

CHINA HAIDA LTD.
Registration No. 200410428C
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2022
TOGETHER WITH DIRECTORS' STATEMENT
AND AUDITOR'S REPORT

CHINA HAIDA LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The directors present their statement to the members together with the audited financial statements of China Haida Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2022 and the statement of financial position of the Company as at 31 December 2022.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 9 to 52 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 2022 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Directors

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

Tang Chun Meng
Chen Wei

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 1967, 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, either at the beginning of the financial year or at the end of the financial year.

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

DIRECTORS' STATEMENT (Continued)

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

CHEN WEI
Director



TANG CHUN MENG
Director

2 December 2024



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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 subsidiaries (the "Group"), as set out on pages 9 to 52, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

1. Opening balances and comparative information

The financial statements dated 30 April 2024 for the financial year ended 31 December 2021 ("FY2021") contained a disclaimer of opinion on those financial statements. The basis for disclaimer of opinion on the financial statements is disclosed in Note 2A to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraph on the financial statements for FY2021, we were unable to determine whether the opening balances as at 1 January 2022, the corresponding figures and its related disclosures for FY2021 were fairly stated and appropriately disclosed.

Since the opening balances as at 1 January 2022 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2022, as well as affect how the balances presented in the Group's and the Company's statements of financial position as at 31 December 2022 were derived, we were unable to determine whether adjustments might have been necessary in respect of the Group's financial statements and the Company's statement of financial position for the financial year ended 31 December 2022.

Our report on the current financial year's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA HAIDA LTD. (Continued)**

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

2. Limitation of scope

As of the date of this report, we are unable to complete our audit procedures, either physically or remotely, relating to transactions during the financial year ended 31 December 2022 ("FY2022") and up to the date of this report due to the lack of supporting documents provided to us. Based on the foregoing paragraphs, we are unable to satisfy ourselves as to the existence, completeness and accuracy of transactions that occurred during FY2022 and balances recorded as of that date, including, but not limited to items (a) to (f) as described below.

(a) Existence and recoverability of trade and other receivables

As at 31 December 2022, the Group's gross trade and bills receivables balance was RMB1,074,000 (2021: RMB10,889,000) and other receivables and prepayments amounted to RMB14,000 (2021: RMB5,239,000), as disclosed in Notes 12 and 13 respectively. On the basis that these balances are aged more than 1 year, management wrote off the entire balance of trade and other receivables as at FY2022. We are not able to send confirmations to these parties nor have we been able to perform alternative procedures to verify the existence and accuracy of these balances and movements during the year. Due to the lack of supporting documents, including the limitation of scope in performing audit procedures on subsequent events review as detailed in (f) below, we are unable to obtain adequate appropriate audit evidence to conclude on the appropriateness of the Group's trade and other receivables written off amounting to RMB1,074,000 and RMB14,000, as well as the appropriateness of disclosures in Note 26(iii) to the financial statements.

(b) Existence and completeness of bank balances and inventories

As at 31 December 2022, the Group reported cash and bank balances of RMB977,000 (2021: RMB4,146,000) (Note 14). We are unable to obtain confirmation replies from the Group's bank accounts in the PRC totaling RMB889,000 (2021: RMB4,133,000), and we are unable to perform alternative audit procedures to determine the existence and completeness of the Group's bank balances.

Further, management did not perform an annual physical inventory count as at 31 December 2022 and we are unable to perform alternative procedures that we considered necessary to verify the existence and completeness of inventories totaling RMB175,000 (2021: RMB1,483,000) (Note 11), which has been fully written off during FY2022. Due to the lack of supporting documents and the limitation of scope in performing procedures on income and expenses and subsequent events review as detailed in (d) and (f) below, we are unable to determine the veracity of cost of sales of RMB2,139,000 (2021: RMB7,499,000).



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA HAIDA LTD. (Continued)**

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

2. Limitation of scope (Continued)

(c) Existence and completeness of trade and other payables, including loans

Due to the lack of sufficient audit evidence, we have not been able to ascertain the existence and completeness of the Group's trade and other payables of RMB529,000 and RMB6,886,000 (2021: RMB8,573,000 and RMB8,664,000) respectively, as we are unable to perform circularisation procedures, or perform alternative procedures which we considered necessary.

