have a material impact on the Group; are able to voice their concern to Mr Ong Kian Guan at the forthcoming AGM.

REPORT ON CORPORATE GOVERNANCE

BOARD COMMITTEES

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

The compositions of each of the committee are as follows:

Name of Director	Nominating Committee ("NC")	Remuneration Committee ("RC")	Audit Committee ("AC")
Mr Guo Yun	Member	–	–
Mr Wang Liangfa	Chairman	Member	Member
Mr Ong Kian Guan	Member	Member	Chairman
Mr Soh Beng Keng	–	Chairman	Member

PRINCIPLES 4 AND 5:

Board Membership

Board Performance

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

Mr Wang Liangfa (Chairman)
Mr Guo Yun (Member)
Mr Ong Kian Guan (Member)

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

REPORT ON CORPORATE GOVERNANCE

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

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

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

- 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 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 Chief Executive.

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

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

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

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

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

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

In the search and nomination process for new Directors, if any, the NC seeks to cast its net as wide as possible in order to select the right candidate, including obtaining recommendations through contacts of the Company's management and Directors. The NC identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Company. Attributes considered by the NC in its selection of incoming Directors include the candidate's character, industry specific and professional experience and candidate's ability to complement or enhance the expertise of the existing board members.

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

Review on Directors' Independence

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

Such independence of each Independent Director is reviewed annually by the NC. For the financial year ended 31 December 2014, the NC had applied scrutiny when assessing the continued independence of a Director whom had served beyond 9 years from the date of his first appointment. Each independent director is required to complete a declaration to confirm his independence based on the guidelines as set out in the Code.

By the forthcoming AGM, Mr Wang Liangfa ("Mr Wang"), an Independent Director would have served closed to 10 years. As such, the NC had taken the opportunity to consider and assess Mr Wang specifically on his length of service, character and judgement. Based on the oral and written submission from Mr Wang, the NC concurred that there were no relationships or circumstances which were likely to affect, or could appear to affect his independent judgment. As such, the NC had recommended to the Board and the Board had accepted NC recommendation that Mr Wang continues to display an independence of character and judgement and was not in any way affected or impaired by the reason of his length of service.

REPORT ON CORPORATE GOVERNANCE

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. The Board shall endeavor to appoint a new Independent Director in view of the upcoming retirement of Mr Ong Kian Guan so as to ensure that the Board will maintain its composition of Independent Directors in adherence to the Code.

PRINCIPLE 6: ACCESS TO INFORMATION

To enable the Board to function effectively and to fulfill its responsibilities, Management strives to provide Board members with adequate information for Board meetings and on an ongoing basis.

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

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

PRINCIPLES 7, 8 AND 9:
PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
LEVEL AND MIX OF REMUNERATION
DISCLOSURE OF REMUNERATION

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

Mr Soh Beng Keng (Chairman)
Mr Wang Liangfa (Member)
Mr Ong Kian Guan (Member)

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

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

REPORT ON CORPORATE GOVERNANCE

Primary functions to be performed by RC:

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

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

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

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

The RC has recommended to the Board that the Independent Directors be paid directors' fees for the financial year ended 31 December 2014. The Board has considered and has recommended the proposed payment of directors' fees for shareholders' approval at the forthcoming AGM. There was no increment in fees to be paid to our Independent Directors for the financial year ended 31 December 2014. No external remuneration consultant was engaged to assist in the review of remuneration packages.

A breakdown, showing the level and mix of each individual Director's remuneration payable for the financial year ended 31 December 2014 is as follows:

Remuneration Band and Name of Director	Directors' Fee	Salary [1]	Bonus	Benefits in Kind	Total	Total
	%	%	%	%	%	S$
S$250,000 – S$499,000						
Executive						
Mr Guo Yun	–	100	–	–	100	272,000
Below S$250,000						
Executive						
Mr Xu Youcai	–	100	–	–	100	246,000
Non Executive						
Ms Zhao Guiying	–	–	–	–	N.A.	N.A.
Mr Wang Liangfa[2]	100	–	–	–	100	30,000
Mr Ong Kian Guan[2]	100	–	–	–	100	35,000
Mr Soh Beng Keng[2]	100	–	–	–	100	30,000

REPORT ON CORPORATE GOVERNANCE

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

(2) Directors' fees to the Independent Directors for the financial year ended 31 December 2014 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 was S$257,000.

Remuneration Band and Name of Key Management Personnel	Designation	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	100	–	–	100
Xu Gang	Chief Engineering Officer	100	–	–	100
Chan Lai Yoke	Chief Financial Officer	86	14	–	100
Zhang Qinyu	Plant 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 the financial year ended 31 December 2014.

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

PRINCIPLE 10: ACCOUNTABILITY OF THE BOARD AND MANAGEMENT

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

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

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

OPINION BY THE BOARD

The Board acknowledges that it is responsible for the overall internal control framework and fully aware of the need to put in place a sound system of internal controls within the Group to safeguard shareholders' interests and the Group's assets as well as to manage risks. The Board also recognizes 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 Executive Director and the Chief Financial Officer during the full year results meeting that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards; and proper system of risk management and internal controls are put in place within the Group, and is 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 internal controls in place within the Group addressing financial, operational and compliance risks throughout the year and up to the date of this report.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 12: AUDIT COMMITTEE

The AC comprises three members, all of whom are independent. The members of the AC at the date of this report are as follows:

Mr Ong Kian Guan (Chairman)
Mr Wang Liangfa (Member)
Mr Soh Beng Keng (Member)

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

The AC also monitors proposed changes in accounting policies, reviews internal audit functions and discusses accounting implications of major transactions. In addition, the AC advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its reports. During the financial year ended 31 December 2014, the AC was provided with updates on the changes in connection with the Singapore's Financial Reporting Standards.

The AC has adopted written terms of reference.

The functions of the AC include:

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

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

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

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

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

- To review the non-audit services to the Company.

- To review the internal audit program and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure co-ordination between the internal and external auditors and Management.

- To review the adequacy of the Company's internal controls as set out in the Code.

REPORT ON CORPORATE GOVERNANCE

- 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 Company has in place a whistle-blowing policy to provide a channel for employees to report in confidence, their concern about possible improprieties for investigation. No incidence or report of whistle blowing was noted by the AC during the financial year ended 31 December 2014.

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

The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group. Accordingly, the AC is satisfied that Rules 712 and 715 together with Rule 716 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.

REPORT ON CORPORATE GOVERNANCE

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

For the financial year ended 31 December 2014, the non-audit fees paid to the external auditors of the Company for income tax compliance service was approximately S$1,200 (equivalent to RMB6,000). For audit fees paid to our external auditors, please refer to Page 61 of the Annual Report.

