

HAIDA
QUALITY CHOICE • MODERN IMAGE

2019
ANNUAL REPORT



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公司概况 CORPORATE PROFILE

CHINA HAIDA LTD.

China Haida Ltd. (the “Company”), a Singapore investment holding company was listed on the Mainboard of the SGX-ST since 24 November 2004. Our wholly-owned subsidiary in China, Jiangyin Litai Ornamental Materials Co., Ltd (formerly known as Jiangyin Litai Decorative Materials Co., Ltd) (“Litai” and 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.

中国海达国际有限公司

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



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

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

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

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

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

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

主席致辞

NON-EXECUTIVE CHAIRPERSON'S MESSAGE



Ms Zhao Guiying
Chairperson
赵桂英女士
主席

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the annual report of China Haida Ltd. ("the Company") and its subsidiary, Jiangyin Litai Ornamental Materials Co., Ltd. ("Litai", and collectively, the "Group") for the financial year ended December 31, 2019 ("FY2019"). 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

2019 has been another year of global uncertainty and economic slowdown coupled with trade and tariff tensions between China and the United States of America. This has resulted in the fall in the sales of our aluminium panels during the year. For FY2019, the Group achieved total revenue of RMB207.8 million, a decrease of approximately RMB21.1 million or 9.2% as compared to revenue of RMB228.9 million in FY2018. The decrease was attributed mainly to lower demand of export sales of aluminium panels.

During 2019, the Group provided allowances for impairment on financial assets, totaling RMB48.3 million for trade receivables, due from related parties (trade) and advance payments to a related party (trade). The allowance for impairment on the back of lower revenue has resulted a net loss after taxation of approximately RMB50.8 million as compared to a net loss after taxation of RMB21.7 million in FY2018 for the Group.

The loss per ordinary share was RMB19.9 cents as compared to the loss per ordinary share of RMB8.5 cents in FY2018.

No dividend was declared in FY2019 due to the losses recorded and to enable the Group to conserve cash for working capital purposes.

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2019年12月31日财务年度（“2019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

2019年全球不确定性与经济放缓加剧，加上中美贸易紧张和出口关税直接影响我们在海外市场的铝板的需求。于2019财年，本集团的总收入为人民币207.8百万元，较2018财年总收入人民币228.9百万元减少约人民币21.1百万元或9.2%。减少的主要原因是铝板出口下降。

在2019年，集团为应收账款、应收关联方（贸易）以及预付关联方（贸易）计提总额为人民币48.3百万元的减值准备。这些减值准备加上较低的收入导致集团遭遇约人民币50.8百万元的税后净亏损，2018财年的税后净亏损为人民币21.7百万元。

本财年普通股的每股亏损为人民币19.9分，2018年普通股的每股亏损为人民币8.5分。

截至2019财年，由于集团的亏损以及为了保留现金作为运营资金用途，集团将不分发股息。

主席致辞

NON-EXECUTIVE CHAIRPERSON'S MESSAGE

Continuous Commitment in Research and Product Development

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

Sustainability Reporting

Sustainability is an important aspect of the Company's long-term business strategy as this guides the engagement with our shareholders and is the underlying principle when we make business decisions. Our sustainability report for FY2019 will be published separately on SGXNet.

Looking Ahead

The Group's performance will always be impacted by the slowdown and uncertainty in the global economy. The current pandemic caused by COVID-19 has serious economic repercussions in the PRC and the global markets worldwide. This has adversely affected the performance of the Group and since late January 2020, our operations in the PRC has come to a halt due to the lockdown implemented by the PRC government. Although the lockdown has somewhat been lifted and travelling within the PRC is a little less restricted, our operations in the PRC has not resumed full operations till to date. We will also look into the matters as announced by the Company in April and May 2020.

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

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 2019. At the same time, I wish to express my appreciation to the management team (including Mr Guo Yun who had resigned on 15 January 2020) 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
2 June 2020

我们致力于营业操作和产品研发

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

可持续发展报告

可持续发展是公司重要的长期业务战略，因为它指导与股东的合作，并且是我们做出业务决策时的基本原则。我们将分别在新交所的网站发布并分享更多有关 2019 年可持续发展报告的内容。

前景展望

集团的表现将受到全球经济放缓和不确定性的影响。新冠 19 疫情严重影响了中国及全球经济，这疫情也给集团带来不利影响。自 2020 年 1 月下旬，因中国政府的管控措施集团停止营业。虽然中国政府解除了一些管控措施并允许人民中国境内的出行，但集团至今未能全面运营。我们将跟进我们于 2020 年 4 月及 5 月份公告中提到的相关事项。

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

谢函

在此，我谨代表董事局，向我们尊贵的客户、供应商和业务夥伴在 2019 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（包括董事郭云先生，郭云先生于 2020 年 1 月 15 日辞去董事职位）和所有员工为集团的成长所付出的努力和贡献。期待大家继续给予我们更大的支持。

赵桂英 女士
主席
2020 年 6 月 2 日

业务运作及财务概况

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Compared to FY2018 the Group's total revenue decreased 9.2% or RMB21.1 million, from approximately RMB228.9 million to RMB207.8million. The decrease was attributed mainly to lower demand of export sales of aluminium panels.

Total revenue comprised domestic sales of approximately RMB158.1 million or 76.1% and export sales approximately RMB49.7 million or 23.9% as compared to FY2018 domestic sales of approximately RMB157.2 million or 68.7% and export sales approximately RMB71.7 million or 31.3% respectively.

Compared to FY2018, domestic sales increased by approximately RMB0.9 million or 0.01%. Domestic sales in FY2019 was attributed primarily to the sales of ASP which was used mainly in the private housing projects within the PRC. The intense competition and falling selling prices within a shrinking market in both the public and private sectors had not shown signs of improvement. In addition, the stringent governmental control over the large building projects remained unchanged which had adversely affected the demand of our aluminium panels. The auxiliary sales of spray-painting services had similarly declined by approximately RMB0.9 million or 3.6% to RMB23.4 million as compared to the previous financial year.

Export sales of ACP declined by approximately RMB21.8million or 30.5% as compared to FY2018. The demand for our ACP was adversely affected by the ongoing trade tension and tariffs between China and the United States of America, the uncertainty and the slowdown in the global markets.

Gross profit increased by approximately RMB13.2 million or 242.9%, from RMB5.5 million to RMB18.7 million as compared to FY2018. Gross profit margin had also increased from 2.4% to 9.0% in FY2019 due to the higher margins from the sale of fireproof ACP.

Total other operating income RMB1.6million was marginally lower than the previous year (FY2018: RMB2.8 million). This was mainly due to

- lower grants and incentives from the PRC government.
- a lower net foreign gain was recorded in FY2019 as compared to FY2018;
- lower interest income on bank deposits due to the lower bank balances for FY2019 as compared with FY2018. The bank deposit rate for FY2019 remained similar to FY2018 at 0.3% per annum;
- Lower sales of scraps and raw materials due to the lower volume of sales for the current year.

财务概况

与 2018 财年相比，集团 2019 财年的总销售额下降了 9.2% 或约人民币 21.1 百万元，即从约人民币 228.9 百万元降至人民币 207.8 百万元。总销售额下降的主要因素是铝板的出口下降。

总收入包括国内销售约人民币 158.1 百万元或 76.1% 及出口销售约人民币 49.7 百万元或 23.9%，而 2018 财政年度的国内销售约人民币 157.2 百万元或 68.7% 及出口销售约人民币 71.7 百万元或 31.3%。

与 2018 年财政年度相比，国内销售额增加约人民币 0.9 百万元或 0.01%。2019 财年的国内销售主要归因于铝单板的销售，铝单板主要用于中国境内的私人住房项目。公共和私营市场的不断萎缩，以及激烈的竞争和不断下降的售价并未显示出改善的迹象。此外，政府对大型建筑项目的严格控制保持不变，这对我们的铝板需求产生了不利影响。喷漆服务的辅助销售与上一财政年度相比，下降了约人民币 0.9 百万元或 3.6% 至人民币 23.4 百万元。

铝塑板的出口销售较 2018 财政年度减少约人民币 21.8 百万元或 30.5%。中国和美国之间持续的贸易紧张局势和关税，加上全球市场的不确定性和放缓对我们的铝塑板需求产生了不利影响。

毛利较 2018 财政年度增加约人民币 13.2 百万元或 242.9%，由人民币 5.5 百万元增加至人民币 18.7 百万元。由于销售防火铝塑板带来更高的利润率，2019 财年的毛利率从 2.4% 增加到 9.0%。

2019 财年的其他营业收入为人民币 1.6 百万元低于 2018 财年的其他营业收入（为人民币 2.8 百万元）。主要是：

- 来自中国政府的更低补助金和奖励。
- 2019 财年的净外汇收益与上一年的外汇收益相比减少：

业务运作及财务概况

MANAGEMENT DISCUSSION AND ANALYSIS

Total operating expenses decreased RMB2.9million or 11.5%, from RMB25.6 million in FY2018 to RMB22.7million in FY2019, attributed to the decrease in Selling and distribution expenses and Administrative expenses.

Selling and distribution expenses

For FY2019, there was a decrease in expenses of approximately RMB0.7 million or 19.5% as compared to FY2018. The decrease was mainly due to decrease in expenditure to certify and test the newly launched fireproof ACP.

Administrative expenses

Administrative expenses were lower by RMB2.3 million or 10.2% as compared to FY2018 attributed mainly to lower repair costs, social insurance, staff welfare and depreciation expenses offset by marginal increases in salary costs and other expenses.

Finance costs

Bank interest expenses were comparable to FY2018, attributed mainly to the similar bank interest rate of 3.99% per annum in the current and the previous financial years.

Impairment loss on financial assets, net

The allowance for impairment on financial asset (net) was RMB48.3 million in FY2019, an increase of RMB45.6 million or 1680.5% increase from FY2018, mainly due to additional allowance for impairment for trade receivables, due from related parties (trade) and advance payments to a related party (trade) in FY2019.

Income tax

The income tax rate applicable to Litai was 25% (FY2018: 25%), and the income tax credit in FY2019 was related to reversal of deferred tax provided in prior years.

Loss after taxation

With lower revenue and higher net allowance for impairment loss on financial assets, the Group registered a net loss after taxation of approximately RMB50.8 million as compared to a net loss after taxation of RMB21.7 million in FY2018.

As at 31 December 2019, cash and bank balances decreased by approximately RMB13.5 million to RMB11.5 million as compared to RMB25.0 million as at 31 December 2018. The decrease was attributed mainly to cash used in operating activities RMB5.4 million, purchase of PPE approximately RMB0.3 million and the repayment of short-term bank loan of RMB8.1 million.

– 与 2018 财年相比，本年度银行存款额减少，因此银行存款的利息收入减少。本年度的平均存款利率与 2018 财年保持在 0.3%。

– 由于本年度的销售量较低，废料和原材料的销售随着下降。

总经营费用由 2018 财政年度的人民币 25.6 百万元减少人民币 2.9 百万元或 11.5% 至 2019 财政年度的人民币 22.7 百万元，这是由于营业费用及行政费用减少所致。

营业费用

于 2019 财年，营业开支较 2018 财年减少约人民币 0.7 百万元或 19.5%。减少的主要原因是用于认证和测试新推出的防火铝塑板的支出减少。

管理费用

管理费用较 2018 财政年度减少人民币 2.3 百万元或 10.2%，主要由于维修成本、社会保险、员工福利及折旧开支的减少，但被薪金成本及其他开支的轻微增加所抵销。

财务费用

银行利息开支与 2018 财政年度相若，主要是由于本财政年度及上一个财政年度的银行年利率类似，为 3.99%。

金融资产减值损失净额

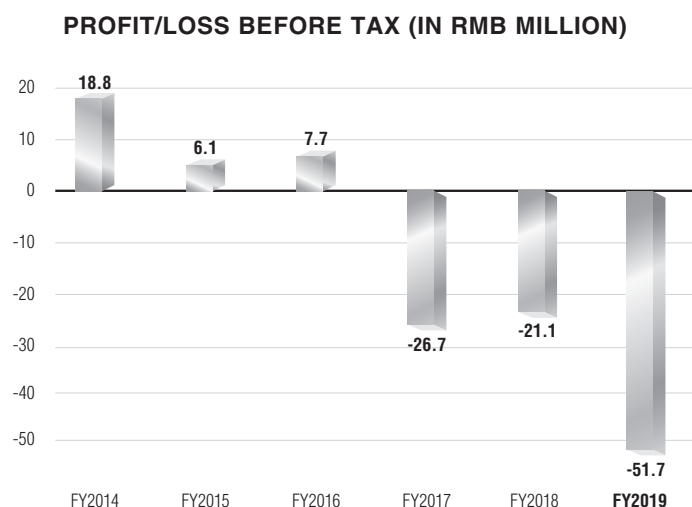
2019 年财政年度的减值准备为人民币 48.3 百万元，较 2018 年财政年度增加人民币 45.6 百万元或 1680.5%，主要是由于应收账款、应收关联方（贸易）以及对关联方的预付款（贸易）的减值准备的增加。

所得税

2019 财政年度的所得税抵免与利泰过去的递延所得税准备金回冲有关，适用所得税税率为 25%（2018 财政年度：25%）。

业务运作及财务概况

MANAGEMENT DISCUSSION AND ANALYSIS



OPERATIONS REVIEW

In addition to the slowdown and uncertainty in both the domestic and global markets due to the ongoing trade tension and tax tariffs between China and the United States, the current pandemic caused by COVID-19 has serious economic repercussions in the PRC and the global markets worldwide. This has adversely affected the performance of the Group and since late January 2020, the operations in PRC has stopped due to the lockdown implemented by the PRC government. Although the lockdown has somewhat been lifted and travelling within the PRC is a little less restricted, the operation in the PRC has not resumed full operations till to date.