As highlighted in (b) above, we are unable to obtain confirmation replies from the Group's bank accounts in the PRC and, accordingly, we are unable to determine the accuracy of the Group's bank loans and the full extent and financial impact of the Group's default in the repayment of bank loans (Note 17).

In view of the above concerns over the recording of liabilities, we are unable to determine the completeness of the liabilities recorded on the statements of financial position of the Group as at 31 December 2022 and the corresponding effects on the profit or loss for FY 2022

(d) Income and expenses recorded during the financial year

During the financial year, the Group reported revenue and cost of sales of RMB2,058,000 and RMB2,139,000 (2021: RMB8,168,000 and RMB7,499,000) respectively, which were generated primarily in the PRC. Based on the limited information and supporting documents made available to us, we are unable to complete our audit procedures over the occurrence, accuracy and completeness of such amounts recorded.

The subsidiaries in the PRC reported administrative expenses of RMB569,000 (2021: RMB16,048,000) (which includes personnel expenses and other expenses) and operating expenses totaling RMB630,000 (2021: RMB16,390,000) (which includes selling and distribution expenses, finance costs and other expenses) during FY2022. We are unable to obtain the necessary supporting documents to substantiate these transactions in the PRC due to the lack of access to the accounting records and management in the PRC. We are unable to complete our audit procedures over the occurrence, accuracy and completeness of such amounts recorded due to the lack of supporting documents provided to us.

(e) Investment in subsidiaries

In view of the above matters (including item 3 as described below), we are unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the Company's cost of investment in subsidiaries of RMB1,057,000 which was fully impaired during FY2022 (2021: RMB1,057,000 impaired by RMB330,000), in the absence of an impairment assessment to ascertain the subsidiaries' recoverable amounts using fair value less costs of disposal or discounted cashflows to derive the subsidiaries' value in use.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA HAIDA LTD. (Continued)**

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

2. Limitation of scope (Continued)

(e) Investment in subsidiaries (Continued)

Further, we were unable to ascertain the appropriateness of the Board of Directors' assessment in relation to the loss in control over Jiangyin Litai with effect on 1 January 2022, due to the lack of audit evidence. Consequently, we were unable to conclude on the accuracy of the net gain arising from deconsolidation of Jiangyin Litai of RMB100,685,000 as disclosed in Note 10 to the financial statements. The timing of the deconsolidation of Jiangyin Litai would also have substantial effect on the amounts of income and expenses recognised in the consolidated profit or loss for FY 2022.

(f) Subsequent events

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

3. Going concern assumption

As disclosed in Note 2B to the financial statements, as at 31 December 2022, the Group and the Company are in net liabilities positions of RMB7,217,000 and RMB5,955,000 (2021: RMB38,430,000 and RMB5,364,000) respectively, and the Group's revenue derived from the sales of aluminum panels in the PRC declined substantially by 75% from RMB8,168,000 to RMB2,058,000 (2021: RMB30,668,000 to RMB8,168,000) during FY2022.

As disclosed in Note 2B to the financial statements, the Directors have prepared the financial statements on a going concern basis on the assumptions that the Group's other subsidiaries will be able to generate positive and sufficient cashflows to meet its obligations as and when they fall due for the next twelve months. As at the date of this report, due to the matters highlighted above, we have not been able to obtain sufficient audit evidence regarding the likely outcome of these assumptions. Accordingly, we are not able to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA HAIDA LTD. (Continued)**

Report on the Audit of the Financial Statements (Continued)

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 1967 (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.

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 ("SSA") 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHINA HAIDA LTD. (Continued)**

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.

Crowe Horwath First Trust LP

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

2 December 2024

CHINA HAIDA LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

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

	Note	Group		Company	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	4	141,306	140,543	141,306	140,543
Statutory reserve fund	5	-	23,367	-	-
Capital reserve	6	-	47,946	-	-
Currency translation reserve	7	79	559	4,772	5,377
Accumulated losses	8	(148,602)	(250,845)	(152,033)	(151,284)
TOTAL DEFICIT		(7,217)	(38,430)	(5,955)	(5,364)
ASSETS					
Non-current assets					
Property, plant and equipment	9	-	-	-	-
Investment in subsidiaries	10	-	-	-	727
Loan to subsidiary		-	-	62	70
Current assets					
Inventories	11	-	-	-	-
Trade and bills receivables	12	-	-	-	-
Other receivables and prepayments	13	-	5,239	-	-
Cash and bank balances	14	977	1,660	-	3
		977	6,899	-	3
TOTAL ASSETS		977	6,899	62	800