PRINCIPLE 13: INTERNAL AUDIT

The Group has outsourced its internal audit function to an external professional firm, who reports primarily to the Chairman of the AC and administratively, to the CEO.

During the year under review, the internal auditors have conducted reviews of the control procedures relating to sales and accounts receivables. They have also followed up on the outstanding matters of their previous review to ensure implementation and compliance by the Management. They have reported and recommended to the AC on the required areas of improvement. The AC had also reviewed the adequacy of the internal audit function annually by ensuring that the internal audit function is adequately resourced when augmented by the external professional firm, and has appropriate standing within the Company.

PRINCIPLE 14 AND 15: SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

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

(i) SGXNET announcements and press releases;

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

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

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

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

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

The Articles of Association of the Company allows a shareholder of the Company to appoint up to two proxies to attend and vote in his/her stead at general meetings. The Company has not amended its Articles of Association to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through digital media or the internet is not compromised.

Separate resolutions are tabled and passed at every general meeting on each distinct issue. All minutes of general meetings are available to shareholders for inspection upon request.

The Company does not have a fixed dividend policy at present. The declaration and payment of dividends by the Company from time to time is subject to many factors, including but not limited to, the Company's results of operations, cash flows and financial position, the Company's expansion requirements and working capital requirements. The Company did not declare dividends for the financial year ended 31 December 2014 as the conditions in which its business operates remains challenging and competitive.

DEALINGS IN SECURITIES

The Group has in place internal policies in line with the requirements of Rule 1204(19) regarding the dealing in securities by its Directors and Employees. The Group discourages its Directors and Employees from trading in the Company's securities on short-term considerations. In addition, the Group prohibits its Directors and Employees to trade in the Company's securities during the period beginning one month before the date of the announcement of the full-year or half-year results respectively and ending on the following day of the announcement date of the relevant results.

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

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.

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) 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 Group Co., Ltd		
– Reimbursements of electricity expenses	–	2,336
– Advances paid for purchase of raw materials	–	(208,257)
– Purchases for raw materials	–	(163,938)
– Reimbursements of purchase of raw materials	–	1,755
Jiangyin East-China Aluminium Technology Co., Ltd.		
– Spray-painting income	–	50,738
– Reimbursement of electricity expenses	–	1,292
– Purchase of raw materials	–	(1,696)
Jiangsu Haida Technology Co., Ltd.		
– Sales of aluminium composite panel	–	4,791

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

Footnote: Please refer to Note 26 of Page 63.

REPORT ON CORPORATE GOVERNANCE

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 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 and foreign exchange risk. The Group's financial risk management objectives and policies are discussed in the notes to the financial statements found on page 65 to 73 of the Annual Report.

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

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

MATERIAL CONTRACTS

Except as disclosed above and in the financial statements of the Group and the service agreements between the Executive Directors and the Company, there were no material contracts entered into by the Company and its subsidiaries involving the interest of its Directors or controlling shareholders which are either still subsisting as at 31 December 2014 or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

The directors present their report to the members together with the audited consolidated financial statements of China Haida Ltd. (the "Company") and its subsidiary (the "Group") for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

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

Zhao Guiying
Xu Youcai
Guo Yun
Wang Liangfa
Ong Kian Guan
Soh Beng Keng

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.

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 2014	At 31 December 2014	At 1 January 2014	At 31 December 2014
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

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 2015.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, except for salaries, bonuses and other employee benefits and related party transactions as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

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:

Ong Kian Guan (Chairman)
Wang Liangfa (Member)
Soh Beng Keng (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 independent 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 balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 prior to their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and

– interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

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

DIRECTORS' REPORT

For the financial year ended 31 December 2014

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

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

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

Independent auditors

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

On behalf of the Board of Directors

XU YOUCAI
Director

GUO YUN
Director

1 April 2015

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 35 to 73 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results, 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.

On behalf of the Board of Directors

XU YOUCAI
Director

GUO YUN
Director

1 April 2015

INDEPENDENT AUDITORS' REPORT

To the members of CHINA HAIDA LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of China Haida Ltd. (the "Company") and its subsidiary (the "Group") set out on pages 35 to 73, which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the members of CHINA HAIDA LTD.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2015

BALANCE SHEETS

As at 31 December 2014

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

	Note	Group		Company	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	3	**140,543**	140,543	**140,543**	140,543
Statutory reserve fund	4	**22,107**	21,432	**–**	–
Capital reserve	5	**47,946**	47,946	**–**	–
Currency translation deficit	6	**(1,054)**	(974)	**(8,589)**	(4,494)
Retained earnings/(Accumulated losses)	7	**60,948**	45,952	**(19,782)**	(19,618)
TOTAL EQUITY		**270,490**	254,899	**112,172**	116,431
ASSETS					
Non-current assets					
Property, plant and equipment	8	**65,872**	71,337	**316**	444
Investment in a subsidiary	9	**–**	–	**110,019**	114,034
Lease prepayments	10	**11,419**	11,721	**–**	–
Current assets					
Lease prepayments	10	**302**	302	**–**	–
Inventories	11	**46,075**	50,362	**–**	–
Trade receivables	12	**105,031**	107,666	**–**	–
Due from a related party (trade)		**11,144**	9,653	**–**	–
Other receivables, deposits and prepayments	13	**4,972**	1,731	**153**	125
Advance payments to a related party	14	**32,595**	16,185	**–**	–
Cash and cash equivalents	15	**52,655**	48,833	**5,019**	5,530
Income tax recoverable		**159**	–	**–**	–
		252,933	234,732	**5,172**	5,655
TOTAL ASSETS		**330,224**	317,790	**115,507**	120,133
LIABILITIES					
Current liabilities					
Trade payables		**26,617**	26,512	**–**	–
Other payables and accruals	16	**11,117**	14,098	**1,042**	1,422
Due to a subsidiary (non-trade)	17	**–**	–	**2,293**	2,280
Short term bank loans	18	**22,000**	22,000	**–**	–
Income tax payable		**–**	281	**–**	–
TOTAL LIABILITIES		**59,734**	62,891	**3,335**	3,702
NET ASSETS		**270,490**	254,899	**112,172**	116,431

