



CHINA HAIDA LTD.

(Incorporated in Singapore on 18 August 2004)

Company Registration No. 200410428C

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

**DISCLAIMER OF OPINION ON THE AUDITED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2019**

In compliance with Rule 704(5) of the Singapore Exchange Securities Trading Limited Listing Manual, the Board of Directors of China Haida Limited (the "**Company**") wishes to inform that the independent auditors of the Company, Crowe Horwath First Trust LLP (the "**Independent Auditors**"), have rendered a disclaimer of opinion on the audited financial statements of the Company and its subsidiary (collectively, the "**Group**") for the financial year ended 31 December 2019 (the "**FY2019 Audited Financial Statements**") on the following bases:

(1) Limitation of scope

There is a limitation of scope in the completion of audit procedures in the audit of our Subsidiary, Jiangyin Litai Ornamental Materials Co., Ltd ("Litai") by the Independent Auditors for reasons and circumstances described in Note 1 to the FY2019 Audited Financial Statements. Accordingly, the Independent Auditors were unable to satisfy themselves 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 (a) the existence and recoverability of balances due from the related parties of RMB79,167,000, and (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. The Independent Auditors were also unable to ascertain whether all significant subsequent events and transactions have been adequately adjusted or disclosed in these financial statements;

(2) Litigations and claims

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

(3) Going Concern

As at the date of their report, due to the limitation of scope as disclosed in (1) above, the Independent Auditors have not been able to obtain sufficient audit evidence to satisfy themselves as to the full extent and impact of the litigations on the Group's operations and liquidity position, and that any of the assumptions stated in Note 2 the financial statements will be realised. Accordingly, they were unable to satisfy themselves as to the appropriateness of the going concern basis of accounting used in the preparation of these financial statements.

As detailed in Note 2 to the FY2019 Audited Financial Statements, these 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 RMB 11.4 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.

For complete detail of the foregoing, please refer to the full extracts of the Independent Auditors' Report and Notes 1 and 2 to the FY2019 Audited Financial Statements, as annexed to this announcement.

Shareholders of the Company are advised to read the FY2019 Audited Financial Statements in its entirety, as set out in its annual report 2019 (the "AR 2019"), which will be published on the SGXNET and the Company's website at www.haida.com.sg in due course..

By Order of the Board

Soh Beng Keng

Lead Independent Director

2 June 2020