CHINA HAIDA LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2022
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group		Company	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Current liabilities					
Trade payables		529	8,573	-	-
Other payables and accruals	15	6,886	8,664	5,225	1,899
Due to subsidiaries (non-trade)	16	-	-	673	4,265
Loans	17	779	11,429	119	-
Provisions	18	-	15,811	-	-
Contract liabilities	19(b)	-	852	-	-
		8,194	45,329	6,017	6,164
TOTAL LIABILITIES		8,194	45,329	6,017	6,164
NET LIABILITIES		(7,217)	(38,430)	(5,955)	(5,364)

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

CHINA HAIDA LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group	
		2022 RMB'000	2021 RMB'000
Revenue	19(a)	2,058	8,168
Cost of sales		(2,139)	(7,499)
Gross (loss) / profit		(81)	669
Other operating income	20	4,167	4,934
Administrative expenses		(1,185)	(18,998)
Selling and distribution expenses		(60)	(203)
Impairment loss on financial assets, net	21	(1,074)	(13,855)
Finance costs		(20)	(543)
Gain on deconsolidation of subsidiary	10(b)	100,685	-
Other expenses	22	(189)	(1,789)
Profit / (Loss) before tax	24	102,243	(29,785)
Tax expense	25	-	(5)
Profit / (Loss) for the year		102,243	(29,790)
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		(480)	205
Total comprehensive income / (loss) for the year		101,763	(29,585)
Profit / (Loss) attributable to:			
Equity holders of the Company		101,763	(29,585)
Total comprehensive income / (loss) attributable to:			
Equity holders of the Company		102,243	(29,790)
Profit / (Loss) per share (RMB cents)			
Basic and diluted		33.4	(11.7)

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

CHINA HAIDA LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Attributable to equity holders of the Company					
	Share capital RMB'000	Statutory reserve fund RMB'000	Capital reserve RMB'000	Currency translation RMB'000	Retained earnings RMB'000	Total equity RMB'000
Opening balance at 1 January 2021	140,543	23,367	47,946	354	(221,055)	(8,845)
Loss for the year	-	-	-	-	(29,790)	(29,790)
Other comprehensive loss, net of tax						
- Currency translation differences arising from consolidation	-	-	-	205	-	205
Total comprehensive income / (loss)	-	-	-	205	(29,790)	(29,585)
Balance at 31 December 2021	140,543	23,367	47,946	559	(250,845)	(38,430)

CHINA HAIDA LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(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 RMB'000	Retained earnings RMB'000	
Opening balance at 1 January 2022	140,543	23,367	47,946	559	(250,845)	(38,430)
Share issuance	763	-	-	-	-	763
Profit for the year	-	-	-	-	102,243	102,243
Other comprehensive loss, net of tax						
- Currency translation differences arising from consolidation	-	-	-	(480)	-	(480)
Deconsolidation of a subsidiary (Note 10(b))	-	(23,367)	(47,946)	-	-	(71,313)
Total comprehensive income / (loss)	-	(23,367)	(47,946)	(480)	102,243	30,450
Balance at 31 December 2022	141,306	-	-	79	(148,602)	(7,217)

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

CHINA HAIDA LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

	Note	Group	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Profit / (Loss) before tax		102,243	(29,785)
Adjustments:			
Impairment loss on financial assets, net		-	(2,966)
Write down of inventories to net realisable value	20	-	(674)
Reversal of impairment loss on pledged assets	20	-	(1,001)
(Reversal) / Write off of inventories		(1,308)	1,483
(Reversal) / Write off of trade receivables		(953)	10,359
(Reversal) / Write off of other receivables and prepayments		(63)	-
Write-off bills receivables		-	530
Gain on deconsolidation of subsidiary	10	(100,685)	-
Interest expense		20	543
Interest income	20	-	(8)
Translation difference		(480)	205
Operating loss before working capital changes		(1,226)	(21,314)
Inventories		1,308	(809)
Trade and bills receivables		953	24,357
Other receivables and prepayments		128	150
Trade and other payables and contract liabilities		(3,343)	(1,431)
Cash (used in) / generated from operations		(2,180)	953
Interest paid		(20)	(543)
Interest received		-	8
Income tax paid		-	(5)
Net cash (used in) / from operating activities		(2,200)	413
Cash flows from financing activities			
Repayment of borrowings		779	-
Proceeds from issuance of new shares		763	-
Net cash from financing activities		1,542	-
Net (decrease) / increase in cash and bank balances		(658)	413
Cash and bank balances at beginning of year		1,660	1,247
Effect of exchange rate changes in cash and bank balances		(25)	-
Cash and bank balances at end of year	14	977	1,660