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

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

Commitment to sustainable operation

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

税后亏损

由于较低的收入和较高的金融资产减值损失准备金净额，本集团的税后净亏损约为人民币 50.8 百万元，而 2018 财政年度的税后净亏损为人民币 21.7 百万元。

截止 2019 年 12 月 31 日，现金及银行结余为人民币 11.5 百万元，较 2018 年 12 月 31 日的人民币 25.0 百万元减少约人民币 13.5 百万元。该减少主要归因于经营活动所用现金人民币 5.4 百万元、购买固定资产约人民币 0.3 百万元及偿还短期银行贷款人民币 8.1 百万元。

运作概况

集团的表现将受到全球经济放缓和不确定性的影响。新冠 19 疫情严重影响了中国及全球经济，这疫情也给集团带来不利影响。自 2020 年 1 月下旬，因中国政府的管控措施集团停止营业。虽然中国政府解除了一些管控措施并允许人民在中国境内的出行，但集团至今未能全面运营。

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

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

业务运作及财务概况

MANAGEMENT DISCUSSION AND ANALYSIS

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

Going Forward

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

致力于可持续运营

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

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

前景展望

展望未来，新冠19疫情之后的商业环境将充满挑战。尽管如此，本集团将努力为将来应付许多挑战和机遇做好准备。

BOARD OF DIRECTORS



MS ZHAO GUIYING
NON-EXECUTIVE CHAIRMAN

Ms Zhao Guiying (Age 62) is the Non-Executive Chairman of our Company. She is a substantial shareholder and she was appointed as a Director on 20 September 2004 and was last re-elected on 27 April 2018. From 1997 to 2000, she was the chief accountant in Jiangyin Haida. She is also the Deputy General Manager of Jiangyin Huayou since 1999 and is responsible for its administrative functions. From 1997 to 1998, Ms Zhao was the chief accountant in Jiangyin Haida Agricultural Film Plant.

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



MR XU YOUCAI
CHIEF EXECUTIVE OFFICER

Mr Xu Youcai (Age 64) is currently the Chief Executive Officer of our Company. He is a substantial shareholder and he was appointed as an Executive Director on 20 September 2004. Since he founded Litai in 1997, he has held the position of General Manager of Litai. He is responsible for the formulation and execution of our Group's overall business strategies and policies and is also responsible for the development of our Group's overseas market. Since 1997, he was the General Manager in Jiangyin Haida and was overall in charge of its day-to-day operations until 2000.

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

BOARD OF DIRECTORS



MR WANG LIANGFA
INDEPENDENT DIRECTOR

Mr Wang Liangfa (Age 67) is an Independent Director of our Company. He was appointed on 27 April 2005 and was last re-elected on 26 April 2016. Mr Wang Liangfa is the founder and the Managing Director of Jiangyin Gaofeng Printing Textile Co., Ltd, a position which he has held since 1997. Jiangyin Gaofeng Printing Textile Co., Ltd is principally engaged in the production and sales of quality blankets, carpets and other related textile products for the PRC and overseas markets. Mr Wang is responsible for the formulation and execution of the company's overall business strategies and policies, the development of its overseas market, as well as overseeing the day-to-day operations. Mr Wang has completed his high school education in the PRC.

MR SOH BENG KENG
LEAD INDEPENDENT DIRECTOR

Mr Soh Beng Keng (Age 66) is our Company's Lead Independent Director. He was appointed to our Board on 27 April 2007 and was last re-elected on 28 April 2017. Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. Mr Soh is also an independent director of ISDN 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.

MR TANG CHUN MENG
INDEPENDENT DIRECTOR

Mr Tang Chun Meng (Age 66) was appointed on 2 June 2015 as an independent director and was last re-elected on 27 April 2018. He also sits on the Remuneration Committee as Chairman and is a member of Audit Committee and Nominating Committee.

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

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

KEY MANAGEMENT

MR WANG ZAIQUAN

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

MR GONG GUOHONG

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

MR XU GANG

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

MS CHAN LAI YOKE

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

MR ZHANG QINYU

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



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REPORT ON CORPORATE GOVERNANCE

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

Save as and subject to the exceptions, constraints and reservations as noted in this report and other parts of the Annual Report, the Board confirms that for the financial year ended 31 December 2019 (“**FY2019**”), the Group has generally adhered to the principles and provisions as set out in the Code. In this regard, to the best of its ability, the Company has provided the appropriate explanations for any principles and/or provisions that have not been complied with, where applicable.

I. BOARD MATTERS

The Board’s Conduct of Affairs

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

Provision 1.1

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

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

The Board’s principal functions include the following:

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

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

REPORT ON CORPORATE GOVERNANCE

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

Provision 1.2

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

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

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

An orientation programme will be organised for new Director to ensure that incoming Directors are familiar with the Group's key business and governance practices. Prior to their appointment, new Directors are provided with the relevant information on their duties as Directors, the Company's governance processes as well as relevant statutory and regulatory compliance issues. Newly appointed Directors will be provided with a formal letter setting out their duties and obligations. There were no new or incoming directors during FY2019.

The directors did not attend any structured training programs or seminars during FY2019. Nevertheless, the Directors were from time to time kept abreast of any major changes and development in financial reporting, risk management and other regulatory requirements by the Company's auditors (both internal and external) and Secretary.

Provision 1.3

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

REPORT ON CORPORATE GOVERNANCE

Provision 1.4

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

Provision 1.5

The Board conducts regular scheduled meetings twice a year. Ad-hoc meetings are convened as and when required. The Company's Constitution allows a Board Meeting to be conducted by way of a tele-conference or any other electronic means of communications.

The attendance of the Directors at meetings of the Board and Board committees during FY2019, as well as the frequency of such meetings held, is summarised in the table below:

Name of Directors	Board of Directors		Audit Committee		
	No. of Meetings held	No. of Attendance	Membership	No. of Meetings held	No. of Attendance
Zhao Guiying	2	2	No	2	2*
Xu Youcai	2	2	No	2	2*
Guo Yun (resigned on 15 January 2020)	2	2	No	2	2*
Wang Liangfa	2	2	Yes	2	2
Soh Beng Keng	2	2	Yes (Chairman)	2	2
Tang Chun Meng	2	2	Yes	2	2

REPORT ON CORPORATE GOVERNANCE

Name of Directors	Nominating Committee			Remuneration Committee		
	Membership	No. of Meetings held	No. of Attendance	Membership	No. of Meetings held	No. of Attendance
Zhao Guiying	No	1	Not applicable	No	1	Not applicable
Xu Youcai	No	1	Not applicable	No	1	Not applicable
Guo Yun (resigned on 15 January 2020)	Yes	1	1	No	1	1*
Wang Liangfa	Yes (Chairman)	1	1	Yes	1	1
Soh Beng Keng	No (appointed on 15 January 2020)	1	1*	Yes	1	1
Tang Chun Meng	Yes	1	1	Yes (Chairman)	1	1

* Attended by invitation

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

The NC has reviewed the time spent and attention given by each of the Directors to the Group's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately in FY2019. The Company does not have a formal guideline on the maximum number of listed company board representations and principal commitments which any Director may hold, as the NC and the Board are of the view that such number may not fairly reflect whether a Director could timely and diligently attend to the Company's matters and discharge his duties as a Director.

Provision 1.6

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

The Company Secretary or her representative administers, attends and prepares minutes of all Board and Board Committees' meetings and assists the Chairman of the Board and/or the AC, RC and NC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively and that the relevant requirements of the Companies Act (Cap 50) ("**Companies Act**") and of the Listing Manual are complied with.

REPORT ON CORPORATE GOVERNANCE

Board Composition and Guidance

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

Provision 2.1

The independence of each Director is assessed and reviewed annually by the NC. Based on the criterion of independence provided by the Code, the Board adopted the view that an “independent” Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement in the best interests of the Company.

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

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

As at the end of FY2019, Mr Wang Liangfa (“**Mr Wang**”) and Mr Soh Beng Keng (“**Mr Soh**”) have served on the Board beyond nine (9) years from the date of their respective first appointment. The Board has subjected their independence to a particularly rigorous review by all other fellow Directors, before deciding if they should continue with the appointment.

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

- (i) The NC (save for Mr Wang) noted that Mr Wang is the Managing Director and founder of a company where he is responsible for the formulation and execution of the company’s overall business strategies and policies. Having received Mr Wang’s affirmation on his independence, the NC (save for Mr Wang) was of the view that notwithstanding his long tenure, he is and has been able to maintain independence in his deliberation on the Group’s matters. Further, Mr Wang’s experience in the formulation and execution of his company’s business strategies is value adding to the mix of experience for the Board. The Company’s Executive Directors have also made their own assessment and shared the same views. Following the rigorous review, the NC, with Mr Wang’s abstaining, deliberated and concluded that the issue of independence has not been compromised and Mr Wang is considered by the Board to be still independent.
- (ii) Mr Soh has more than 30 years of experience in the field of auditing, accounting and financial management in private and listed companies in Singapore. Mr Soh is also an independent director of several other listed companies in Singapore. In reviewing his independence, the NC notes that given Mr Soh’s extensive experience in the areas of auditing, accounting and financial management in both private and listed companies in Singapore, he continues to be an invaluable member of the AC providing guidance to the Board in the areas of financial management and key corporate governance issues. Notwithstanding his long tenure as a Board member and having received Mr Soh’s affirmation on his independence, the Company’s

REPORT ON CORPORATE GOVERNANCE

Executive Directors and Independent Directors (save for Mr Soh) have also made their own assessment and are of the view that Mr Soh continues to provide independent views and opinions on all key matters deliberated by the Board. Mr Soh will however retire and not seek re-election at the forthcoming AGM.

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

Provision 2.2

Where the Chairman is not an Independent Director, the Independent Directors shall make up a majority of the Board. As of the date of this report, the Company has complied with the Provision 2.2 of the Code as a majority of the Board members are Independent Directors.

Provision 2.3

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

Provision 2.4

As of the date of this report, the Board consists of five (5) Directors, of whom one (1) is Non-Executive Director, one (1) is Executive Director and three (3) are Independent Directors:

Non-Executive Director

Ms Zhao Guiying (Chairman)

Executive Director

Mr Xu Youcai (Chief Executive Officer ("CEO"))

Independent Directors

Mr Soh Beng Keng (Lead Independent Director)

Mr Tang Chun Meng

Mr Wang Liangfa

On 15 January 2020, Mr Guo Yun resigned as an Executive Director of the Company due to health reasons.

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

REPORT ON CORPORATE GOVERNANCE

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

The Board, taking into consideration the scope and nature of the operations of the Group, considered its current composition of five (5) Directors to be adequate for effective decision-making. The Board will constantly examine its size with a view to determining the impact of the number upon effectiveness.

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

Given the resignation of Mr Guo Yun and the retirement of Mr Soh in the forthcoming AGM, the Company will revisit and formalise a board diversity policy in due course.

Provision 2.5

The Non-Executive Director and Independent Directors, led by the Lead Independent Director, meet regularly in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management. In FY2019, the Non-Executive and Independent Directors have met at least once without the presence of Management.

Chairman and Chief Executive Officer

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

Provision 3.1

The functions of Chairman and CEO are assumed by two (2) individuals.

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

Provision 3.2

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

The CEO, Mr Xu is responsible for the day-to-day management of the Group and works with the Board on strategic planning, business development and charting the growth of the Group. All major decisions made by CEO are to be endorsed by the Board. His performance is reviewed periodically by the NC and remuneration package is also reviewed periodically by the RC. Mr Xu had also been closely assisted by the former Executive Director, Mr Guo Yun (who had resigned on 15 January 2020) in discharging his duties. Mr Guo had been responsible for legal and financial matters, investor relations, formulating and implementing the Group's business policies and expansion plans.

REPORT ON CORPORATE GOVERNANCE

In particular, Mr Guo had been playing a pivotal role in facilitating key communications (including the pertinent laws and regulations in Singapore concerning the Group) as well as the working relationships between the key management personnel of the subsidiary and of the Company.

The duties and responsibilities of Mr Xu and Mr Guo have been spelt out in their respective written service agreements with the Company. While there are no formal terms of reference for the Chairman, she has been reminded and advised by Mr Guo regarding her duties and responsibilities as stipulated under the Code from time to time.

Provision 3.3

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

Board Membership

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

Provision 4.1

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

- To regularly and strategically review the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees and then recommend changes, if any, to the Board.
- To identify and nominate candidates to fill Board vacancies as they occur.
- To request the nominated candidate to disclose any existing or expected future business interests that may lead to a conflict of interest, before recommending the appointment to the Board.
- To send the newly-appointed Director a formal appointment letter which clearly sets out his/her roles and responsibilities, authority, and the Board’s expectations in respect of his/her time commitment as a Director of the Company.
- To recommend the membership of the Board Committees to the Board.
- To review the independent status of Non-Executive Directors (in accordance with SGX-ST Listing Rule 210(5) (d)(i), (ii) and (iii) and Provision 2.1 of the code) and that of the Alternate Director, if applicable, annually, or when necessary, along with issues of conflict of interest.
- To develop the performance evaluation framework for the Board, the Board Committees and individual Directors and also propose objective performance criteria for the Board, the Board Committees and individual Directors. The NC conducts the evaluations, analyses the findings and reports the results to the Board and also recommends areas that need improvement.