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

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

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Revenue	19	**383,679**	432,116
Cost of sales		**(349,120)**	(392,802)
Gross profit		**34,559**	39,314
Other operating income	20	**15,642**	1,992
Selling and distribution expenses		**(10,290)**	(10,786)
Administrative expenses		**(19,974)**	(22,818)
Other operating expenses – allowance for doubtful trade debts, net	29(iii)	**–**	(23,293)
Finance costs	22	**(1,168)**	(1,342)
Profit/(Loss) before tax	23	**18,769**	(16,933)
Tax expenses	24	**(3,098)**	(2,998)
Profit/(Loss) for the year		**15,671**	(19,931)
Other comprehensive expenses:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**(80)**	(191)
Total comprehensive income/(loss) for the year		**15,591**	(20,122)
Profit/(Loss) attributable to:			
Equity holders of the Company		**15,591**	(20,122)
Earnings/(Loss) per share (RMB Cents)			
Basic and diluted	25	**6.1**	(7.8)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

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

	Attributable to equity holders of the Company					
	Share capital RMB'000	**Statutory reserve fund RMB'000**	**Capital reserve RMB'000**	**Currency translation deficit RMB'000**	**Retained earnings RMB'000**	**Total equity RMB'000**
Balance at 1.1.2013	140,543	20,609	47,946	(783)	66,706	275,021
Loss for the year	–	–	–	–	(19,931)	(19,931)
Other comprehensive expenses, net of tax						
– currency translation differences arising from consolidation	–	–	–	(191)	–	(191)
Total comprehensive loss	–	–	–	(191)	(19,931)	(20,122)
Transfer to statutory reserve fund	–	823	–	–	(823)	–
Balance at 31.12.2013	140,543	21,432	47,946	(974)	45,952	254,899
Balance at 1.1.2014	140,543	21,432	47,946	(974)	45,952	254,899
Profit for the year	–	–	–	–	15,671	15,671
Other comprehensive expenses, net of tax						
– currency translation differences arising from consolidation	–	–	–	(80)	–	(80)
Total comprehensive income	–	–	–	(80)	15,671	15,591
Transfer to statutory reserve fund	–	675	–	–	(675)	–
Balance at 31.12.2014	140,543	22,107	47,946	(1,054)	60,948	270,490

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

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

	Note	Group	
		2014	**2013**
		RMB'000	**RMB'000**
Cash flows from operating activities			
Profit/(Loss) before tax		**18,769**	(16,933)
Adjustments for:			
Allowance for doubtful trade debts		**4,773**	24,465
Write back of allowance for doubtful trade debts		**(18,714)**	(1,172)
Amortisation of lease prepayments		**302**	302
Depreciation of property, plant and equipment		**8,593**	9,096
Profit on disposal of property, plant and equipment		**–**	(214)
Interest expense		**1,168**	1,342
Interest income		**(172)**	(175)
Unrealised translation (gain)/loss		**(69)**	29
Operating profit before working capital changes		**14,650**	16,740
Inventories		**4,287**	2,583
Trade receivables		**16,577**	(2,862)
Other receivables, deposits and prepayments		**(3,241)**	410
Trade and other payables		**(2,876)**	4,231
Due from a related party (trade)		**(1,491)**	(6,653)
Advance payments to a related party (trade)		**(16,410)**	(16,185)
Due to a related party (trade)		**–**	(7,301)
Cash generated from/(used in) operations		**11,496**	(9,037)
Interest paid		**(1,168)**	(1,342)
Interest received		**172**	175
Income tax paid		**(3,538)**	(3,960)
Net cash generated from/(used in) operating activities		**6,962**	(14,164)
Cash flows from investing activity			
Purchase of property, plant and equipment, representing net cash used in investing activity	A	**(3,140)**	(6,077)
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)
Net cash from financing activities		**–**	–
Net increase/(decrease) in cash and cash equivalents		**3,822**	(20,241)
Cash and cash equivalents at beginning of year		**48,833**	69,074
Cash and cash equivalents at end of year	15	**52,655**	48,833

Note A

The Group acquired property, plant and equipment with an aggregate cost of approximately RMB3,140,000 (2013: RMB5,802,000) of which Nil (2013: RMB50,000) remained outstanding as at financial year ended 31 December 2014. Cash payment of RMB3,140,000 (2013: RMB6,077,000) were made during the financial year to purchase the property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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

1. GENERAL INFORMATION

China Haida Ltd. (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of the Company's registered office and principal place of business is at 420 North Bridge Road, #04-06 North Bridge Centre, Singapore 188727. The address of the principal place of business of its subsidiary is at 388 Qinfeng Lu (formerly known as No.8 Huan Nan Road), Huashi Town, Jiangyin City, Jiangsu Province, the People's Republic of China ("PRC").

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

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 1 April 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS"). 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 FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective

The Company 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
Amendment to FRS 19: *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
– Amendment to FRS 102 *Share-based Payment*	1 July 2014*
– Amendment to FRS 103 *Business Combinations*	1 July 2014^
– Amendment to FRS 108 *Operating Segments*	1 July 2014
– Amendment to FRS 16 *Property, Plant and Equipment*	1 July 2014
– Amendment to FRS 24 *Related Party Disclosures*	1 July 2014
– Amendment to FRS 38 *Intangible Assets*	1 July 2014
Improvements to FRSs (February 2014)	
– Amendment to FRS 103 *Business Combinations*	1 July 2014
– Amendment to FRS 113 *Fair Value Measurement*	1 July 2014
– Amendment to FRS 40 *Investment Property*	1 July 2014
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Improvements to FRSs (November 2014)	
– Amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
– Amendment to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
– Amendment to FRS 19 *Employee Benefits*	1 January 2016
– Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

* The amendment applies prospectively to share-based payment transactions with a grant date on or after 1 July 2014

^ The amendment applies prospectively to business combination for which the acquisition date is on or after 1 July 2014

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Standards issued but not yet effective (Continued)

Except for Amendments to FRS 103, Amendments to FRS 108, Amendments to FRS 24, Amendments to FRS 27, Amendments to FRS 1, FRS 115 and FRS 109, 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 Amendments to FRS 103, Amendments to FRS 108, Amendments to FRS 24, Amendments to FRS 27, Amendments to FRS 1, FRS 115 and FRS 109 are described below.

Improvements to FRSs (January 2014): Amendment to FRS 103 *Business Combination*

The amendment clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss.

The Group will apply these amendments to the future business combination from 1 January 2015 onwards.

Improvements to FRSs (January 2014): Amendment to FRS 108 *Operating Segments*

The amendment require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendment also clarifies that a reconciliation of the total segment assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in the next financial year.

Improvements to FRSs (January 2014): Amendment to FRS 24 *Related Party Disclosures*

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as a related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, the breakdown of the components of such compensation is not required to be disclosed.