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

CHINA HAIDA LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
(Amounts in thousands of Chinese Renminbi ("RMB'000"))

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

1. GENERAL INFORMATION

China Haida Ltd. (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of the Company's registered office and principal place of business is 24 Raffles Place, #20-03 Clifford Centre, Singapore 048621.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 10. On 1 January 2022, due to the various matters surrounding the Company's principal subsidiary, Jiangyin Litai Ornamental Materials Co., Ltd. ("Jiangyin Litai") in the PRC as disclosed in Note 2(A) to the financial statements, the Board of Directors assessed and concluded that there was a loss in control over Jiangyin Litai, taking into consideration of, among others, limited or no access to Jiangyin Litai's financial records in the PRC. Consequently, on 1 January 2022, the Company deconsolidated 100% of its equity interest in Jiangyin Litai as disclosed in Note 10 to the financial statements.

On 18 March 2022, the Company announced that SGX-ST has notified the Company that the Company will be delisted, pursuant to SGX-ST Listing Rule 1305(1). Consequently, the Company's securities have been delisted on SGX-ST on 14 April 2022.

The financial statements for the financial year ended 31 December 2022 were authorised for issue by the Board of Directors at a meeting held on 2 December 2024.

2A. OPENING BALANCES AND COMPARATIVES

The independent auditor's report dated 30 April 2024 contained a disclaimer of opinion on the financial statements for the financial year ended 31 December 2021 ("FY2021"). The extract of the basis for disclaimer of opinion should be read in conjunction with the Group's audited financial statements for FY2021 as all figures and references are in respect of the financial statements for FY2021.

Disclaimer of opinion

The independent auditor did not express an opinion on the FY2021 consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as at FY2021. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of their report, the independent auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2A. OPENING BALANCES AND COMPARATIVES (Continued)

Disclaimer of opinion (Continued)

(i) Litigations and enforcement proceedings

In 2019, Jiangyin Litai, a principal subsidiary of the Group, was involved in various litigations and enforcement proceedings in the PRC, together with one of the Group's directors, Mr. Xu Youcai ("Mr. Xu"), and several of his controlled entities. Consequently, 2 of Jiangyin Litai's bank accounts had been frozen as disclosed in the disclaimer of opinion for financial year ended 31 December 2019 ("FY2019"). As announced by the Company in various announcements during 2020 and in February 2021, the Board of Directors appointed a PRC legal counsel to investigate into these legal disputes. Based on the legal report dated 25 February 2021, the following were highlighted:

- (a) Two enforcement proceedings had been brought about by a PRC bank naming Jiangyin Litai as co-defendants along with Mr. Xu and other related parties. The PRC bank was granted court judgement to seize certain assets pledged as security ("Pledged Assets") for defaulted loans of RMB 102,500,000 granted to Mr. Xu and his related parties. Based on available information, the Pledged Assets include certain key operating assets of Jiangyin Litai, comprising certain leasehold buildings, right-of-use assets, plant and machinery, and inventories. However, the detailed extent of these Pledged Assets was undetermined. Consequently, the Board of Directors made a full impairment on the entire carrying amounts of all non-financial assets comprising property, plant and equipment of RMB34,691,000, right-of-use assets of RMB9,911,000 and inventories of RMB3,710,000 as at FY2020.
- (b) Several arbitration or court judgements were filed against Jiangyin Litai, along with Mr. Xu and other related parties. Based on the court judgements and management's estimates of the claims made against Jiangyin Litai, the Group recognised a total provision of RMB15,811,000 during FY2020. Further, there were several on-going enforcements proceedings involving Jiangyin Litai as co-defendants for which no provisions had been made by the Group as at FY2020, due to limited information on the details of these claims and the Board of Directors is unable to estimate the full extent of these claims attributable to Jiangyin Litai.