REPORT ON CORPORATE GOVERNANCE

- To recommend that the Board re-appoints a Non-Executive Director at the end of his/her term and recommend that shareholders to re-elect Directors under provisions of the Company's Constitution on the policy of retirement by rotation. In making these recommendations, the NC should consider the Directors' performance, commitment and his/her ability to continue contributing to the Board.
- To review other directorships held by each Director and decide whether or not a Director is able to carry out, and has been adequately carrying out, his duties as a Director, taking into consideration the Director's number of listed company directorships and principal commitments, and the NC may in its discretion determine the maximum number of listed company directorships which any Director may hold.
- To identify and develop training programmes/schedules for the Board and assist with similar programmes for the Board Committees.
- To ensure that all Board appointees undergo appropriate induction programme.
- To review and ensure that there is a clear division of responsibilities between the Chairman and CEO of the Company in place.
- To review and/or provide the Board with its succession plans for the Board Chairman, Directors, CEO and Key Management Personnel of the Company.
- To keep up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates.
- To undertake such other functions and duties as may be required by the Board under the Code, statute or SGX-ST Listing Manual.

Provision 4.2

As of the date of this report, the NC comprises three (3) members, all of whom are independent. The Lead Independent Director is also a member of the NC. The members of the NC as at the date of this report are as follows:

Mr Wang Liangfa (Chairman)

Mr Soh Beng Keng (Member) (appointed on 15 January 2020)

Mr Tang Chun Meng (Member)

Provision 4.3

The NC, through its regular review of the Board structure, size and compositions, and in consultation with Management, assesses whether new Director(s) with certain desired experience and knowledge is/are required to further enhance the effectiveness of the Board. If there is a need, a search will be conducted to identify suitable candidates for the NC's consideration. Upon the identification of a candidate with the desired attributes, the NC will then make recommendation to the Board for the proposed appointment of Director(s). For FY2019, there was no appointment of new Director. The Company has not appointed any alternate Director.

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

Mr Soh Beng Keng, who is retiring pursuant to Article 107 of the Company's Constitution, will not seek re-election at the forthcoming AGM of the Company.

REPORT ON CORPORATE GOVERNANCE

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

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

Provision 4.4

The NC is also responsible for determining annually, the independence of Directors. In doing so, the NC takes into account the criteria set forth in the Code and any other salient factors. Following its review, the NC has endorsed the independence status of the three (3) Independent Directors, Mr Soh Beng Keng, Mr Wang Liangfa and Mr Tang Chun Meng.

Provision 4.5

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

Name of Director	Zhao Guiying	Xu Youcai	Soh Beng Keng
Role	Non-Executive Chairman	Executive Director and Chief Executive Officer	Lead Independent Director
Board Committee(s) serve on	None	None	Audit Committee (Chairman) Nominating Committee (member, appointed on 15 January 2020) Remuneration Committee (member)
Date of first appointment as Director	20 September 2004	20 September 2004	27 April 2007
Date of last re-election as a Director	27 April 2018	Not applicable	28 April 2017
Present directorship in other listed companies	Nil	Nil	ISDN Holdings Ltd (Independent Director)
Other principal commitments	Nil	Nil #	Nil

The Company is unable to procure a confirmation or declaration from Mr Xu as regards his other principal commitments (if any) as he remains uncontactable as of the date of this report.

REPORT ON CORPORATE GOVERNANCE

Name of Director	Wang Liangfa	Tang Chun Meng
Role	Independent Director	Independent Director
Board Committee(s) serve on	Audit Committee (Member) Nominating Committee (Chairman) Remuneration Committee (member)	Audit Committee (member) Nominating Committee (member) Remuneration Committee (Chairman)
Date of first appointment as Director	27 April 2005	2 June 2015
Date of last re-election as a Director	29 April 2019	27 April 2018
Present directorship in other listed companies	Nil	Nil
Other principal commitments	Jiangyin Gaofeng Printing Textile Co., Ltd (Managing Director)	Nil

Board Performance

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

Provisions 5.1 and 5.2

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

For FY2019, the NC conducted a formal review of the performance evaluation of the Board, the Board Committees and the individual Directors, by way of circulating the questionnaires to the Board and the Board Committees and the self-assessment form to each individual Director for their completion. The summary of findings of each evaluation together with the feedback and recommendations from the Board, the Board Committees and each individual Director had been discussed and reviewed by the NC.

Board Performance Evaluation Process

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

Based on the summary of findings of the Board performance evaluation for FY2019, the NC is satisfied that the Board as a whole had met its performance objective in FY2019 save for the matters that are disclosed herein.

Board Committees Performance Evaluation Process

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

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

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

Based on the summary of findings of the respective Board Committees' performance evaluation for FY2019, the NC is satisfied that each of the Board Committees had met its performance objective in FY2019.

Individual Director Self-Assessment Process

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

Based on the summary of findings of the individual Director self-assessment for FY2019, the NC is satisfied that each of the individual Directors had met its performance objective in FY2019.

REPORT ON CORPORATE GOVERNANCE

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Provision 6.1

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

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

REPORT ON CORPORATE GOVERNANCE

- To work and liaise, as necessary, with all other Board Committees on any other matters connected with remuneration matters.
- To undertake such other functions and duties as may be required by the Board under the Code, statute or SGX-ST Listing Manual.

Provision 6.2

The RC comprises three (3) members, all of whom are independent. The members of the RC as at the date of this report are as follows:

Mr Tang Chun Meng (Chairman)

Mr Wang Liangfa (Member)

Mr Soh Beng Keng (Member)

Provision 6.3

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

Provision 6.4

The RC has full authority to seek external professional advice on remuneration matters where necessary. During FY2019, the RC did not seek advice from external remuneration consultants.

Level and Mix of Remuneration

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

Provisions 7.1 and 7.3

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

REPORT ON CORPORATE GOVERNANCE

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

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

Provision 7.2

The Directors' fees are appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities. The RC has recommended to the Board that the Independent Directors be paid Directors' fees for FY2019 and FY2020. 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 FY2019 and FY2020. No external remuneration consultants was engaged to assist in the review of remuneration packages.

Disclosure on Remuneration

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

Provisions 8.1 and 8.3

A breakdown, showing the level and mix of each individual Director's remuneration payable for FY2019 is as follows:

Remuneration Band and Name of Directors	Directors' Fee	Salary	Bonus	Benefits in Kind	Total	Total amount of remuneration
	%	%	%	%	%	S\$
S\$250,000 – S\$499,000						
Executive						
Mr Guo Yun ⁽²⁾	–	87.4	9.4	3.2	100.0	378,232
Below S\$250,000						
Executive						
Mr Xu Youcai	–	36.0	64.0	–	100.0	234,060
Non Executive						
Ms Zhao Guiying	–	–	–	–	N.A.	N.A.
Mr Soh Beng Keng ⁽³⁾	100.0	–	–	–	100.0	35,000
Mr Tang Chun Meng ⁽³⁾	100.0	–	–	–	100.0	30,000
Mr Wang Liangfa ⁽³⁾	100.0	–	–	–	100.0	30,000

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

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

(3) Directors' fees for the Independent Directors for FY2019 and FY2020 have been recommended for shareholders' approval at the forthcoming AGM.

REPORT ON CORPORATE GOVERNANCE

The RC ensures that the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. Given the highly competitive conditions of the manufacturing industry in China, and the prevalent poaching of experienced executives, the Company believes that the disclosure of the total remuneration of each individual executive (who are not directors or the CEO) ("Key Management Personnel") as recommended by the Code may not be in the best of the Group's interests. The Company has sought to provide the remuneration of these Key Management Personnel in the bands of S\$250,000. All of the top five (5) Key Management Personnel (who are not Directors) of the Group are within the band of less than S\$250,000. The aggregate remuneration paid to the top 5 Key Management Personnel for FY2019 was S\$244,424.

Remuneration Band and Name of Key Management Personnel	Salary ⁽¹⁾ %	Bonus %	Benefits in Kind %	Total %
Below S\$250,000				
Executive				
Wang Zaiquan (Sales and Marketing Manager, Litai)	100.0	–	–	100.0
Gong Guohong (Chief Production Officer, Litai)	77.6	22.4	–	100.0
Xu Gang (Chief Engineering Officer, Litai)	79.8	20.2	–	100.0
Chan Lai Yoke (Chief Financial Officer)	86.4	13.6	–	100.0
Zhang Qinyu (General Manager, Litai)	80.8	19.2	–	100.0

Provision 8.2

There were no other employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during FY2019.

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

Provisions 9.1 and 9.2

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

REPORT ON CORPORATE GOVERNANCE

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

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.

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

Subject to and save for the limitations and constraints noted above, the CFO was able to provide an assurance to the Board that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances and are in accordance with the relevant accounting standards; and proper systems of risk management and internal controls are put in place within the Group, and are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks. Nonetheless, for the reasons stated above, the Board has not received the requisite assurance from the CEO.

Save for and subject to the extent of the matters as disclosed above, the Board with the concurrence of the AC, is of the opinion that the risk management and internal control systems in place within the Group were reasonably adequate and effective in addressing the financial, operational, compliance and information technology risks for FY2019.

Risk Management

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

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

REPORT ON CORPORATE GOVERNANCE

Other business and operational risks the Group may experience include:

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

Other than the risks arising from business operations, the Group's main financial operations risks are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Group's financial risk management objectives and policies are discussed in the Note 31 to the Audited Financial Statements found within the Annual Report.

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

The Management will regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. The Management, in consultation with the AC, is also in the process of assessing and reviewing the impact, risks and uncertainties that have unprecedentedly been brought upon the business of the Group by the COVID-19 pandemic.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1

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

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

- To review the financial reporting issues and judgements so as to ensure the integrity of the financial statements and of announcements on the Group's financial performance and recommend changes, if any, to the Board.
- To review and report to the Board on the adequacy and effectiveness of the Group's risk management and internal controls in relation to financial reporting and other financial-related risk and controls (and to the extent delegated to it by the Board).
- To review the adequacy, effectiveness, independence, scope and results of the Group's internal audit functions.

REPORT ON CORPORATE GOVERNANCE

- To review the scope and results of the external audit, and the independence of objectivity of the external auditors and then recommend to the Board the appointment, re-appointment and removal of the external auditors, and its remuneration and terms of engagement.
- To ensure the Group complies with the requisite laws and regulations.
- To ensure that the Group has programmes and policies in place to identify and prevent fraud.
- To oversee the establishment and operation of the whistleblowing process in the Group.
- To review all interested person transactions (“**IPTs**”) and related party transactions.
- To undertake such other functions and duties as may be required by the Board under the Code, statute or SGX-ST Listing Manual.

Provision 10.2

The AC comprises three (3) members, all of whom are independent. Two (2) members of the AC, including the AC Chairman, are fellow members of the Institute of Singapore Chartered Accountants and have recent and relevant accounting or related financial management expertise and experience. The members of the AC as at the date of this report are as follows:

Mr Soh Beng Keng (Chairman)

Mr Wang Liangfa (Member)

Mr Tang Chun Meng (Member)

Provision 10.3

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

Provision 10.4

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

During the year under review, the internal auditors have conducted reviews of the control procedures relating to the business processes of procurement and accounts payable as well as follow-up work on the outstanding matters arising from previous review to ensure implementation and compliance by the Management. The work undertaken by the internal auditors are carried out in accordance with the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. They have reported and recommended to the AC on the required areas of improvement. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

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

REPORT ON CORPORATE GOVERNANCE

Provision 10.5

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

The AC also monitors proposed changes in accounting policies, reviews internal audit functions and discusses accounting implications of major transactions. In addition, the AC advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its reports. In this connection, the AC noted with regret those matters as described in the "Risk Management and Internal Controls" section above.

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

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

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

For FY2019, the total audit fees paid to the independent auditor of the Company was S\$100,000 (equivalent to RMB517,000), of which the non-audit fees paid to the independent auditor of the Company for income tax compliance service was approximately S\$1,740 (equivalent to RM9,000).

The Group has put in place a whistle-blowing policy to provide a channel for employees to report in confidence, their concern about possible improprieties for investigation. No incidence or report of whistle blowing was noted by the AC during FY2019.

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

REPORT ON CORPORATE GOVERNANCE

IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

Provision 11.1

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

Provision 11.2

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

Provision 11.3

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

All directors attended at the last AGM of the Company held on 29 April 2019 (either physically or by electronic means)

Provision 11.4

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through digital media or the internet is not compromised.

Provision 11.5

The Company prepares minutes of all general meetings that include substantial and relevant comments or queries from shareholders together with the responses from the Board and Management. These minutes are available to shareholders upon their request and published on the Company's website.

REPORT ON CORPORATE GOVERNANCE

Provision 11.6

The Company does not have a fixed dividend policy at present. The declaration and payment of dividends by the Company from time to time is subject to many factors, including but not limited to, the Company's results of operations, cash flows and financial position, the Company's expansion requirements and working capital requirements. The Company did not propose or declare any dividends for FY2019 due to the losses recorded for the financial year as well as the conservation of cash for working capital purposes.

Engagement with Shareholders

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

Provisions 12.1, 12.2 and 12.3

The Company does not have an investor relations policy in place. However, the Board ensures that shareholders are fully informed of all major developments that impact the Group. The results and other relevant information of the Group are disseminated to the shareholders and public on a timely basis through the following channels:

- (i) SGXNET announcements and press releases;
- (ii) Annual Report and Notice of AGM that are issued to all shareholders
- (iii) Company's website at <http://www.haida.com.sg>; and
- (iv) Press and analysts briefings as may be appropriate.

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

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

REPORT ON CORPORATE GOVERNANCE

V. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

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

Provisions 13.1 and 13.2

The Company undertakes an annual review in identifying its material stakeholders. It assesses the material environmental, social and governance factors that affects the Group. The Company will issue its sustainability report for FY2019 within one month from the date of AGM.

Provision 13.3

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

DEALINGS IN SECURITIES

The Group has put in place internal compliance policy in line with the requirements of Rule 1207(19) regarding the dealing in securities by its Directors and employees. The Group discourages its Directors and employees from dealing in the Company's securities on short-term considerations. In addition, the Group prohibits its Directors and employees to deal in the Company's securities during the period commencing one month before the date of the announcement of the Company's half year or full year financial statements respectively and ending on the following day of the announcement date of the relevant financial statements.