The management expects that the adoption of the amendment will not result in additional parties being identified as related to the Group. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in next financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

Amendments to FRS 27: *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in FRS 28 Investments in Associates and Joint Ventures, in addition to measurement at cost and in accordance with FRS 39 Financial Instruments: Recognition and Measurement. The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

The Company currently presents its investment in subsidiary in separate financial statements at cost and will review this policy consequent to this amendment which is effective in 2016.

Disclosure Initiative – *Amendments to FRS 1*

FRS 1 *Presentation of Financial Statements* is amended as part of the initiatives by the standard-setters to improve presentation and disclosure in financial reports. The amendments clarify materiality guidance in FRS 1 and clarify on aggregating and disaggregating line items on the balance sheet and statement of comprehensive income, including added guidance on presenting sub-totals. The amendments also give examples on systematic ordering or grouping of the structure of the notes to financial statements. In addition, following the amendments, the share of Other Comprehensive Income (OCI) of the equity-accounted investments shall be presented separately from the other OCI on the statement of changes in equity. The Group will apply these amendments in 2016.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective in 2017.

The core principle of FRS 115 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 FRS 115, an entity recognises revenue when (or as) a performance obligations is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The application of FRS 115 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods.

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. FRS 109 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. FRS 109 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of FRS 109 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group is in the process of assessing the impact of the new standard for the future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting

Subsidiaries

(a) Basis of consolidation

Subsidiary is an entity over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

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

(b) Acquisition of businesses

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

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

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

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

(c) Disposals of subsidiaries or businesses

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiary

Investments in a subsidiary is carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiary, the difference between disposal proceeds and the carrying amounts of the investments are 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 balance sheet of the Company are presented in 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 balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet 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 Chinese Renminbi ("RMB") at the rate of exchange ruling at the balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital

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

Property, plant and equipment

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

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

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%

The estimated useful life, depreciation method and the residual value are reviewed, and adjusted as appropriate at each balance sheet 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) and the asset revaluation reserve related to those asset, if any, is transferred directly to retained earnings.

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

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 right is amortised on a straight-line basis over the respective lease term of 43 and 48 years. The remaining lease term range from 35 to 42 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

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.

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the balance sheet 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, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(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 balance sheet date. As at the balance sheet date, the Group did not have other categories of financial assets except for loans and receivables.

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

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

(iii) Derecognition

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

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.

Impairment of financial assets

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

Financial assets carried at amortised cost

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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

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

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

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

Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(iii) Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet 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 balance sheet date are included in current borrowings in the balance sheet 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 balance sheet date and before the financial statements are authorised for issue.

Borrowing costs

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

Provisions

A provision is recognised when the group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet 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 recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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 balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

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 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 balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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 balance sheet 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 and is accounted for using the balance sheet liability method. 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 investments in subsidiaries, 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 balance sheet 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 balance sheet 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 balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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

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

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

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

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

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

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

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

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

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

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

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker 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, assumptions and judgements

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and assumptions (Continued)

(i) Critical accounting estimates, assumptions and judgements *(Continued)*

(a) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amounts of the loans and receivables as at 31 December 2014 and the relevant credit risk information is disclosed in Note 29 (iii).

(b) Income tax

The Group has exposure to income taxes in Singapore and PRC. Significant judgement is involved in determining the Group's provision for income taxes, including the deductibility of certain expenses. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax in the period in which such determination is made. The carrying amount of the Group's income tax recoverable at 31 December 2014 was approximately RMB159,000 (2013: income tax payable of RMB281,000).

(c) Useful lives of plant and equipment

The cost of plant and equipment for the manufacture of aluminium panels is depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these machines to be within 5 to 10 years and that the residual value to be 5% to 10% of the cost of these assets. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's machinery and equipment at balance sheet date was approximately RMB25,777,000 (2013: RMB24,677,000).

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

3. SHARE CAPITAL

	Group and Company	
	2014	2013
	RMB'000	RMB'000
Issued and fully paid:		
At the beginning and end of the year:		
– 254,880,660 (2013: 254,880,660) ordinary shares	**140,543**	140,543

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

4. STATUTORY RESERVE FUND

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

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

5. CAPITAL RESERVE

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

6. CURRENCY TRANSLATION DEFICIT

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year	**(974)**	(783)	**(4,494)**	3,768
Foreign currency translation difference for the financial year	**(80)**	(191)	**(4,095)**	(8,262)
At the end of the year	**(1,054)**	(974)	**(8,589)**	(4,494)

7. ACCUMULATED LOSSES

	Company	
	2014	2013
	RMB'000	RMB'000
At the beginning of the year	**(19,618)**	(19,255)
Loss for the year	**(164)**	(363)
At the end of the year	**(19,782)**	(19,618)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

8. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RMB'000	Asset under construction 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 2013	61,429	–	70,802	4,971	1,295	138,497
Additions	–	2,685	80	619	2,418	5,802
Disposal/Written off	–	–	–	(674)	–	(674)
Translation differences	–	–	–	(47)	(24)	(71)
As at 31 December 2013	61,429	2,685	70,882	4,869	3,689	143,554
Additions	–	2,913	200	–	27	3,140
Written off	–	–	–	–	(190)	(190)
Transfer of asset in construction	–	(5,598)	5,598	–	–	–
Translation differences	–	–	–	(16)	(8)	(24)
As at 31 December 2014	61,429	–	76,680	4,853	3,518	146,480
Accumulated depreciation						
As at 1 January 2013	17,943	–	40,890	3,979	1,048	63,860
Charge for the year	2,764	–	5,315	301	716	9,096
Disposal/Written off	–	–	–	(674)	–	(674)
Translation differences	–	–	–	(46)	(19)	(65)
As at 31 December 2013	20,707	–	46,205	3,560	1,745	72,217
Charge for the year	2,764	–	4,698	310	821	8,593
Written off	–	–	–	–	(190)	(190)
Translation differences	–	–	–	(6)	(6)	(12)
As at 31 December 2014	23,471	–	50,903	3,864	2,370	80,608
Net carrying amount						
As at 31 December 2014	37,958	–	25,777	989	1,148	65,872
As at 31 December 2013	40,722	2,685	24,677	1,309	1,944	71,337

As at 31 December 2014, leasehold buildings with carrying amount of approximately RMB5,239,000 (2013: RMB5,856,000) was pledged as security for the Group's bank loans (see Note 18).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014
(Amounts in thousands of Chinese Renminbi (“RMB’000”))