Due to the various legal disputes, all of the Jiangyin Litai's bank accounts in the PRC are inaccessible and the Group recognised full impairment loss on the bank balances aggregating to RMB 3,487,000. The total impairment loss, recognised as other expenses, on these Pledged Assets and bank balances amounted to RMB51,799,000 in FY2020.

The independent auditors were unable to determine the extent of these legal disputes and were not able to obtain sufficient appropriate audit evidence to conclude on (a) the appropriateness of the quantum of the impairment of Pledged Assets, and (b) the adequacy of provisions for litigations and claims against Jiangyin Litai.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2A. OPENING BALANCES AND COMPARATIVES (Continued)

Disclaimer of opinion (Continued)

(ii) Limitation of scope

The independent auditors were unable to complete their audit procedures, either physically or remotely, relating to transactions during FY2021 due to the lack of supporting documents in light of the litigations and enforcement proceedings involving Jiangyin Litai, as described in item (i) above. Based on the foregoing paragraphs, they were unable to satisfy themselves as to the existence, completeness and accuracy of transactions that occurred during FY2021 and balances recorded as of that date, including, but not limited to the following items:

(1) Existence and recoverability of trade and other receivables

As at 31 December 2021, the Group's gross trade and bills receivables balance was RMB10,889,000 and other receivables and prepayments amounted to RMB5,239,000. On the basis that these balances are aged more than 1 year, management wrote off the entire balance of trade and bills receivables as at FY2021.

The independent auditor was not able to send confirmations to these parties nor able to perform alternative procedures to verify the existence and accuracy of these balances and movements during the year. Further, the independent auditor was also unable to obtain adequate appropriate audit evidence to conclude on the existence and accuracy of the gross amount recorded, adequacy and appropriateness of impairment losses recognised by the management, including the appropriateness of disclosures in the financial statements, due to the lack of supporting documents and limitation of scope in performing subsequent events review.

(2) Existence and completeness of bank balances and inventories

As at FY2021, the Group reported cash and bank balances of RMB4,160,000, of which RMB2,486,000 was inaccessible and frozen due to item (i) above. On that basis, management made a full impairment of RMB2,486,000 in relation to the bank balances that were frozen. The independent auditor was unable to obtain confirmation replies from all of Jiangyin Litai's bank accounts in the PRC and they were unable to perform alternative audit procedures to obtain information and explanations that were considered necessary.

Management did not perform an annual physical inventory count as at FY2021 and the independent auditor was unable to perform alternative procedures considered necessary to verify the existence and completeness of the inventories reported as at FY2021 amounting to RMB1,483,000 and balances had been fully impaired during FY2021.

Further, the independent auditor was not able to ascertain the existence and completeness of trade payables of RMB8,537,000 as at FY2021, as they were unable to perform circularisation procedures, or alternative procedures. In addition, they were unable to ascertain the completeness of other payables and accruals amounting to RMB8,664,000 as reported by the Group, due to the lack of supporting information.

(3) Existence and completeness of trade and other payables, including bank loans

Due to the lack of sufficient audit evidence and Litigations in the PRC, the independent auditor was not able to ascertain the existence and completeness of the Group's trade and other payables of RMB8,573,000 and RMB8,664,000 respectively. The independent auditor was unable to perform circularisation procedures, or perform alternative procedures.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2A. OPENING BALANCES AND COMPARATIVES (Continued)

Disclaimer of opinion (Continued)

(ii) Limitation of scope (Continued)

(3) Existence and completeness of trade and other payables, including bank loans (Continued)

As highlighted in (2) above, the independent auditor was unable to obtain confirmation replies from the Group's bank accounts in the PRC and, accordingly, the independent auditor was unable to determine the accuracy of the Group's bank loans and the full extent and financial impact of the Group's default in the repayment of bank loans since 2019.

(4) Impairment of investment in the subsidiary of the Company

In view of item 2 above, the Board of Directors have been made a full impairment on the Company's cost of investment in Jiangyin Litai of RMB118,448,000 during FY2021 due to lack of clarity over the extent of the claims made against Jiangyin Litai as one of the numerous co-defendants in those legal proceedings.

In addition, the Board of Directors have been made partial impairment on the Company's cost of investment in CHDE Engineering Pte. Ltd. and AAAAA Holdings Pte. Ltd of RMB236,000 and RMB94,000 respectively due to lack of clarity over the return of investment made against the subsidiaries.