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

REPORT ON CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Group's interested person transactions ("IPTs"). The Company's disclosure in accordance with Rule 907 of the Listing Manual of the SGX-ST in respect of the IPTs for FY2019 is as follows:

Name of Interested Persons	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholder's Mandate to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) RMB'000
Jiangyin Haida Caitu Co., Ltd.		
– Reimbursements of utilities	–	1,264
– Advances paid for purchase of raw materials	–	(74,559)
– Purchase of raw materials	–	(34,594)
– Processing fees (related to purchase of raw materials)	–	(6,456)
– Sales of paint	–	3,799
Jiangyin East-China Aluminium Technology Co., Ltd.		
– Spray-painting income	–	18,027
– Sales of aluminium panels	–	338
– Sales of paint	–	1,321
– Purchase of raw materials	–	(1,503)

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

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

MATERIAL CONTRACTS

Save as disclosed above and in the Directors' Statement and Audited Financial Statements of the Company and the service agreements between the Executive Directors and the Company, there were no material contracts entered into by the Company and any of its subsidiaries, involving the interest of its Directors or controlling shareholders which are either still subsisting as at 31 December 2019 or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of China Haida Ltd. (the "Company") and its subsidiary (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

- (a) subject to and save for the financial effects (and any additional or consequential disclosures that may be required) of those limitations and/or qualifications described in Notes 1, 2, 9, 10, 11, 13, 15, 16, 19, 29 and 31(iii) to the financial statements, the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 43 to 94 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Directors

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

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

Directors' interests in shares or debentures

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

	Direct interests		Deemed interests	
	At 1 January 2019	At 31 December 2019	At 1 January 2019	At 31 December 2019
Company				
<i>Ordinary shares</i>				
Zhao Guiying	–	–	74,425,700	74,425,700
Xu Youcai	–	–	74,425,700	74,425,700
Guo Yun (Resigned on 15 January 2020)	–	–	14,439,020	14,439,020

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Directors' interests in shares or debentures (Continued)

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

There were no changes in any of the above-mentioned interests in the Company and its related corporation between the end of the financial year and 21 January 2020.

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

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

Share options

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

Audit committee

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

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

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's external auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Audit committee (Continued)

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

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

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

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

Independent auditors

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

On behalf of the Board of Directors

SOH BENG KENG

Director

TANG CHUN MENG

Director

2 June 2020

INDEPENDENT AUDITOR'S REPORT

To the members of China Haida Ltd.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of China Haida Ltd. (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 94.

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

Basis for Disclaimer of Opinion

1. Limitation of scope

As disclosed in Note 1 to the financial statements, the Company's sole operating subsidiary (the "Subsidiary") suffered disruptions as a result of the outbreak of COVID-19 pandemic in the PRC commencing December 2019 and has not fully resumed operations and work (in particular, its key management personnel and finance personnel) to date. Since then, responses and provision of information or documents from the Subsidiary had been extraordinarily slow, and were eventually not forthcoming, for reasons unknown to us, despite that the Subsidiary is presumably still in operation as disclosed in Note 2.

As of the date of this report, we were unable to complete our audit procedures, either physically or remotely, relating to transactions in December 2019 and up to the date of this report. We were also unable to obtain confirmation replies from 5 banks, all of the related parties, certain trade receivables and trade payables of the Subsidiary. We were also unable to perform alternative audit procedures to obtain information and explanations we considered necessary. In addition, as disclosed in Note 1, the management was unable to contact the Group's Chief Executive Officer, Mr. Xu Youcai ("CEO Xu") to seek clarifications on matters regarding the Subsidiary's on-going litigations, defaults in bank loans and impairment assessment of various financial and non-financial assets.

Based on the constraints referred to in the foregoing paragraphs, we were unable to satisfy ourselves with regards to the existence, completeness and accuracy of transactions that occurred during the financial year ended 31 December 2019 and balances recorded as of that date, including but not limited to items (a) and (b) described below.

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of China Haida Ltd.

Basis for Disclaimer of Opinion (Continued)

1. Limitation of scope (Continued)

(a) Existence and recoverability of balances due from the related parties of RMB79,167,000

The Group has an aggregate amount due from its related parties in which CEO Xu and members of his close family have controlling financial interests. The gross amount of RMB79,167,000 (comprising trade receivables of RMB28,017,000 and advances of RMB51,150,000, as disclosed in Note 13 and Note 15 respectively), accounted for 45% of the Group's total current assets (prior to impairment allowance) as at 31 December 2019.

We have neither received confirmation replies from these related parties nor have we been able to perform alternative procedures to verify the existence and accuracy of the balances.

As disclosed in Note 31(iii), on the basis that the related parties have been slow in repayment and have demonstrated undue delay in fulfilling the purchase orders from the Subsidiary, management (with the absence of CEO Xu) made an allowance for impairment of 50% of the outstanding balances, resulting in a charge to the profit and loss of RMB14,079,000 and RMB25,575,000 for trade receivables and advances respectively for the year ended 31 December 2019. These charges made up 78% of the Group's losses for the current year.

In view of the on-going litigations and claims made against these related parties as discussed in matter (2) below and the constraints described in Note 1, we were not able to obtain sufficient appropriate audit evidence to ascertain the existence and the recoverability of the balances due from the related parties totalling RMB39,513,000 as at 31 December 2019 (stated after impairment loss of RMB39,654,000), including the appropriateness of the basis of the impairment losses made by the management.

(b) Impairment assessment of the property, plant and equipment and right-of-use assets of the Group and the investment in the Subsidiary of the Company

As at 31 December 2019, the carrying amounts of the Group's property, plant and equipment ('PPE') and right-of-use ('ROU') assets were RMB39,781,000 and RMB10,211,000 respectively, out of which 99% relates to the Subsidiary. The carrying amount of the Company's investment in the Subsidiary was RMB122,500,000 as at 31 December 2019.

As disclosed in Notes 9 to 11, the management was unable to perform an impairment assessment and estimate the appropriate quantum for such impairment (if any) due to the constraints described in Note 1. No allowance for impairment has been recorded as at 31 December 2019.

Consequently, we were not able to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the carrying amounts of the Group's PPE and ROU assets and the Company's investment in the Subsidiary and if any adjustment to these carrying amounts as at 31 December 2019 were necessary.

INDEPENDENT AUDITOR'S REPORT

To the members of China Haida Ltd.

Basis for Disclaimer of Opinion (Continued)

2. Litigations and claims

As disclosed in Note 29, the Subsidiary was involved in various on-going litigations and enforcement proceedings in the PRC, together with the CEO Xu, and several of his controlled entities, including 2 of the related parties that the Subsidiary has significant transactions and balances with as disclosed in matter 1(a) above and in Note 28. The Board of Directors is in the process of seeking legal advice and has appointed a PRC legal counsel to investigate into these legal disputes. It is presently uncertain to determine the extent of these legal cases and no provision of liabilities have been made in these financial statements.

We were not able to obtain sufficient documentary evidence or satisfactory explanations from management to satisfy ourselves on the potential financial impact of these litigations and claims against the Subsidiary, and the completeness of such claims and any corresponding liabilities.

3. Going concern

As disclosed in Note 2 to the financial statements, the Group incurred a net loss for the year of RMB50,809,000 and negative operating cash flows of RMB5,358,000 for the financial year ended 31 December 2019. In addition to the litigations and enforcement proceedings in the PRC as described in matter (2) above, the Subsidiary has also defaulted on the repayment of its secured bank loans due on 26 November 2019 and 29 January 2020 (as disclosed in Note 19). At the date of this report, the management was unable to determine the full extent and impact of the legal cases, default on bank loans and completeness of its contingent liabilities due to constraints described in Note 1. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns.

As disclosed in Note 2 to the financial statements, the Directors have prepared the financial statements on a going concern basis on the assumptions that are dependent on the Subsidiary's ability to continue in operation and to maintain positive financial standing, and that the bank will not be taking any enforcement actions against the Subsidiary.

As at the date of this report, due to the limitation of scope as disclosed in matter (1) above, we have not been able to obtain sufficient audit evidence to satisfy ourselves as to the full extent and impact of the litigations on the Group's operations and liquidity position, and that any of the above assumptions will be realised. Accordingly, we were unable to satisfy ourselves as to the appropriateness of the going concern basis of accounting used in the preparation of these financial statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT

To the members of China Haida Ltd.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report On Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

Crowe Horwath First Trust LLP

Public Accountants and
Chartered Accountants
Singapore

2 June 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group		Company	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	4	140,543	140,543	140,543	140,543
Statutory reserve fund	5	23,367	23,367	–	–
Capital reserve	6	47,946	47,946	–	–
Currency translation reserve	7	382	244	9,237	5,955
(Accumulated losses)/ Retained earnings	8	(39,636)	11,173	(25,481)	(22,240)
TOTAL EQUITY		172,602	223,273	124,299	124,258
ASSETS					
Non-current assets					
Property, plant and equipment	9	39,781	44,324	647	722
Investment in a subsidiary	10	–	–	122,500	119,342
Right-of-use assets (2018: Lease prepayments)	11	10,211	10,211	–	–
Current assets					
Lease prepayments	11	–	302	–	–
Inventories	12	35,013	51,574	–	–
Trade and bills receivables	13	86,566	105,688	–	–
Due from related parties (trade)	13	13,938	17,261	–	–
Other receivables, deposits and prepayments	14	4,174	4,285	157	129
Advance payments to a related party	15	25,575	23,467	–	–
Cash and cash equivalents	16	11,536	25,023	4,799	7,479
		176,802	227,600	4,956	7,608
TOTAL ASSETS		226,794	282,135	128,103	127,672

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

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

	Note	Group		Company	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
LIABILITIES					
Current liabilities					
Trade payables		26,699	22,655	–	–
Other payables and accruals	17	10,917	11,239	1,554	1,153
Due to a subsidiary (non-trade)	18	–	–	2,250	2,261
Bank loans	19	13,943	22,000	–	–
Contract liabilities	21(b)	2,633	1,786	–	–
Income tax payable		–	–	–	–
		54,192	57,680	3,804	3,414
Non-current liability					
Deferred tax liabilities	20	–	1,182	–	–
TOTAL LIABILITIES		54,192	58,862	3,804	3,414
NET ASSETS		172,602	223,273	124,299	124,258

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group	
		2019 RMB'000	2018 RMB'000
Revenue	21(a)	207,783	228,880
Cost of sales		(189,037)	(223,413)
Gross profit		18,746	5,467
Other operating income	22	1,568	2,815
Selling and distribution expenses		(2,802)	(3,482)
Administrative expenses		(19,861)	(22,128)
Finance costs	24	(1,044)	(1,046)
Impairment loss on financial asset, net	22	(48,360)	(2,716)
Loss before tax	25	(51,753)	(21,090)
Tax credit/(expense)	26	944	(569)
Loss for the year		(50,809)	(21,659)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		138	177
Total comprehensive loss for the year		(50,671)	(21,482)
Loss attributable to:			
Equity holders of the Company		(50,809)	(21,659)
Total comprehensive loss attributable to:			
Equity holders of the Company		(50,671)	(21,482)
Loss per share (RMB cents)			
Basic and diluted	27	(19.9)	(8.5)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

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

	Attributable to equity holders of the Company					Total equity RMB'000
	Share capital RMB'000	Statutory reserve fund RMB'000	Capital reserve RMB'000	Currency translation reserve/ (deficit) RMB'000	Retained earnings RMB'000	
Opening balance at 1 January 2018 (FRS framework)	140,543	23,367	47,946	(776)	41,177	252,257
Cumulative effects of adopting SFRS(I)	–	–	–	843	(8,345)	(7,502)
Opening balance at 1 January 2018 (SFRS(I) framework)	140,543	23,367	47,946	67	32,832	244,755
Loss for the year	–	–	–	–	(21,659)	(21,659)
Other comprehensive income, net of tax						
– Currency translation differences arising from consolidation	–	–	–	177	–	177
Total comprehensive income/(loss)	–	–	–	177	(21,659)	(21,482)
Balance at 31 December 2018	140,543	23,367	47,946	244	11,173	223,273
Opening balance at 1 January 2019	140,543	23,367	47,946	244	11,173	223,273
Loss for the year	–	–	–	–	(50,809)	(50,809)
Other comprehensive income, net of tax						
– Currency translation differences arising from consolidation	–	–	–	138	–	138
Total comprehensive income/(loss)	–	–	–	138	(50,809)	(50,671)
Balance at 31 December 2019	140,543	23,367	47,946	382	(39,636)	172,602

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group	
		2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Loss before tax		(51,753)	(21,090)
Adjustments:			
Impairment loss on financial asset, net	22	48,360	2,716
Depreciation of right-of-use assets (2018: Amortisation of lease prepayments)	11	302	302
Depreciation of property, plant and equipment	9	4,830	6,133
Gain on disposal of property, plant and equipment		–	(18)
Interest expense	24	1,044	1,046
Interest income	22	(60)	(156)
Translation difference		(75)	(263)
Operating profit/(loss) before working capital changes		2,648	(11,330)
Inventories		16,561	3,374
Trade and bills receivables		10,238	3,782
Other receivables, deposits and prepayments		111	(843)
Due from related parties (trade)		(10,579)	(15,350)
Trade and other payables and contract liabilities		4,569	4,042
Advance payments to a related party		(27,683)	(9,256)
Cash used in operations		(4,135)	(25,581)
Interest paid		(1,044)	(1,046)
Interest received		60	156
Income tax paid		(239)	(569)
Net cash used in operating activities		(5,358)	(27,040)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(293)	(581)
Proceeds from disposal of property, plant and equipment		21	35
Net cash used in investing activities		(272)	(546)
Cash flows from financing activities			
Proceeds from short term bank loans		7,000	22,000
Repayment of short term bank loans		(15,057)	(22,000)
Bank deposit pledged		(913)	–
Net cash used in financing activities		(8,970)	–
Net decrease in cash and cash equivalents		(14,600)	(27,586)
Cash and cash equivalents at beginning of year		25,023	52,193
Effect of exchange rate changes in cash and cash equivalents		200	416
Cash and cash equivalents at end of year	16	10,623	25,023

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi (“RMB’000”))

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

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of its subsidiary are discussed in Note 10.