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Motor vehicles RMB’000	Furniture and fixtures RMB’000	Office equipment RMB’000	Renovation RMB’000	Total RMB’000
Cost					
As at 1 January 2013	721	93	164	110	1,088
Additions	452	–	40	–	492
Disposal/Written off	(674)	–	–	–	(674)
Translation differences	(47)	(6)	(11)	(7)	(71)
As at 31 December 2013	452	87	193	103	835
Written off	–	(87)	–	(103)	(190)
Translation differences	(16)	–	(8)	–	(24)
As at 31 December 2014	436	–	185	–	621
Accumulated depreciation					
As at 1 January 2013	721	91	142	93	1,047
Charge for the year	50	–	33	–	83
Disposal/Written off	(674)	–	–	–	(674)
Translation differences	(46)	(4)	(25)	10	(65)
As at 31 December 2013	51	87	150	103	391
Charge for the year	101	–	15	–	116
Written off	–	(87)	–	(103)	(190)
Translation differences	(6)	–	(6)	–	(12)
As at 31 December 2014	146	–	159	–	305
Net carrying amount					
As at 31 December 2014	290	–	26	–	316
As at 31 December 2013	401	–	43	–	444

9. INVESTMENT IN A SUBSIDIARY

	Company	
	2014 RMB’000	**2013 RMB’000**
Unquoted equity shares, at cost – at beginning of year	**114,034**	122,104
Translation differences	**(4,015)**	(8,070)
Unquoted equity, at cost – at end of year	**110,019**	114,034

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENT IN A SUBSIDIARY (CONTINUED)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2014 %	2013 %	2014 RMB'000	2013 RMB'000
Held by the Company						
Jiangyin Litai Decorative Materials Co., Ltd. *	Manufacturing and sale of aluminium composite panels and aluminium single panels and spray painting	PRC	**100**	100	**110,019**	114,034

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

10. LEASE PREPAYMENTS

Group	Land use right (i) RMB'000	Land use rights (ii) RMB'000	Total RMB'000
Cost			
As at 31 December 2014 and 31 December 2013	1,753	12,322	14,075
Accumulated amortisation			
As at 1 January 2013	401	1,349	1,750
Charge for the year	37	265	302
As at 31 December 2013	438	1,614	2,052
Charge for the year	37	265	302
As at 31 December 2014	475	1,879	2,354
Net carrying amount			
As at 31 December 2014	1,278	10,443	11,721
As at 31 December 2013	1,315	10,708	12,023

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

As at 31 December 2014 and 2013, the land use rights were pledged as security for the Group's short term bank loans (see Note 18).

(ii) The leases for these two land use rights with the carrying amount of RMB6,925,000 and RMB3,518,000 (2013: RMB7,091,000 and RMB3,617,000) expire on 5 September 2056 and 23 May 2050 respectively.

	Group 2014 RMB'000	Group 2013 RMB'000
Amount to be amortised		
Current portion	**302**	302
Non-current portion		
– Later than one year but not later than five years	**1,207**	1,207
– Later than five years	**10,212**	10,514
	11,419	11,721
	11,721	12,023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

11. INVENTORIES

	Group	
	2014 RMB'000	2013 RMB'000
Finished goods	**10,983**	16,199
Work-in-progress	**1,922**	1,716
Raw materials	**32,393**	31,651
Consumables	**777**	796
	46,075	50,362

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB305,594,000 (2013: RMB349,379,000).

12. TRADE RECEIVABLES

	Group	
	2014 RMB'000	2013 RMB'000
Trade receivables	**114,029**	123,271
Allowance for impairment of trade receivables (Note 29 (iii))	**(16,929)**	(30,870)
	97,100	92,401
Bills receivables	**7,931**	15,265
	105,031	107,666

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deposits	**220**	223	**46**	48
Prepayments	**2,153**	1,052	**107**	77
Advance payments to third party trade suppliers	**504**	–	**–**	–*
Other receivables	**995**	456	**–***	–
VAT receivable	**1,100**	–	**–**	–
	4,972	1,731	**153**	125

* Represents amount less than RMB500.

14. ADVANCE PAYMENTS TO A RELATED PARTY

Advance payments were made to a related party for the purchase of raw materials, as disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at bank	**50,285**	46,375	**2,693**	3,119
Fixed deposit	**2,325**	2,410	**2,325**	2,410
Cash in hand	**45**	48	**1**	1
Cash and cash equivalents per consolidated statement of cash flows	**52,655**	48,833	**5,019**	5,530

The fixed deposit of the Company has maturity periods of 1 year (2013: 6 months), and yields interest income at average rate of 1.45% (2013: 0.25%) per annum.

As at 31 December 2014, the Group has cash and bank balances deposited with banks in the People's Republic of China denominated in Renminbi ("RMB"), amounting to approximately RMB47,326,000 (2013: RMB39,325,000). 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.

16. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Other taxes payable	**726**	1,383	**–**	–
Payables in connection with purchase of equipment	**50**	50	**–**	–
Accrued operating expenses	**6,904**	7,319	**57**	145
Advances from customers	**737**	2,360	**–**	–
Provision for directors' fees	**442**	482	**442**	482
Other payables	**2,258**	2,504	**543**	795
	11,117	14,098	**1,042**	1,422

17. DUE TO A SUBSIDIARY (NON-TRADE)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

18. SHORT TERM BANK LOANS

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Secured	**7,000**	7,000
Unsecured	**15,000**	15,000
Total bank loans due within one year	**22,000**	22,000

Secured loan

Bank loans of RMB7,000,000 (2013: RMB7,000,000) were secured by leasehold buildings with net carrying amount of approximately RMB5,239,000 (2013: RMB5,856,000) (Note 8) and land use right with net carrying amount of approximately RMB1,278,000 (2013: RMB1,315,000) (Note 10).

Interest on these secured bank loans was charged at the rate of 6.30% (2013: 6.00%) per annum and repayable by February 2015.

Unsecured loan

The unsecured short-term bank loan of RMB15,000,000 was charged at a rate of 6.30% (2013: 6.00%) per annum and repayable by November 2015. The loan was guaranteed by a director and an unrelated business associate.

19. REVENUE

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Sale of aluminium panels		
– Aluminium Single panel	**84,775**	107,777
– Aluminium Composite panel	**245,836**	264,964
Spray-painting income	**53,068**	59,375
	383,679	432,116

20. OTHER OPERATING INCOME

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Sale of scraps and raw material	**1,319**	1,368
Government grants	**210**	235
Interest income on bank deposits	**172**	175
Profit on sales of motor vehicle	**–**	214
Write back for doubtful trade debts, net (Note 29 (iii))	**13,941**	–
	15,642	1,992

The government grants mainly pertain to grant income received from Jiangyin Charity Federation, PRC, as an incentive for supporting local charitable organisation. There is no unfulfilled conditions or contingencies attached to these grants.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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21. PERSONNEL EXPENSES

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Wages, salaries and bonuses *	**29,007**	28,367
Contributions to a defined contribution retirement plan *	**2,547**	2,402
Other payroll related expenses	**1,282**	1,258
	32,836	32,027

* Included directors' fees and directors' remuneration of approximately RMB460,000 and RMB3,010,000 (2013: RMB461,000 and RMB3,202,000) (Note 23), respectively.