The independent auditor was not able to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the basis of impairment of the Company's carrying amount of investment in subsidiaries, in the absence of an impairment assessment to ascertain the subsidiary's recoverable amount using fair value less costs of disposal or discounted cashflows to determine the subsidiaries' value in use.

(iii) Going concern assumption

The Group and the Company were in net liabilities positions of RMB38,430,000 and RMB5,364,000 respectively, and the Group incurred a net loss for the year of RMB29,790,000 for the financial year ended 31 December 2021. Further, the Group's revenue derived from the sales of aluminum panels and spray-painting services declined substantially from RMB 30,668,000 to RMB8,168,000.

In addition to the litigations and enforcement proceedings in the PRC as described in (i) above, Jiangyin Litai has also defaulted on the repayment of two bank loans amounting to an aggregate of RMB11,429,000, and the bank has taken enforcement actions against Jiangyin Litai. As at the date of the audit report of FY2021, the Board of Directors is unable to determine the full extent and financial impact of these legal cases. These conditions indicate the existence of multiple material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as going concerns.

(iv) Opening balances

The independent auditor for the financial year ended 31 December 2020 ("FY2020"), whose report dated 14 June 2021, contained a disclaimer of opinion on those financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for FY2020, the auditor was unable to determine whether the opening balances as at 1 January 2021 were fairly stated. In addition, the auditor was unable to perform audit procedures to obtain sufficient appropriate audit evidence about whether the Group's and Company's opening balances as at 1 January 2021 contain misstatements that materially affect FY2021 financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2A. OPENING BALANCES AND COMPARATIVES (Continued)

Disclaimer of opinion (Continued)

(iv) Opening balances (Continued)

Since opening balances as at 1 January 2021 entered into the determination of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company as at FY2021, as well as affect how the balances presented in the Group's and Company's statements of financial position as at FY2021 were derived, the independent auditor was unable to determine whether adjustments might have been found necessary in respect of the Group's and the Company's financial statements of FY2021.

The independent auditor has also modified their report on the financial statements of the Group and the Company for FY2021 because of the possible effects of these matters on the comparability of FY2021 figures and the corresponding figures in FY2020.

2B. FUNDAMENTAL ACCOUNTING CONCEPT

The Group and the Company are in net liabilities positions of RMB7,217,000 and RMB5,955,000 (2021: RMB38,430,000 and RMB5,364,000) respectively, and the Group's revenue declined substantially by 75% (2021: 73%) to RMB2,058,000 (2021: RMB8,168,000) during the financial year ended 31 December 2022 ("FY2022")..

Further, on 1 January 2022, the Board of Directors assessed and concluded that there was a loss in control over the Company's principal subsidiary, Jiangyin Litai, due to various matters surrounding Jiangyin Litai as disclosed in Note 2(A). As a result, the Company deconsolidated 100% of its equity interest in Jiangyin Litai as disclosed in Note 10 to the financial statements.

The facts and circumstances above indicate the existence of material uncertainties that may cast significant doubts over the abilities of the Group and the Company to continue as going concerns. Notwithstanding this, the accompanying financial statements have been prepared on a going concern basis as the Board of Directors expects other subsidiaries to contribute positively to the cash flows and earnings of the Group in future.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). 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 (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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

Adoption of new and revised standards

On 1 January 2022, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS ") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS . The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Standards issued but not yet effective

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

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
FRS 117: <i>Insurance Contracts</i>	1 January 2023
Amendments to FRS 1 and FRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to FRS 8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to FRS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendment to FRS 117: <i>Initial Application of FRS 117 and FRS 109—Comparative Information</i>	1 January 2023
Amendments to FRS 12: <i>International Tax Reform—Pillar Two Model Rules</i>	1 January 2023
Amendments to FRS 1: <i>Classification of Liabilities as Current or Non-Current; and Amendments to FRS 1: Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to FRS 116: <i>Lease Liabilities in a Sale and Leaseback</i>	1 January 2024
Amendments to FRS 7 and FRS 107: <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to FRS 21: <i>Lack of Exchangeability</i>	1 January 2025
Annual Improvements of FRSs	1 January 2026
Amendments to FRS 109: <i>Amendments to the Classification and FRS 107:</i>	1 January 2026
FRS 118: <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
FRS 119: <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to FRS 110 and FRS 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting

Subsidiaries

(a) Basis of consolidation

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

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

(b) Acquisition of businesses

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 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 result 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation

(i) Functional and presentation currency

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.