The global outbreak of the novel coronavirus (COVID-19) has caused unprecedented business, economic, financial and social disruptions to many entities and individuals around the world. To the best of its knowledge, the Company’s sole and wholly-owned subsidiary, Jiangyin Litai Ornamental Materials Co., Ltd (the “Subsidiary”) is also not spared from such disruptions and has not fully resumed operations and work (in particular, its key management personnel and finance personnel) to date. Responses and provision of information or documents from the Subsidiary had been extraordinarily slow, and were eventually not forthcoming. Neither is the Group’s CEO contactable to date.

Consequently, the Company has been unable to procure all pertinent information, documents and/or explanations from the Subsidiary to accurately prepare the financial statements of the Group for the year ended 31 December 2019 (“FY 2019”) despite numerous attempts to do so via electronic communication means. Neither is the Company’s personnel able to visit Litai to physically access and obtain the requisite information and documents due to the current travel restrictions to China during this pandemic period. Nonetheless, the Company is constrained to prepare these financial statements to be laid before the forthcoming Annual General Meeting of the Company to be held on 29 June 2020 (which is an unprecedentedly extended deadline by the regulators as a result of COVID-19) so as to avoid any further non-compliances with the relevant laws and regulations in Singapore. Any further delay in issuing these financial statements would only serve to diminish its value, for timely reporting and prompt disclosures is a key hallmark of a disclosure-based regime. In preparing these financial statements, the management has therefore applied its best judgments and estimates having regard to all the pertinent information available as of the date of these financial statements.

The financial statements for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors on 2 June 2020 pursuant to a directors’ meeting held on 29 May 2020.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Group recorded a net loss for the year of RMB50,809,000 and negative operating cash flows of RMB5,358,000 for the financial year ended 31 December 2019 (“FY 2019”) (2018: RMB21,659,000 and RMB27,040,000 respectively). The net loss was largely due to the substantial allowances of RMB39,565,000 made against the amounts due from related parties during FY 2019 (Notes 13 and 15).

In addition, the Subsidiary defaulted on the repayment of a secured bank loan of RMB6,943,000 which was due and payable on 26 November 2019, and subsequent to the year-end, the Subsidiary defaulted on another secured bank loan of RMB7,000,000 which was due on 29 January 2020 (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))*

2. FUNDAMENTAL ACCOUNTING CONCEPT (CONTINUED)

The Subsidiary was also involved in various on-going litigation and enforcement proceedings in the PRC, as disclosed in Note 29.

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

- (i) The Subsidiary is still in operation based on its management accounts made up to March 2020 and the verbal confirmation of a director of the Subsidiary although it was scaled down due mainly to COVID-19;
- (ii) The Group would still maintain a positive financial standing (specifically, a positive net current assets and net assets positions) even if the full financial effects of the remaining balances due from related parties (Notes 13 and 15) and of the litigation proceedings (see Note 29) have been notionally provided for as at 31 December 2019;
- (iii) The bank has not taken any enforcement actions against the Subsidiary despite its default in repaying the outstanding balances of RMB13.9 million as at 31 December 2019 in full on their respective maturity dates (see Note 19). In this regard, it is also noted that the outstanding balances due to the bank amounted to approximately RMB11.4 million as at 31 March 2020, thereby purporting that there was a net partial repayment of bank loans of approximately RMB2.5 million in the first quarter of 2020; and
- (iv) It is premature and inappropriate at this juncture to prepare these financial statements on any alternative accounting basis other than the going concern basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

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

Adoption of new and revised standards

On 1 January 2019, the Group adopted the new or amended SFRS(I)s and Interpretations of SFRS (“SFRS(I) INT”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INT.

The adoption of these new or amended SFRS(I)s and SFRS(I) INT did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

Adoption of SFRS(I) 16 Leases

This new standard on leases supersedes the previous standard (SFRS(I) 1-17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For lessees, SFRS(1) 16 reforms lessee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. SFRS(I) 16 is effective for annual reporting periods beginning on or after 1 January 2019, and the Group adopted SFRS(I) 16 retrospectively with any cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019. Under this approach, comparatives are not restated.

The Group, as lessee, has leases previously classified under operating leases, mainly comprising:

- Leases of land in the PRC, which has been fully pre-paid upfront. Following the adoption of SFRS(I) 16, the Group reclassified the Lease Payments as Right-of-Use assets (‘ROU’ assets) (Note 11). The Group applied practical expedient and relied on previous assessment that there are no onerous leases as an alternative to perform impairment review as at 1 January 2019; and
- Short-term leases of office premises, which represents the lease commitments as at 31 December 2018 amounting to RMB118,000. The Group applied practical expedient not to recognise the lease liabilities and ROU assets since those leases has lease terms that ended during the current financial year.

Other than the above, the adoption of SFRS(I) 16 has no impact to the Group’s and the Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3: <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: <i>Interest Rate Benchmark Reform</i>	1 January 2020
SFRS(I) 17: <i>Insurance Contracts</i>	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

Group accounting

Subsidiaries

(a) *Basis of consolidation*

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

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

(b) *Acquisition of businesses*

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

Subsidiaries (Continued)

(b) *Acquisition of businesses* (Continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with SFRS(I) 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity. In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

(c) *Disposals of subsidiaries or businesses*

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

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

Subsidiary

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

Currency translation

(i) **Functional and presentation currency**

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency translation (Continued)

(ii) Transactions and balances

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

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

(iii) Translation of Group’s financial statements

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

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

Share capital

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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%

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))*

3. 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 assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators.

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

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

Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution. Where necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

(ii) Classification and subsequent measurement

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

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

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

Financial assets at amortised costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial liabilities

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

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

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

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

(iii) Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

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

Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities (Continued)

(iv) Offsetting

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

Impairment of financial assets

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

- Financial assets at amortised costs (including trade and other receivables, amount due from related parties (trade) and cash and cash equivalents)
- Contract assets (determined in accordance with SFRS(1) 15)
- Debt investments at FVOCI
- Intragroup financial guarantee contracts

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

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

Simplified approach

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach

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

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

Credit-impaired financial assets

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

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

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

Definition of default

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

Write-off policy

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3. 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 reporting date, in which case they are presented as non-current liabilities. Borrowings are initially recorded at fair value, net of transaction costs incurred and carried for at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Borrowing costs

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

Provisions

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

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

- * Revenue from sale of aluminium panels is recognised upon transfer of control to the customers, usually being when the goods have been shipped or delivered to customers and the acceptance criteria is met (either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied). The Group normally invoices the customers upon delivery of the goods with 90 days credit term. Advances are received for new customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

- * Revenue on spray-painting work on aluminium products is recognised over time based on output of finished products to date as a proportion of the total contracted output. The Group normally invoices the customers upon delivery of the spray painted products with 90 days credit term.

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

Other income

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

Government grants

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

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

Employees’ benefits

(i) Short-term employee benefits

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

(ii) Retirement benefits

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

Singapore

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees’ benefits (Continued)

(ii) Retirement benefits (Continued)

People’s Republic of China (“PRC”)

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

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

(iii) Employee leave entitlement

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

Leases

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

As lessee (SFRS(I) 16, applicable on or after 1 January 2019)

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

ROU asset

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

ROU asset of the Group comprises prepaid lease payments for land use rights in the PRC, which is depreciated on straight-line basis over their respective lease term of 43 and 48 years. The remaining lease term range from 31 and 37 years.

Lease liability

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

The Group has no lease liabilities as at 31 December 2019 as the Group’s leases are either fully pre-paid or short-term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

As lessee (SFRS(I) 16, applicable on or after 1 January 2019) (Continued)

Exemption/exclusion

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

As lessee (SFRS(I) 1-17, applicable prior to 1 January 2019)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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.

Lease prepayments

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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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 2019

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

(i) Current income tax

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

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

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

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

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

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

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

(ii) Value-added-tax (“VAT”)

The Group’s sales of goods in the PRC are subjected to VAT at the applicable rate of 13% from 1 April 2019 onwards and 16% prior to 1 April 2019 (2018: 16% from 1 May 2018 onwards and 17% prior 1 May 2018) for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other receivables” or “Other payables” in the statement of financial position. The Group’s export sales are not subjected to VAT.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

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

Critical accounting estimates, assumptions and judgements

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

(i) Critical accounting estimates and assumptions

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

(a) Impairment of financial assets

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions and determining key inputs to the impairment calculation, taking into account the Group's historical credit loss experience, existing market conditions as well as forward-looking information relating to industry, geographical locations, probability of default information from external credit rating agencies and macroeconomic factors. The key assumptions and inputs used are disclosed in Note 31(iii).

(b) Income tax

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

The Group has tax losses carried forward amounting RMB59,643,000 (2018: RMB22,311,000) for which no deferred tax assets has been recognised due to uncertainty of its recovery. These losses relate to a subsidiary that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiary has neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, loss of the year would reduce by RMB14,911,000 (2018: RMB5,578,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi (“RMB’000”))

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(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 (2018: 5 to 10 years) and that the residual value to be 5% to 10% (2018: 5% to 10%) of the cost of these assets. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group’s machinery and equipment at reporting date was approximately RMB19,199,000 (2018: RMB21,310,000) (Note 9).

(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.

4. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of ordinary shares	RMB’000	Number of ordinary shares	RMB’000
Issued and fully paid				
At beginning and end of the year	254,880,660	140,543	254,880,660	140,543

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

5. STATUTORY RESERVE FUND

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

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

NOTES TO THE FINANCIAL STATEMENTS

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6. CAPITAL RESERVE

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

7. CURRENCY TRANSLATION RESERVE

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
At the beginning of the year	244	67	5,955	1,631
Foreign currency translation difference for the financial year	138	177	3,282	4,324
At the end of the year	382	244	9,237	5,955

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

8. ACCUMULATED LOSSES

	Company	
	2019 RMB'000	2018 RMB'000
At the beginning of the year	(22,240)	(22,124)
Loss for the year	(3,241)	(116)
At the end of the year	(25,481)	(22,240)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
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9. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture and fittings, office equipment and renovation RMB'000	Total RMB'000
Cost					
As at 1 January 2018	50,309	81,498	5,011	4,313	141,131
Additions	–	341	165	75	581
Disposal	–	–	(175)	–	(175)
Translation differences	–	–	23	2	25
As at 31 December 2018	50,309	81,839	5,024	4,390	141,562
As at 1 January 2019	50,309	81,839	5,024	4,390	141,562
Additions	–	268	4	21	293
Disposal	–	–	(424)	–	(424)
Translation differences	–	(3)	17	8	22
As at 31 December 2019	50,309	82,104	4,621	4,419	141,453
Accumulated depreciation					
As at 1 January 2018	25,864	58,068	3,751	3,578	91,261
Charge for the year	3,191	2,461	205	276	6,133
Disposal	–	–	(158)	–	(158)
Translation differences	–	–	–	2	2
As at 31 December 2018	29,055	60,529	3,798	3,856	97,238
As at 1 January 2019	29,055	60,529	3,798	3,856	97,238
Charge for the year	1,950	2,376	232	272	4,830
Disposal	–	–	(403)	–	(403)
Translation differences	–	–	3	4	7
As at 31 December 2019	31,005	62,905	3,630	4,132	101,672
Net carrying amount					
As at 31 December 2019	19,304	19,199	991	287	39,781
As at 31 December 2018	21,254	21,310	1,226	534	44,324

While it is noted that there are some impairment indicators, the Company is unable to ascertain whether there is indeed an impairment on certain assets of the Group (particularly, leasehold buildings as well as machinery and equipment), and if so, the appropriate quantum for such impairment given the constraints described in Note 1.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2019, leasehold buildings with carrying amount of approximately RMB2,589,000 (2018: RMB2,880,000) was pledged as security for the Group's bank loans (Note 19).

Company	Motor vehicles RMB'000	Furniture and fittings and office equipment RMB'000	Total RMB'000
Cost			
As at 1 January 2018	743	238	981
Additions	4	25	29
Translation differences	23	2	25
As at 31 December 2018	770	265	1,035
As at 1 January 2019	770	265	1,035
Additions	4	3	7
Translation differences	14	8	22
As at 31 December 2019	788	276	1,064
Accumulated depreciation			
As at 1 January 2018	19	202	221
Charge for the year	75	16	91
Translation differences	–	1	1
As at 31 December 2018	94	219	313
As at 1 January 2019	94	219	313
Charge for the year	79	17	96
Translation differences	4	4	8
As at 31 December 2019	177	240	417
Net carrying amount			
As at 31 December 2019	611	36	647
As at 31 December 2018	676	46	722

10. INVESTMENT IN A SUBSIDIARY

	Company	
	2019 RMB'000	2018 RMB'000
Unquoted equity shares, at cost – at beginning of year	119,342	115,194
Translation differences	3,158	4,148
Unquoted equity, at cost – at end of year	122,500	119,342

NOTES TO THE FINANCIAL STATEMENTS

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10. INVESTMENT IN A SUBSIDIARY (CONTINUED)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2019 %	2018 %
Held by the Company				
Jiangyin Litai Ornamental Materials Co., Ltd.*	Manufacturing and sale of aluminium composite panels and aluminium single panels and spray painting	PRC	100	100

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

In view of the reservations noted on various assets and liabilities of the Subsidiary, it is likely that impairment indicators are present. Nonetheless, the Company is unable to perform an impairment assessment and estimate the appropriate quantum for such impairment (if any) due to the constraints described in Note 1.