22. FINANCE COSTS

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Interest on bank loans	**1,168**	1,342

23. PROFIT/(LOSS) BEFORE TAX

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

	Note	Group	
		2014	**2013**
		RMB'000	**RMB'000**
Audit fees			
– Auditor of the Company		**446**	447
– Other auditors		**86**	83
Non-audit fees paid/payable to auditors of the Company		**57**	13
Profit on disposal of property, plant and equipment		**–**	(214)
Depreciation of property, plant and equipment	8	**8,593**	9,096
Amortisation of lease prepayments	10	**302**	302
(Write back)/Allowance for doubtful trade debts, net	29 (iii)	**(13,941)**	23,293
Directors' fees for directors of the Company	21	**460**	461
Directors' remuneration for directors of the Company	21	**3,010**	3,202
Personnel expenses *	21	**32,836**	32,027
Foreign exchange loss – net		**266**	2,651
Operating lease expenses		**258**	253
Cost of inventories recognised as expense	11	**305,594**	349,379
Donations to a charity		**400**	400

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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24. TAX EXPENSES

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Current tax		
– current year	**2,599**	2,823
– withholding tax	**310**	124
Under provision in prior years	**189**	51
	3,098	2,998

The reconciliation of the tax expense and the product of accounting profit/(loss) multiplied by the applicable rate is as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Accounting profit/(loss) before tax	**18,769**	(16,933)
Tax at applicable PRC tax rate of 25% (2013: 25%)	**4,692**	(4,233)
Tax effect of:		
– Different tax rate in other country	**323**	319
– Non-deductible expenses	**2,162**	7,061
– Non-taxable income	**(4,679)**	(293)
– Tax exemption	**(3)**	(2)
Under provision in prior years	**189**	51
Withholding tax on dividend	**310**	124
Others	**104**	(29)
Tax expenses	**3,098**	2,998

No deferred tax liabilities has been recognised on the undistributed earnings of the subsidiary amounting to RMB48,116,000 (2013: RMB28,096,000) as the Group is in a position to control the timing of the reversal of such temporary differences and it is probable that such differences will not reverse in the foreseeable future.

25. EARNINGS/(LOSS) PER SHARE

Earnings/(Loss) per share is calculated by dividing the Group's profit for the year of approximately RMB15,671,000 (2013: loss of RMB19,931,000) by the weighted average number of shares in issue during the financial year of 254,880,660 (2013: 254,880,660).

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

NOTES TO THE FINANCIAL STATEMENTS

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26. RELATED PARTY INFORMATION

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

		Group	
		2014	2013
		RMB'000	RMB'000
(a)	**Purchase of goods and services**		
	Subcontracting costs paid/payable	**4**	605
	Purchase of raw materials and consumables	**165,642**	202,859
	Rental expenses	**30**	30
(b)	**Sale of goods and services**		
	Spray-painting income	**(50,737)**	(57,608)
	Sales of aluminium panels	**(5,129)**	(317)
	Income from sub-processing fee	**(211)**	(411)
(c)	**Advances and reimbursements**		
	Payments made in advance to purchase raw materials *	**208,257**	258,077
	Reimbursement received for utilities expenses	**(3,628)**	(3,701)
	Reimbursement of purchase of raw materials	**(1,778)**	(1,823)
(d)	**Key management personnel compensation**		
	Short-term employee benefits	**4,648**	4,828
	Employers' contribution to defined contribution plans	**95**	105

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

The transaction as disclosed in (a), (b) and (c) above are entered into with companies in which a director has a controlling financial interest.

Outstanding balance as at 31 December 2014 and 2013 arising from sale/purchase of goods, advances for purchases and reimbursement of utilities costs are disclosed as amount due to/from a related party and advance payments to a related party (Note 14) on the face of the consolidated balance sheet. No expense has been recognised for the year for bad or doubtful debts in respect of balances with related parties.

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.

Footnote: Please refer to page 27 on Interested Person Transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014
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27. COMMITMENTS

(i) Future capital commitment

Capital expenditure contracted for as at 31 December 2014 but not yet recognised in the financial statements are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
In respect of:				
Property, plant and equipment	**–**	91	**–**	–

(ii) Non-cancellable operating lease commitments

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Future minimum lease payments				
– within 1 year	**266**	140	**236**	110
– 1 year to 5 years	**207**	–	**118**	–
	473	140	**354**	110

(iii) Other commitment

On 29 June 2007, the Group entered into a commitment to donate RMB8 million to a charity. This amount is payable over a period of 20 years, for annual donation of RMB400,000 each.

28. 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, 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 19.

Management monitors the operating results of its business in a manner consistent with that in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

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28. SEGMENT INFORMATION (CONTINUED)

Geographical segments

The Group's geographical segments are based on the location of the Group's external customers. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Assets are based on the location of these assets.

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Revenue		
People's Republic of China	**203,426**	242,542
Brazil	**53,413**	58,889
USA	**24,569**	23,576
Ukraine	**20,999**	21,509
UK	**23,442**	20,537
Mexico	**11,413**	7,120
Italy	**8,163**	7,415
Spain	**1,614**	14,904
Other countries	**36,640**	35,624
Total	**383,679**	432,116
Non-current assets		
People's Republic of China	**76,975**	82,614
Singapore	**316**	444
Total	**77,291**	83,058

Other countries include North & South America, Asia Pacific and Europe.

Information about major customers

Revenue from one major third party customer amounted to approximately RMB53,201,000 (2013: RMB58,889,000), arising from sales of aluminium panels representing 14% (2013: 14%) of revenue.

Another major customer is a related party, which contributed 13% (2013: 12%) to the Group's revenue, amounted to approximately RMB50,894,000 (2013: RMB55,944,000). Those revenues comprise sales of spray-painting services of approximately RMB50,737,000 (2013: RMB57,608,000) and aluminium panels of approximately RMB157,000 (2013: RMB22,000).

29. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(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 USD. Approximately 47% (2013: 44%) 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 2014	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	5,019	310	47,326	–	52,655
Trade receivables	–	25,394	79,580	57	105,031
Other receivables and deposits	46	–	1,169	–	1,215
Due from a related party (trade)	–	–	11,144	–	11,144
Intra-group receivables (non-trade)	–	–	2,293	–	2,293
	5,065	25,704	141,512	57	172,338
Financial liabilities					
Trade payables	–	811	25,806	–	26,617
Other payables and accruals	1,042	116	8,496	–	9,654
Short term bank loans	–	–	22,000	–	22,000
Intra-group payables (non-trade)	–	–	2,293	–	2,293
	1,042	927	58,595	–	60,564
Net financial assets	4,023	24,777	82,917	57	111,774
Less: Net financial assets denominated in the respective entities' functional currencies	(4,023)	–	(85,210)	–	(89,233)
Foreign currency exposure	–	24,777	(2,293)	57	22,541

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 31 December 2013	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	5,530	3,931	39,372	–	48,833
Trade receivables	–	21,503	86,042	121	107,666
Other receivables and deposits	46	–	633	–	679
Due from a related party (trade)	–	–	9,653	–	9,653
Intra-group receivables (non-trade)	–	–	2,280	–	2,280
	5,576	25,434	137,980	121	169,111
Financial liabilities					
Trade payables	–	–	26,512	–	26,512
Other payables and accruals	1,422	–	8,933	–	10,355
Short term bank loans	–	–	22,000	–	22,000
Intra-group payables (non-trade)	–	–	2,280	–	2,280
	1,422	–	59,725	–	61,147
Net financial assets	4,154	25,434	78,255	121	107,964
Less: Net financial assets denominated in the respective entities' functional currencies	(4,154)	–	(80,535)	–	(84,689)
Foreign currency exposure	–	25,434	(2,280)	121	23,275

As at 31 December 2013 and 2014, the Company has no financial instruments denominated in foreign currency, except for an amount due to subsidiary of approximately RMB2,293,000 (2013: RMB2,280,000).

Foreign exchange risk sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Chinese Renminbi and Singapore dollars against the relevant foreign currencies. 10% 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 10% change in foreign currency rates. The sensitivity analysis includes external loans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity (Continued)

If the Singapore dollars, United States dollars and Euro strengthen/weaken by 10% (2013: 10%) against the respective functional currencies of the Group entities, with all other variables held constant, the profit/(loss) for the year will increase/(decrease) by:

Group	**2014 Profit net of tax RMB'000**	**2013 Loss net of tax RMB'000**
SGD against RMB		
– strengthened	**(172)**	171
– weakened	**172**	(171)
USD against RMB		
– strengthened	**1,858**	(1,908)
– weakened	**(1,858)**	1,908
Euro against RMB		
– strengthened	**4**	(9)
– weakened	**(4)**	9

Company		
SGD against RMB		
– strengthened	**(172)**	(171)
– weakened	**172**	171

(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 2014, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

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

(ii) Liquidity risk

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

The remaining contractual maturity for all financial liabilities of the Group and Company is on demand or due within 1 year. The average credit period for trade payable from non-related parties is 60 days (2013: 60 days). Trade purchases from a related party are mostly paid in advance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(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. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Top 3 balances of customers in PRC, are established companies engaged in the construction and building material trading sector, contributed 20% (2013: 30%) to the Group's trade receivables balances (excluding bills receivables) as at 31 December 2014.

The top 3 balances customers from overseas, are engaged in the construction industry sector and located in North & South America and Europe, contributed 16% (2013: 16%) to the Group's trade receivables balances (excluding bills receivables) as at 31 December 2014.

The average credit period on sales of goods and spray painting income is 90 days (2013: 90 days). No interest is imposed on overdue trade receivables.

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

The Group's major classes of financial assets are bank deposits and trade receivables. The credit risk for trade and bills receivables, including amount due from a related party (trade), based on the information provided to key management is as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
By geographical areas		
– People's Republic of China	**90,725**	95,693
– Brazil	**6,982**	8,318
– UK	**4,692**	4,323
– USA	**4,352**	2,967
– Ukraine	**3,649**	1,358
– Mexico	**2,526**	750
– Other countries	**3,249**	3,910
	116,175	117,319

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
By types of customers		
– Related parties	**11,144**	9,653
– Third parties	**105,031**	107,666
	116,175	117,319

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Cash and cash equivalents are placed with reputable financial institutions in Singapore and People Republic of China. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheet are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

Other countries include Austria, Czech, Ethiopia, Italy, Jordan, Philippines, Spain and Tunisia.

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

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Not past due and not impaired	**64,372**	95,945
Past due but not impaired		
– Past due 0 to 3 months	**30,987**	9,089
– Past due 3 to 9 months	**9,990**	7,009
– Past due over 9 months	**10,826**	5,276
	51,803	21,374
Impaired trade receivables	**16,929**	30,870
Less: Allowance for impairment of trade receivables	**(16,929)**	(30,870)
	116,175	117,319

Included in the Group's trade receivable balance are debtors with total carrying amount of approximately RMB51,803,000 (2013: RMB21,374,000) which are past due but not impaired as these debtors are established customers not known to be in 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 represents balances owing from long-term customers with active frequent transactions that have no history of default and these amounts are deemed fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Not past due	**667**	3,326
Past due 0 to 9 months	**1,723**	10,488
Past due 9 months to 2 years	**6,661**	8,628
Past due over 2 years	**7,878**	12,543
	16,929	34,985
Less: Allowance for impairment	**(16,929)**	(30,870)
	–	4,115

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Balance at beginning of the year	**30,870**	7,577
Allowance during the financial year	**4,773**	24,465
Written back during the financial year	**(18,714)**	(1,172)
(Write back)/Allowance for doubtful trade debts, net	**(13,941)**	23,293
Balance at end of the year	**16,929**	30,870

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that have delayed payments significantly. As at 31 December 2013, trade receivables that are individually determined to be impaired also included debtors that have defaulted on the repayment schedules agreed with the Group. These receivables are not secured by any collateral or credit enhancements.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Loans and receivables	**170,045**	166,831	**5,065**	5,576
Financial liabilities at amortised cost	**58,271**	58,867	**3,335**	3,702

Capital risk management policies and objectives

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

The capital structure of the Group and the Company consist of debt, which includes the borrowings disclosed in Note 18, net of cash and cash equivalents and the equity attributable to equity holders of the parent, comprising issued capital, statutory reserve fund, capital reserve, currency translation reserve and revenue reserve. The Group's and Company's strategies were unchanged from 2013.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

29. FINANCIAL INSTRUMENTS (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 above-mentioned subsidiary for the financial years ended 31 December 2014 and 2013.

30. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair value in 2014 and 2013.

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

STATISTICS OF SHAREHOLDINGS

As at 17 March 2015

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.33	160	0.00
100 – 1,000	35	5.83	33,356	0.01
1,001 – 10,000	184	30.68	1,208,913	0.47
10,001 – 1,000,000	365	60.83	33,433,200	13.12
1,000,001 AND ABOVE	14	2.33	220,205,031	86.40
TOTAL	600	100.00	254,880,660	100.00

Substantial Shareholders

As shown in the Register of Substantial Shareholders

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

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

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

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

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

STATISTICS OF SHAREHOLDINGS

As at 17 March 2015

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HL BANK NOMINEES (SINGAPORE) PTE LTD	124,251,260	48.75
2	DBS NOMINEES (PRIVATE) LIMITED	50,530,349	19.83
3	RAFFLES NOMINEES (PTE) LIMITED	10,992,000	4.31
4	LEE SAU LEUNG	7,000,000	2.75
5	PHILLIP SECURITIES PTE LTD	6,852,000	2.69
6	OCBC SECURITIES PRIVATE LIMITED	5,588,000	2.19
7	LAW PENG KWEE	2,500,000	0.98
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,203,000	0.86
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,123,022	0.83
10	DB NOMINEES (SINGAPORE) PTE LTD	2,110,000	0.83
11	CHOY WEE CHIAP	1,913,000	0.75
12	TAN LYE SENG	1,734,900	0.68
13	WEE THIAM CHYE	1,210,000	0.47
14	HSBC (SINGAPORE) NOMINEES PTE LTD	1,197,500	0.47
15	CHOY SHIEN YANG	1,000,000	0.39
16	QUEY SEW LENG @ QUEK SIEW LENG	1,000,000	0.39
17	YEO LAY GUAT	995,000	0.39
18	LEE TECK GEE	787,000	0.31
19	CIMB SECURITIES (SINGAPORE) PTE. LTD.	725,000	0.28
20	CHENG LAI CHING	690,000	0.27
	TOTAL	225,402,031	88.42

RULE 723 OF THE SGX LISTING MANUAL – FREE FLOAT

As at 17 March 2015, approximately 53.27% of the total number of issued shares excluding treasury shares of the Company was held in the hands of the public.

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

The Company did not hold any treasury shares as at 17 March 2015.

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **Eleventh Annual General Meeting** of **CHINA HAIDA LTD.** ("**the Company**") will be held at **Chartroom, Level 2, Raffles Marina 10 Tuas West Drive Singapore 638404** on **Tuesday**, **28 April 2015 at 2.00 p.m.** for the following purposes:–

AS ORDINARY BUSINESS

1. To receive the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors who retire in accordance with Article 107 of the Company's Articles of Association:–

   (a) Mr Guo Yun **(Resolution 2)**

   (b) Mr Soh Beng Keng **(Resolution 3)**

   [Please refer to Explanatory Note (i)]

3. To note the retirement of Mr Ong Kian Guan who retires pursuant to Article 107 of the Company's Articles of Association.

   [Please refer to Explanatory Note (i)]

4. To approve Directors' fees of S$95,000 for the financial year ended 31 December 2014. (2013: S$95,000) **(Resolution 4)**

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

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

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

7. **Authority to Issue Shares**

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

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

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

8. The proposed renewal of the Shareholders' Mandate for Interested Person Transactions

That:

(a) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the Company and its subsidiary, or either of them, to enter into any of the transactions falling within the types of interested person transactions set out in the Appendix dated 10 April 2015 ("**Appendix A**") accompanying this notice, with the interested persons described in the Addendum, and that such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company;

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

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

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

By Order of the Board

Yoo Loo Ping
Company Secretary
Singapore, 10 April 2015

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Guo Yun will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee and will be considered non-independent.

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

Mr Ong Kian Guan is our lead independent director, Chairman of Audit Committee, member of Nominating Committee, and Remuneration Committee. Mr. Ong has decided that he will not be seeking re-election and will retire at the conclusion of the Annual General Meeting.

(ii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may issue under this resolution would not exceed fifty per centum (50%) of the total number of issued shares excluding treasury shares of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the total number of issued shares excluding treasury shares of the Company.

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

(iii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will allow the Company and its subsidiary to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST. Please refer to Appendix A accompanying this notice for details.

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. 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.

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

4. Personal data privacy:

   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

   (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

   (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

   (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CHINA HAIDA LTD.

(Incorporated in the Republic of Singapore)
Registration No. 200410428C

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT
1. For investors who have used their CPF monies to buy the Company's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the timeframe specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the timeframe specified to enable them to vote on their behalf.

I/We, ____ (Name)

of ____ (Address)

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

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

*and/or (delete as appropriate)

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

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Eleventh Annual General Meeting (the "Meeting") of the Company to be held at **Chartroom, Level 2 Raffles Marina 10 Tuas West Drive Singapore 638404 on Tuesday, 28 April 2015 at 2.00 p.m.** and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicted hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2014		
2	Re-election of Mr Guo Yun as a Director		
3	Re-election of Mr Soh Beng Keng as a Director		
4	Approval of Directors' fees amounting to S$95,000/-		
5	Re-appointment of Crowe Horwath First Trust LLP as Auditors		
6	Authority to issue new shares		
7	The proposed renewal of the Shareholders' Mandate for Interested Person Transactions		

Dated this ________ day of ________________ 2015

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

____

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

* *Delete where inapplicable*

IMPORTANT: Please read notes overleaf

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Singapore Companies Act, Chapter 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at the Meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

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

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

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

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

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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 Meeting dated 10 April 2015.

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CORPORATE INFORMATION

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

COMPANY SECRETARY
Mr Yoo Loo Ping

AUDIT COMMITTEE
Mr Ong Kian Guan (Chairman, Lead Independent Director)
Mr Wang Liangfa (member)
Mr Soh Beng Keng (member)

NOMINATING COMMITTEE
Mr Wang Liangfa (Chairman)
Mr Guo Yun (member)
Mr Ong Kian Guan (member)

REMUNERATION COMMITTEE
Mr Soh Beng Keng (Chairman)
Mr Wang Liangfa (member)
Mr Ong Kian Guan (member)

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,
(formerly known as No. 8 Huan Nan Road)
Huashi Town, Jiangyin City, Jiangsu Province
PRC 214421

EXTERNAL AUDITORS
Crowe Horwath First Trust LLP
Public Accountants and Chartered Accountants
8 Shenton Way
#05-01 AXA Tower
Singapore 068811

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

INTERNAL AUDITORS
Ecovis Advisory Pte. Ltd.
Certified Public Accountants
100 Tras Street
#16-01 Amara Corporate Tower
Singapore 079027

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

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