11. RIGHT-OF-USE ASSETS (2018: LEASE PREPAYMENTS)

Group	2019 RMB'000
Cost	
As at 1 January (Reclassified from Lease Prepayments) and 31 December	14,075
Accumulated depreciation	
As at 1 January (Reclassified from Lease Prepayments)	3,562
Charge for the year	302
As at 31 December	3,864
Net carrying amount	
As at 31 December 2019	10,211
As at 1 January 2019	10,513
	Group
	2018
	RMB'000
Amount to be depreciated	
Current portion	302
Non-current portion	
– Later than one year but not later than five years	1,207
– Later than five years	9,004
	10,211
	10,513

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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11. RIGHT-OF-USE ASSETS (2018: LEASE PREPAYMENTS) (CONTINUED)

Rights-of-use assets (2018: Lease prepayments) represent payments for land use rights on which the buildings of the Subsidiary is erected.

As at 31 December 2019, the land use rights (expiring on 23 May 2050) of RMB1,094,000 (2018: RMB1,130,000) were pledged as security for the Group's short term bank loans (Note 19).

Two other land use rights with carrying amounts of RMB6,096,000 and RMB3,021,000 (2018: RMB6,262,000 and RMB3,121,000) will expire on 5 September 2056 and 23 May 2050 respectively.

While it is noted that there are some impairment indicators, the Company is unable to ascertain whether there is indeed an impairment on right-of-use assets, and if so, the appropriate quantum for such impairment given the constraints described in Note 1.

12. INVENTORIES

	Group	
	2019 RMB'000	2018 RMB'000
Finished goods	11,006	13,154
Work-in-progress	1,318	2,234
Raw materials	21,254	34,750
Consumables	1,435	1,436
	35,013	51,574

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB147,588,000 (2018: RMB184,542,000).

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

	Group	
	2019 RMB'000	2018 RMB'000
Trade receivables	119,809	125,216
Impairment loss on trade receivables (Note 31(iii))	(33,558)	(24,680)
	86,251	100,536
Bills receivables	315	5,152
	86,566	105,688
Amount due from related parties (trade) ⁽¹⁾	28,017	17,433
Impairment loss on amount due from related parties (Note 31(iii))	(14,079)	(172)
	13,938	17,261

(1) In 2019, the related parties, together with CEO Xu, were involved in litigations and proceedings as disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Deposits	71	169	51	49
Prepayments	1,341	1,858	106	80
Advance payments to third party (trade)	308	159	–	–
Other receivables	2,454	2,099	–	–
	4,174	4,285	157	129

15. ADVANCE PAYMENTS TO A RELATED PARTY

Advance payments were made to a related party for purchases of raw materials, as disclosed in Note 28.

	Group	
Advance payment to a related party	51,150	23,467
Impairment loss on advance payment to a related party (Note 31(iii))	(25,575)	–
	25,575	23,467

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cash and bank balances ⁽¹⁾	9,723	24,014	2,986	6,470
Fixed deposit	1,813	1,009	1,813	1,009
Cash and bank balances	11,536	25,023	4,799	7,479
Less: Deposit pledged ⁽²⁾	(913)	–	–	–
Cash and cash equivalents per consolidated statement of cash flows	10,623	25,023	4,799	7,479

(1) As disclosed in Note 29(A), two of the Subsidiary's bank accounts with balances of RMB753,725 and US\$3,001 as at 31 December 2019 have been frozen for a period of 12 months, with effect from 10 March 2020 and 18 March 2020.

(2) Due to the reasons described in Note 1, the purpose and terms of the pledged deposit is presently uncertain.

As at 31 December 2019, the Group has cash on hand and bank balances deposited with banks in the People's Republic of China denominated in Renminbi ("RMB"), amounting to approximately RMB6,503,000 (2018: RMB15,549,000). The RMB is not freely convertible into foreign currencies. Under the People's Republic of China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The fixed deposit bear effective interest rate of 1.8% (2018: 1.3%) per annum and mature within 1 month (2018: 2 months) from the financial year end.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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17. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Other taxes payable	338	310	–	–
Accrued operating expenses	7,277	7,619	35	32
Accrued directors' fees	492	479	492	479
Other payables	1,614	1,875	1,027	642
VAT payables	1,196	956	–	–
	10,917	11,239	1,554	1,153

18. DUE TO A SUBSIDIARY (NON-TRADE)

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

19. BANK LOANS

	Group	
	2019 RMB'000	2018 RMB'000
Loan I (Secured) (Note C)	6,943	15,000
Loan II (Secured) (Note D)	7,000	7,000
Total bank loans due within one year (secured)	13,943	22,000

(A) Secured bank loans

Bank loans of RMB13,943,000 (2018: RMB22,000,000) are secured by a pledge of the Group's leasehold buildings and land use right with net carrying amounts of approximately RMB2,589,000 (2018: RMB2,880,000) (Note 9) and RMB1,094,000 (2018: RMB1,130,000) (Note 11) respectively.

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

Interest on secured bank loans were charged at the rate of 3.99% to 4.79% (2018: 3.99% to 4.79%) per annum.

(B) Reconciliation of liabilities arising from financing activities

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

NOTES TO THE FINANCIAL STATEMENTS

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19. BANK LOANS (CONTINUED)

(C) Default in repayment of bank loan I

During the year, the Group defaulted on the repayment of bank loan I, amounting to RMB6,943,000, which is due and payable on 26 November 2019. Due to the reasons described in Note 1, it is uncertain whether the loan had been repaid as of the date of these financial statements. It is also uncertain the amount of late payment interest or fines the bank has levied under the loan agreement and whether the bank has taken any enforcement action against the Subsidiary to date.

(D) Default in repayment of bank loan II

Subsequent to the year-end, the Group defaulted on the repayment of bank loan II amounting to RMB7,000,000, which was due on 29 January 2020. Due to the reasons described in Note 1, it is uncertain whether the loan had been repaid as of the date of these financial statements. It is also uncertain the amount of late payment interest or fines the bank has levied under the loan agreement and whether the bank has taken any enforcement action against the Subsidiary to date.

20. DEFERRED TAX LIABILITIES

	Group	
	2019 RMB'000	2018 RMB'000
Undistributed earnings of the Subsidiary		
At beginning and end of the year	1,182	1,182
Recognised in profit or loss (Note 26)	(1,182)	–
	–	1,182

As the Subsidiary is in an accumulated loss position as at 31 December 2019, deferred tax liabilities relating to undistributed earnings of the Subsidiary have been reversed accordingly.

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue

	Sale of aluminium single panel		Sale of aluminium composite panel		Spray-painting services		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Primary geographical markets								
PRC	89,672	100,999	45,027	31,888	23,404	24,274	158,103	157,161
Overseas	19	265	49,661	71,454	–	–	49,680	71,719
	89,691	101,264	94,688	103,342	23,404	24,274	207,783	228,880

NOTES TO THE FINANCIAL STATEMENTS

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21. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Sale of aluminium single panel		Sale of aluminium composite panel		Spray-painting services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Timing of transfer of goods and services								
At a point of time	89,691	101,264	94,688	103,342	–	–	184,379	204,606
Over time	–	–	–	–	23,404	24,274	23,404	24,274
	89,691	101,264	94,688	103,342	23,404	24,274	207,783	228,880

(b) Contract liabilities

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

	Group	
	2019 RMB'000	2018 RMB'000
Contract liabilities	2,633	1,786

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

Significant changes in contract liabilities are as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,786	1,191

NOTES TO THE FINANCIAL STATEMENTS

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22. OTHER OPERATING INCOME/IMPAIRMENT LOSS ON FINANCIAL ASSET, NET

	Group	
	2019 RMB'000	2018 RMB'000
Other operating income		
Sale of scraps	831	1,013
Government grants	425	962
Interest income on bank deposits	60	156
Foreign exchange gain, net	252	670
Others	–	14
	1,568	2,815
Impairment loss on financial asset, net		
Impairment loss on financial asset (Note 31(iii))		
(a) Trade receivables	9,585	3,033
(b) Amount due from related parties (trade)	13,990	151
(c) Advance payments to a related party	25,575	–
Impairment loss written back	(790)	(468)
	48,360	2,716

23. PERSONNEL EXPENSES

	Group	
	2019 RMB'000	2018 RMB'000
Wages, salaries and bonuses*	31,236	30,487
Contributions to defined contribution plan*	3,399	3,623
Other payroll related expenses	1,046	1,362
	35,681	35,472

* Inclusive of directors' fees and directors' remuneration of approximately RMB492,000 and RMB3,166,000 (2018: RMB478,000 and RMB3,281,000), as disclosed in Note 25 respectively.

24. FINANCE COSTS

	Group	
	2019 RMB'000	2018 RMB'000
Interest on bank loans	1,044	1,046

NOTES TO THE FINANCIAL STATEMENTS

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25. LOSS BEFORE TAX

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

	Note	Group	
		2019 RMB'000	2018 RMB'000
Audit fees			
– Auditor of the Company		517	503
– Other auditors		98	83
Non-audit fees paid/payable to auditors of the Company		9	8
Depreciation of property, plant and equipment	9	4,830	6,133
Gain on disposal of property, plant and equipment		–	(16)
Depreciation of right-of-use assets (2018: Amortisation of lease prepayments)	11	302	302
Impairment loss on financial asset, net	22	48,360	2,716
Directors of the Company:			
– Directors' fees	23	492	478
– Directors' remuneration	23	3,166	3,281
Personnel expenses*	23	35,681	35,472
Foreign exchange gain, net	22	(252)	(670)
Lease expenses not included in lease liabilities – short term leases (2018: Operating lease expenses)		272	265
Cost of inventories recognised as cost of sales	12	147,588	184,542

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

26. TAX (CREDIT)/EXPENSE

	Group	
	2019 RMB'000	2018 RMB'000
Current tax		
– Overprovision in prior years	–	(1)
– Withholding tax	238	570
Deferred tax		
– Reversal of temporary differences (Note 20)	(1,182)	–
	(944)	569

NOTES TO THE FINANCIAL STATEMENTS

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26. TAX (CREDIT)/EXPENSE (CONTINUED)

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

	Group	
	2019 RMB'000	2018 RMB'000
Accounting loss before tax	(51,753)	(21,090)
Tax at the domestic rates applicable to loss in the countries where the Group operates	(12,508)	(4,852)
Tax effect of:		
– non-deductible expenses	3,376	2,197
– non-taxable income	(201)	(449)
Under/(Over) provision in prior years	–	(1)
Deferred tax asset not recognised	9,333	3,104
Reversal of deferred tax provided in prior years	(1,182)	–
Withholding tax on dividend income	238	570
Tax (credit)/expense	(944)	569

The Company's applicable tax rate is 17% (2018: 17%). However, the Company has no material Singapore-sourced chargeable income, and hence the administrative expenses representing corporate expenses are not tax deductible.

The Subsidiary in PRC is subject to an applicable tax rate of 25% (2018: 25%). The Subsidiary has unused tax losses of RMB59,643,000 (2018: RMB22,311,000) for which no deferred tax asset is recognised due to uncertainty of its recoverability in view of the loss-making position for the current financial year. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in PRC.

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

	Group			
	2019		2018	
	RMB'000	Expiring on	RMB'000	Expiring on
Tax losses arising from financial year of:				
2017	9,887	2022	9,887	2022
2018	12,424	2023	12,424	2023
2019	37,332	2024	–	–
	59,643		22,311	

NOTES TO THE FINANCIAL STATEMENTS

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27. LOSS PER SHARE

Loss per share is calculated by dividing the Group's loss for the year of approximately RMB50,809,000 (2018: RMB21,659,000) by the weighted average number of shares in issue during the financial year of 254,880,660 (2018: 254,880,660). There is no dilutive earnings per share of the Company as there is no dilutive potential ordinary share issued.

28. RELATED PARTIES INFORMATION

Some of the arrangements with related parties (as defined in Note 3 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiary, have been eliminated on consolidation and are not disclosed in this Note. Details of transactions between the Group and other related parties are disclosed below.

	Group	
	2019 RMB'000	2018 RMB'000
(a) Purchase of goods and services		
Subcontracting costs paid/payable	6,461	39
Purchase of raw materials and consumables	36,097	110,893
Rental expenses	30	30
(b) Sale of goods and services		
Spray-painting income included in revenue	(18,027)	(20,623)
Sales of aluminium panels included in revenue	(445)	(2,576)
Sales of raw material	(5,120)	(1,719)
Other income from sub-processing fee	(85)	(44)
(c) Advances and reimbursements		
Payments made in advance to purchase raw materials*	74,559	135,321
Reimbursement received for utilities expenses	(1,264)	(1,304)
(d) Impairment losses		
Amount due from related parties	13,990	151
Advance payment to a related party	25,575	–
(e) Key management personnel compensation		
Short-term employee benefits	5,360	4,958
Contribution to defined contribution plan	127	162

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

Related parties in (a) – (d) refers to companies in which CEO Xu and members of his close family have controlling financial interests. In 2019, 2 out of 3 of the related parties with transactions with the Group, together with CEO Xu, were involved in litigations and proceedings as disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2019
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28. RELATED PARTIES INFORMATION (CONTINUED)

Net outstanding balances as at 31 December 2019 and 2018 arising from sale/purchase of goods and services, advances for purchases and reimbursement of utilities expenses are disclosed as amount due to/from related parties and advance payments to a related party (Note 15) on the face of the consolidated statement of financial position.

Until 30 September 2019, CEO Xu has provided personal financial guarantee of RMB22,000,000 (2018: RMB22,000,000) in favour of a financial institution for facilities granted to the Subsidiary (Note 19) at no charge. It is uncertain whether the personal guarantee had since been renewed.

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.

29. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

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

(A) Interim court order against the Subsidiary

An application for a preservation of assets order was filed by an individual, Zhang Kun ("Applicant"), against 12 respondents which include the Subsidiary, CEO Xu and some of his controlled entities (collectively, the "Respondents") for the purpose of preserving or freezing the assets of the Respondents up to RMB14 million in connection with a legal dispute over apparently certain lending/borrowing arrangements between the Applicant and the Respondents. As a result of this application, an interim court order dated 28 November 2019 ("ICO") was issued by the Sichuan Chengdu Longquanyi District People's Court for the purpose of preserving or freezing the assets of the Respondents collectively up to a sum of RMB14 million in favour of the Applicant.

Two of the Subsidiary's bank accounts with balances of RMB753,725 and US\$3,001 as at 31 December 2019 have been frozen for a period of 12 months, with effect from 10 March 2020 and 18 March 2020 respectively although it is not conclusively related to or in consequence of the ICO and/or the enforcement proceedings described in Note 29(B).

To the best knowledge of the Company, the Company and the Subsidiary have no business relationship with the Applicant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Contingent liabilities (Continued)

(B) Enforcement proceedings and on-going legal suit against the Subsidiary

In addition, the Subsidiary was named as a second defendant alongside its related party, Jiangyin Comat Metal Products Co., Ltd (“Jiangyin Comat”), being the first defendant in a civil suit instituted by a Hangzhou Xiaoshan Jiangnan Iron Printing & Cans Manufacturing Co., Ltd (the “Plaintiff”) during 2019 before the Jiangyin People’s Court. The first tranche of the trial took place on 17 March 2020 in relation to a dispute over trading transactions between the Plaintiff and Jiangyin Comat. It is uncertain whether the trial had been procedurally concluded to date. Additionally, the Company is unable to determine the reasons for which the Subsidiary was being embroiled in this legal suit given that the Plaintiff is neither a customer nor a supplier of the Subsidiary. The amount of claim is also unknown.

Six enforcement cases were filed against the Subsidiary and CEO Xu, together with 7 other parties, for an aggregate amount of RMB9,161,100 in the Sichuan Chengdu Longquanyi District People’s Court from 6 March 2020 to 11 May 2020. The Company is unable to determine the reasons for which the Subsidiary was being involved in these enforcement proceedings.

The Company has appointed a PRC legal counsel to investigate into the legal proceedings as described above. It is presently uncertain to determine the full extent of these legal cases (and the completeness of contingent liabilities for that matter), and no provision of such liabilities have been made in these financial statements.

Commitments

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

	<u>Group</u>	<u>Company</u>
	2018	2018
	RMB’000	RMB’000
Future minimum lease payments		
– Within 1 year	118	118

30. SEGMENT INFORMATION

Business segment

The Group operates in only one operating segment which focuses on the manufacture and sale of aluminium composite panels and aluminium single panels. The business segment also include the spray-painting services predominantly provided to a related party, which are considered ancillary services to the aluminium panel products. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by management of the Group. Management of the Group reviews the overall results of the Group as a whole to make decisions about resource allocation. Accordingly, no further analysis of this single reporting segment has been prepared. A breakdown of the Group’s revenue by major products/ services is disclosed in Note 21.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
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30. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	Group	
	2019	2018
	RMB'000	RMB'000
Revenue		
People's Republic of China	158,103	157,161
Ukraine	12,118	14,501
Brazil	6,542	6,874
UK	5,679	10,173
Tunisia	4,969	3,385
Austria	3,986	5,912
Italy	2,742	2,920
Saudi Arabia	2,696	–
Mexico	861	4,937
South Africa	455	1,173
USA	82	2,213
Australia	67	2,574
Other countries	9,483	17,057
Total (Note 21(a))	<u>207,783</u>	<u>228,880</u>
Non-current asset		
People's Republic of China	49,345	53,813
Singapore	647	722
Total	<u>49,992</u>	<u>54,535</u>

Information about major customers

Revenue from 3 (2018: 3) major third party customers in Europe and South America, arising from sales of aluminium panels, amounted to approximately RMB23,616,000 (2018: RMB29,096,000). This represents 11% (2018: 13%) of the Group's revenue. Revenue from these customers, individually, does not exceed 10% of the Group's revenue.

In addition, the Group's major customer, who contributed 9% (2018: 10%) or approximately RMB18,472,000 (2018: RMB23,199,000) to the Group's revenue (Noted 28(b)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
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31. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

(i) Market risk

(a) Foreign exchange risk

The Group operates mainly in Singapore and China and the Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily United States dollars ("USD"). Approximately 25% (2018: 31%) 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 2019	Singapore dollars RMB'000	United States dollars RMB'000	Chinese Renminbi RMB'000	Euro RMB'000	Total RMB'000
Financial assets					
Cash and cash equivalents	4,799	234	6,503	–	11,536
Trade receivables and bill receivables	–	4,655	81,893	18	86,566
Other receivables and deposits	51	–	2,474	–	2,525
Due from related parties (trade)	–	–	13,938	–	13,938
Advance payments to a related party	–	–	25,575	–	25,575
Intra-group receivables (non-trade)	–	–	2,250	–	2,250
	4,850	4,889	132,633	18	142,390
Financial liabilities					
Trade payables	–	–	26,699	–	26,699
Other payables and accruals	1,554	–	7,829	–	9,383
Bank loans	–	–	13,943	–	13,943
Intra-group payables (non-trade)	–	–	2,250	–	2,250
	1,554	–	50,721	–	52,275
Net financial assets	3,296	4,889	81,912	18	90,115
Less: Net financial assets denominated in the respective entities' functional currencies	(3,296)	–	(84,162)	–	(87,458)
Foreign currency exposure	–	4,889	(2,250)	18	2,657

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 31 December 2018	Singapore dollars RMB'000	United States dollars RMB'000	Chinese Renminbi RMB'000	Euro RMB'000	Total RMB'000
Financial assets					
Cash and cash equivalents	7,479	1,995	15,549	–	25,023
Trade receivables and bill receivables	–	11,968	93,704	16	105,688
Other receivables and deposits	49	–	2,219	–	2,268
Due from related parties (trade)	–	–	17,261	–	17,261
Intra-group receivables (non-trade)	–	–	2,261	–	2,261
	<u>7,528</u>	<u>13,963</u>	<u>130,994</u>	<u>16</u>	<u>152,501</u>
Financial liabilities					
Trade payables	–	–	22,655	–	22,655
Other payables and accruals	1,153	–	8,820	–	9,973
Bank loans	–	–	22,000	–	22,000
Intra-group payables (non-trade)	–	–	2,261	–	2,261
	<u>1,153</u>	<u>–</u>	<u>55,736</u>	<u>–</u>	<u>56,889</u>
Net financial assets	6,375	13,963	75,258	16	95,612
Less: Net financial assets denominated in the respective entities' functional currencies	<u>(6,375)</u>	<u>–</u>	<u>(77,519)</u>	<u>–</u>	<u>(83,894)</u>
Foreign currency exposure	<u>–</u>	<u>13,963</u>	<u>(2,261)</u>	<u>16</u>	<u>11,718</u>

As at 31 December 2019 and 2018, the Company has no financial instruments denominated in foreign currency, except for an amount due to subsidiary of approximately RMB2,250,000 (2018: RMB2,261,000) which is denominated in RMB.

Foreign exchange risk sensitivity

The following table details the sensitivity to a 5% (2018: 5%) increase and decrease in the Chinese Renminbi and Singapore dollars against the relevant foreign currencies. 5% (2018: 5%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2018: 5%) change in foreign currency rates. The sensitivity analysis includes external loans.

NOTES TO THE FINANCIAL STATEMENTS

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31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

If the United States dollars, Chinese Renminbi and Euro strengthen/weaken by 5% (2018: 5%) against the respective functional currencies of the Group entities, with all other variables held constant, the loss for the year will increase/(decrease) by:

	2019	2018
	Loss net	Loss net
	of tax	of tax
	RMB'000	RMB'000
	<u> </u>	<u> </u>
Group		
USD against RMB		
– strengthened	(183)	(524)
– weakened	183	524
 RMB against SGD		
– strengthened	84	85
– weakened	(84)	(85)
 Euro against RMB		
– strengthened	(1)	(1)
– weakened	1	1
	<u> </u>	<u> </u>
 Company		
RMB against SGD		
– strengthened	84	85
– weakened	(84)	(85)
	<u> </u>	<u> </u>

(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 2019, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The Group's total comprehensive loss not affected by changes in interest rates as the interest-bearing financial instruments carry fixed interest (Note 19) and are measured at amortised cost. As such, sensitivity analysis is not provided.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
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31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Management monitors rolling forecasts of the Group's and the Company's liquidity reserve, comprising cash and cash equivalents (Note 16) on the basis of expected cash flows.

As disclosed in Note 16, the purpose and terms of RMB 913,000 of the Subsidiary bank balance is presently uncertain; and its 2 other bank accounts with balances of RMB753,725 and US\$3,001 as at 31 December 2019 have been frozen for a period of 12 months, with effect from 10 March 2020 and 18 March 2020.

The remaining contractual maturity for all financial liabilities of the Group and Company is on demand or due within 1 year from the reporting date. The average credit period for trade payables from non-related parties is 60 days (2018: 60 days). Trade purchases from a related party are mostly paid in advance.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

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

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Carrying amount				
Trade receivables	86,251	100,536	–	–
Amount due from related parties (trade)	13,938	17,261	–	–
Advance payments to a related party (Note 15)	25,575	–*	–	–
	125,764	117,797	–	–
Other receivables and deposits	2,525	2,268	51	49
Cash and cash equivalents	11,536	25,023	4,799	7,479
	139,825	145,088	4,850	7,528

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

* In 2018, advance payment to a related party is classified as a non-financial asset as the advances represents a right to receive for raw material purchased. In 2019, due to uncertainty surrounding the related party in fulfilling its delivery obligation, the Group is seeking recourse to recover the amount paid to the related party. As a result, advance payment to a related party had been reclassified as a financial asset.

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

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

- 29% (2018: 20%) were due from 3 (2018: 3) major PRC customers who are established companies engaged in the construction and building material sector.
- 56% (2018: 47%) were due from customers located in Jiangsu province and Shanghai in PRC which are companies engaged in construction and building material sector.
- 5% (2017: 10%) were due from 3 (2018: 3) major overseas customers (located in Europe) who are engaged in the construction industry sector.

The average credit period on sales of goods and spray painting income is 90 days (2018: 90 days). No interest is imposed on overdue trade receivables.

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

	Group	
	2019 RMB'000	2018 RMB'000
<u>By geographical areas</u>		
– PRC	121,862	105,844
– UK	457	2,643
– Brazil	–	1,473
– Ukraine	2,699	5,665
– Austria	331	753
– Mexico	–	589
– Other countries*	415	830
	125,764	117,797

* Other countries include Africa, Australia and Tunisia.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

	Group	
	2019	2018
	RMB'000	RMB'000
<u>By types of customers</u>		
– Related parties	39,513	17,261
– Third parties	86,251	100,536
	125,764	117,797

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

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

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

The movement of the lifetime ECL are as follows:

	Group		
	Collective impairment – Not credit impaired	Individual impairment – Credit impaired	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	6,180	18,672	24,852
ECL allowance recognised during the year:			
– Additional ECL allowance	1,800	47,433	49,233
– Reversal of ECL allowance	(83)	–	(83)
– Write back due to recovery of balance	–	(790)	(790)
– Transfer to credit impaired	(614)	614	–
	1,103	47,257	48,360
Balance at 31 December 2019	7,283	65,929	73,212

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

	Group		
	Collective impairment – Not credit impaired RMB'000	Individual impairment – Credit impaired RMB'000	Total RMB'000
Representing allowance on:			
Trade receivables	7,283	26,275	33,558
Amount due from related parties (Trade)	–	14,079	14,079
Advance payment to a related party	–	25,575	25,575
Balance as at 31 December 2019	7,283	65,929	73,212

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
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31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

	Group		
	Collective impairment – Not credit impaired RMB'000	Individual impairment – Credit impaired RMB'000	Total RMB'000
Representing allowance on:			
Trade receivables	6,008	18,672	24,680
Amount due from related parties (Trade)	172	–	172
Balance at 31 December 2018	<u>6,180</u>	<u>18,672</u>	<u>24,852</u>

	31 December 2019			31 December 2018		
	Gross carrying amount RMB'000	Probability of default rate %	ECL allowance RMB'000	Gross carrying amount RMB'000	Probability of default rate %	ECL allowance RMB'000
<u>Third parties – not credit impaired PRC customers⁽ⁱ⁾</u>						
Grade I	40,817	1.94	792	44,160	1.83	806
Grade II	48,289	8.23-14.51	6,174	47,333	5.53-8.84	3,697
<u>Overseas customers</u>						
Austria	337	1.97	7	861	12.64	109
United Kingdom	679	1.36	9	2,818	6.21	175
Ukraine	2,992	9.79	293	7,059	15.31	1,081
Other countries	420	0.55-5.64	8	4,312	1.19 – 10.54	140
			<u>7,283</u>			<u>6,008</u>
Third parties – credit impaired ⁽ⁱⁱ⁾	<u>26,275</u>		<u>26,275</u>	18,672		18,672
Total trade receivables	119,809		33,558	125,215		24,680
Related parties						
– Credit impaired ⁽ⁱⁱ⁾	79,167	~ 50	39,654	–		–
– Not credit impaired	–		–	17,433	0.99	172
Total	<u>198,976</u>		<u>73,212</u>	<u>142,648</u>		<u>24,852</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019
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31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

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

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

- (ii) As of 31 December 2019, management estimated ECL allowance rate for related parties to be approximately 50% (2018: 1%) taking into consideration of the undue delay in delivery of goods ordered to reduce the advances paid for such goods or the tardiness in repayment of outstanding amounts for goods and services rendered (as the case may be) despite repeated reminders and follow-ups, the on-going litigation and claims made against 2 of the related parties as discussed in Note 29, as well as forward-looking factors considering the unprecedented damage and other repercussions brought about by COVID-19 on the global economic environment.

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

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

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

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

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

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31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category

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

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost	140,140	150,240	4,850	7,528
Financial liabilities at amortised cost	50,025	54,628	3,804	3,414

Capital risk management policies and objectives

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

The capital structures of the Group and the Company consist of debt, which include the borrowings disclosed in Note 19, net of cash and cash equivalents and the equity attributable to equity holders of the parent, comprising issued capital, statutory reserve fund, capital reserve, currency translation reserve and retained earnings. The Group's and Company's strategies were unchanged from 2018.

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

As disclosed in Note 5, the Subsidiary of the Group is required by the relevant law and regulations of the PRC to contribute and to maintain a non-distributable statutory reserve fund, the utilisation of which is subject to approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the Subsidiary for the financial years ended 31 December 2019 and 2018.

32. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair values in 2019 and 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS

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33. SUBSEQUENT EVENT

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. COVID-19 has created a high level of uncertainty to the near-term global economic prospects and this has impacted the Group's operations subsequent to the financial year, as the production line of the Subsidiary in the PRC was forced to shut down and employees were asked to stay-home by a local authorities in Jiangsu province since late January 2020. Although the pandemic is currently under control in PRC, the Subsidiary has yet to fully resume its operations. COVID-19 will therefore have an adverse impact on the Group's operations and trading results, the extent of which will depend on how long the outbreak lasts. The financial statements for the current year do not reflect the financial impact for the COVID-19. Should the situation persist for a protracted period, the risks to the Group could include lower revenue and gross margins affected by travel restrictions and lock down measures, delay or default in payments by customers affecting operating cash flows, and fall in values of financial and non-financial assets with further impairment, in addition to the amounts already provided for, as disclosed in Note 31(iii).

STATISTICS OF SHAREHOLDINGS

as at 22 May 2020

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	2	0.36	160	0.00
100 – 1,000	37	6.63	32,656	0.01
1,001 – 10,000	173	31.00	1,130,713	0.45
10,001 – 1,000,000	332	59.50	33,496,100	13.14
1,000,001 and above	14	2.51	220,221,031	86.40
Total:	558	100.00	254,880,660	100.00

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

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

Notes:

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

STATISTICS OF SHAREHOLDINGS

as at 22 May 2020

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Raffles Nominees (Pte.) Limited	140,345,860	55.06
2.	DBS Nominees (Private) Limited	49,303,849	19.34
3.	Philip Securities Pte Ltd	4,776,000	1.87
4.	OCBC Securities Private Limited	4,373,000	1.72
5.	Law Peng Kwee	3,000,000	1.18
6.	Wan Zuofeng	2,899,900	1.14
7.	Wang Yisheng	2,802,700	1.10
8.	Kalandoro Tjitra Siantar	2,550,700	1.00
9.	Maybank Kim Eng Securities Pte. Ltd.	2,169,022	0.85
10.	Ronnie Poh Tian Peng	2,100,000	0.82
11.	Choy Wee Chiap	1,913,000	0.75
12.	Tan Guan Heng (Chen Yuanxing)	1,394,500	0.55
13.	Tan Lye Seng	1,355,600	0.53
14.	Peh Hock Choon	1,236,900	0.49
15.	Choy Shien Yang	1,000,000	0.39
16.	Quey Sew Leng @ Quek Siew Leng	1,000,000	0.39
17.	Lee Kurfeng Daniel	995,000	0.39
18.	Yuen Chooi Yeng	900,000	0.35
19.	Loh Lee Fon Amy	700,000	0.27
20.	Lua Hung Seng	655,000	0.26
	Total:	<u>225,471,031</u>	<u>88.45</u>

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 22 May 2020, approximately 53.27% of the Company's issued shares (excluding treasury shares and subsidiary holdings) were held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of China Haida Ltd. (the “**Company**”) will be held by way of electronic means on Monday, 29 June 2020 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Auditors’ Report thereon.
(Resolution 1)
2. To note the retirement of Mr Soh Beng Keng as a Director of the Company pursuant to Article 107 of the Constitution of the Company, at the conclusion of the Annual General Meeting of the Company.
3. To re-elect Mr Xu Youcai, a Director of the Company, retiring pursuant to the Listing Rule 720(5) of the Singapore Exchange Securities Trading Limited.
(Resolution 2)
4. To approve the payment of Directors’ fees of S\$95,000 for the financial year ended 31 December 2019. (2018: S\$95,000)
(Resolution 3)
5. To approve the payment of Directors’ fees of S\$95,000 for the financial year ending 31 December 2020 to be paid quarterly in arrears.
(Resolution 4)
6. To re-appoint Messrs Crowe Horwath First Trust LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 5)
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

8. **Authority to issue shares**

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

- (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
- (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

(Resolution 6)

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

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

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

- (a) approval be and is hereby given for the renewal of the shareholders' mandate for the Company and its subsidiaries, or any of them, to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix A to the Notice of Annual General Meeting dated 14 June 2020 ("**Appendix A**"), with any party who is of the class of the interested persons described in the Appendix A, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such interested persons transactions as set out in the Appendix A;
- (b) the shareholders' mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and;
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the shareholders' mandate as they may think fit.

[See Explanatory Note (ii)]

(Resolution 7)

By Order of the Board

Marilyn Tan Lay Hong
Company Secretary
Singapore, 14 June 2020

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) The Ordinary Resolution 6 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

- (ii) The Ordinary Resolution 7 proposed in item 9 above, if passed, will authorise the interested person transactions as described in the Appendix A and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the shareholders' mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notes:

1. The Annual General Meeting ("**AGM**") is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternate Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's website at the URL www.haida.com.sg. This Notice will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. The proceedings of this AGM will be broadcasted "live" through an audio-and-video webcast and audio-only feed. Shareholders and investors holding shares through Supplementary Retirement Schedule ("**SRS**") ("**SRS Investors**") who wish to follow the proceedings must submit their request with their full name (as per CDP/CPF/Script-based records), identification number (e.g. NRIC/Passport Number/FIN), shareholding type(s) (e.g. CDP/CPF/Script-based), email address and contact number (to enable the Company and/or its agents and service providers to authenticate their status as member) to the Company no later than 2.30 p.m. on 26 June 2020 (i.e. not less than 72 hours before the time appointed for holding the above AGM), to srs.teamd@boardroomlimited.com.

Upon successful authentication, each member will receive an email reply by 2.00 p.m. on 27 June 2020. The email reply will contain instructions to access the live webcast of the AGM proceedings. Only authenticated members are permitted to access and attend the AGM proceedings. Members who have pre-registered by the deadline of 2.30 p.m. on 26 June 2020 but have not received an email reply by 3.00 p.m. on 27 June 2020 are to contact the Company for assistance by phone (at (65) 6230 9768) or by email srs.teamd@boardroomlimited.com as soon as practicable.

On the day of the AGM, before an authenticated and pre-registered member may access the live webcast and attend the AGM (by electronic means), the member's identity is required to be verified by the Company's Share Registrar. Members are encouraged to log in (to access the live webcast of the AGM proceedings) early to avoid possible bottlenecks and potential delays. We seek your kind understanding and cooperation. Members may log in from 1.30 p.m. on Monday, 29 June 2020.

3. Investors holding shares through relevant intermediaries ("**Investors**") (other than SRS Investors) will not be able to pre-register for the "live" broadcast of the AGM. An Investor (other than SRS Investors) who wishes to participate in the "live" broadcast of the AGM should instead approach his/her relevant intermediary as soon as possible in order to make the necessary arrangements. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/Passport number) to the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., via email to srs.teamd@boardroomlimited.com no later than 2.30 p.m. on 26 June 2020.

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

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

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

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

SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their SRS Operators to submit their votes by 5.00 p.m. on 17 June 2020.

5. The Chairman of the Meeting, as proxy, need not be a member of the Company.
6. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
- (a) if submitted by post, be lodged at the Registered Office of the Company at 420 North Bridge Road #04-06, North Bridge Centre, Singapore 188727; or
- (b) if submitted electronically, be submitted via email to the Company at srs.teamd@boardroomlimited.com,

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

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

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

7. Shareholders and Investors will not be able to ask questions "live" during the broadcast of this AGM. All Shareholders and Investors may submit questions relating to the business of this AGM no later than 2.30 p.m. on 23 June 2020:
- (a) by email to srs.teamd@boardroomlimited.com; or
- (b) by post to the Registered Office of the Company at 420 North Bridge Road #04-06, North Bridge Centre, Singapore 188727.

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

8. The Annual Report 2019 and the Appendix to the Notice of Annual General Meeting in relation to the Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions may be accessed at the Company's website as follows:
- (a) the Annual Report 2019 may be accessed at the URL www.haida.com.sg; and
- (b) the Appendix A to the Notice of Annual General Meeting in relation to the Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions may be accessed at the URL www.haida.com.sg.

Personal data privacy:

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

ADDITIONAL INFORMATION ON DIRECTOR PROPOSED FOR RE-ELECTION

Mr Xu Youcai, who is retiring pursuant to Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), will be seeking re-election at the forthcoming annual general meeting (“**AGM**”) of the Company scheduled to be held on Monday, 29 June 2020 under Ordinary Resolution 2 as set out in the Notice of AGM dated 14 June 2020.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Director proposed for re-election and appointment set out in Appendix 7.4.1 as required under the Listing Manual of the SGX-ST is disclosed in the following tables. **However, as Mr Xu Youcai remains uncontactable as of the date of the Notice of AGM, the Company does not have all the pertinent and necessary information regarding Mr Xu for the purposes of Rule 720(6) read with Appendix 7.4.1. Therefore, only information that is within the knowledge, possession and belief of the Company is disclosed below. More specifically, the Company is unable to answer questions (a) to (k) to Appendix 7.4.1 on behalf of Mr Xu.**

Name of Director	Xu Youcai
Date of Appointment	20 September 2004
Date of last re-appointment (if applicable)	Not applicable
Age	64
Country of principal residence	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Pursuant to Rule 702(5) of the Listing Manual
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Xu is responsible for the formulation and execution of the Group's overall business strategies and policies and the development of the Group's overseas market. Mr Xu also in charge of the day-to-day operations.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Executive Officer
Professional qualifications	Diploma in Mechanical Engineering from Mechanical Engineering Institute of Jiangnan University.
Working experience and occupation(s) during the past 10 years	Founded Jiangyin Haida Industrial Co. in 1993 and has remained its General Manager.
Shareholding interest in the listed issuer and its subsidiaries	Mr Xu is deemed to have an interest of 74,425,700 ordinary shares in the Company through his 60% shareholding in China Delta Limited, who is a substantial shareholder of the Company.

ADDITIONAL INFORMATION ON DIRECTOR PROPOSED FOR RE-ELECTION

Name of Director	Xu Youcai
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None, except that Mr Xu has a 60% shareholding in China Delta Limited, which is a substantial shareholder of the Company.
Conflict of interest (including any competing business)	No information
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Past (for the last 5 years)	Nil
Present	Jiangyin Haida Industrial Co. Notwithstanding the above, it is uncertain whether Mr Xu is holding any other principal commitments and/or directorships.

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CHINA HAIDA LTD.

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

PROXY FORM

IMPORTANT:

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

I/We, (Name) _____

(NRIC/Passport/Company Registration No.) _____

of (Address) _____

being a member/members of **China Haida Ltd.** (the "**Company**"), hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be convened and held by way of electronic means on Monday, 29 June 2020 at 10.30 a.m. and at any adjournment thereof.

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

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019			
2	Re-election of Mr Xu Youcai as a Director			
3	Approval of Directors' fees amounting to S\$95,000 for the financial year ended 31 December 2019			
4	Approval of Directors' fees amounting to S\$95,000 for the financial year ending 31 December 2020 to be paid quarterly in arrears			
5	Re-appointment of Messrs Crowe Horwath First Trust LLP as Auditors			
6	Authority to issue shares			
7	Proposed renewal of the Shareholders' Mandate for Interested Person Transactions			

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

Dated this _____ day of June 2020

Total number of Shares held:

--

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



Notes:

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

SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their SRS Operators to submit their votes by 5.00 p.m. on 17 June 2020.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged at the Registered Office of the Company at 420 North Bridge Road, #04-06, North Bridge Centre, Singapore 188727; or
 - (b) if submitted electronically, be submitted via email to the Company at srs.teamd@boardroomlimited.com,

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

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

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

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, it must be emailed with the instrument, failing which the instrument may be treated as invalid.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 June 2020.

General:

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Xu Youcai (Executive Director and Chief Executive Officer)
Guo Yun (Executive Director, resigned on 15 January 2020)

Non-Executive:

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

AUDIT COMMITTEE

Soh Beng Keng (Chairman)
Wang Liangfa
Tang Chun Meng

NOMINATING COMMITTEE

Wang Liangfa (Chairman)
Soh Beng Keng (appointed on 15 January 2020)
Tang Chun Meng

REMUNERATION COMMITTEE

Tang Chun Meng (Chairman)
Wang Liangfa
Soh Beng Keng

COMPANY SECRETARY

Tan Lay Hong
(appointed on 22 July 2019)

COMPANY'S REGISTERED OFFICE

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

SHARE REGISTRAR

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

PRINCIPAL PLACE OF BUSINESS

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

EXTERNAL AUDITORS

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

AUDIT PARTNER-IN-CHARGE

Ms Adeline Ng Cheah Chen

INTERNAL AUDITORS

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

PRINCIPAL BANKER

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

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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