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").

(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 subsidiaries 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 (Continued)

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:

	<u>Useful lives</u> <u>(Years)</u>	<u>Estimated residual value</u> <u>as a percentage of cost *</u>
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 subsidiaries. There is no residual value for the Company's property, plant and equipment.

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

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

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In 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.

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 FRS (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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(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 bills receivables, other receivables, cash and bank balances, 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.

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 subsidiaries) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(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 derecognises financial liabilities when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

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

(iv) Offsetting

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

Impairment of financial assets

The Group applies impairment model in FRS 109 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 bank balances)
- Contract assets (determined in accordance with FRS 115)
- 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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

Simplified approach

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

General approach

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

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

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 writes 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 (Continued)

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 (Continued)

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.

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 employees, 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.

People's Republic of China ("PRC")

The subsidiaries, incorporated and operating in the PRC, are required to provide certain retirement plan contributions 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 subsidiaries' 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each 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 assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

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

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

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

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

Cash and bank balances

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A related party is defined as follows:

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

Critical accounting estimates, assumptions and judgements

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

(i) Critical accounting estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

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 RMB3,602,000 (2021: RMB 112,405,000) for which no deferred tax assets had been recognised due to uncertainty of its recovery. These losses relate to a subsidiary with a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets.

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

The following is the judgement made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Effective date for loss of control

As disclosed in Note 2A, due to the various matters surrounding Jiangyin Litai in the PRC, the management assessed and concluded on the loss in control over Jiangyin Litai taking into consideration of, among others, limited or no access to Jiangyin Litai's financial records in the PRC. In addition, the management understands that Jiangyin Litai is undergoing liquidation process in the PRC in December 2023. Consequently, the management determined the effective date for loss of control as 1 January 2022.

4. SHARE CAPITAL

	Group and Company			
	2022		2021	
	Number of ordinary shares	RMB'000	Number of ordinary shares	RMB'000
Issued and fully paid				
At beginning of the year	254,880,660	140,543	254,880,660	140,543
Issuance of shares	50,970,000	763	-	-
	<u>305,850,660</u>	<u>141,306</u>	<u>254,880,660</u>	<u>140,543</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. STATUTORY RESERVE FUND

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), the subsidiaries, 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 subsidiaries' registered capital, the subsidiaries 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 subsidiaries. The SRF is not available for dividend distribution to shareholders.

During the financial year, the Company deconsolidated its principal subsidiary, Jiangyin Litai, due to a loss in control and the corresponding SRF was reversed as disclosed in Note 10 to the financial statements.

6. CAPITAL RESERVE

In 2009, the subsidiaries increased their 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.

During the financial year, the Company deconsolidated its principal subsidiary, Jiangyin Litai, due to a loss in control and the corresponding capital reserve was reversed as disclosed in Note 10 to the financial statements.

7. CURRENCY TRANSLATION RESERVE

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year	559	354	5,337	5,158
Foreign currency translation difference for the financial year	(480)	205	(565)	179
At the end of the year	79	559	4,772	5,337

Currency translation reserve arose from translation of the entities' 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 subsidiaries which are eliminated in the consolidated financial statements.

8. ACCUMULATED LOSSES

	Company	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	(151,284)	(148,393)
Loss for the year	(749)	(2,891)
At the end of the year	(152,033)	(151,284)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2021 and 31 December 2021	50,309	82,120	3,833	4,143	140,405
As at 1 January 2022	50,309	82,120	3,833	4,143	140,405
Deconsolidation of a subsidiary (Note A)	(50,309)	(82,120)	(3,833)	(4,143)	(140,405)
As at 31 December 2022	-	-	-	-	-
Accumulated depreciation and impairment					
As at 1 January 2021 and 31 December 2021	50,309	82,120	3,833	4,143	140,405
As at 1 January 2022	50,309	82,120	3,833	4,143	140,405
Deconsolidation of a subsidiary (Note A)	(50,309)	(82,120)	(3,833)	(4,143)	(140,405)
As at 31 December 2022	-	-	-	-	-
Net carrying amount					
As at 31 December 2022	-	-	-	-	-
As at 31 December 2021	-	-	-	-	-

Note A

During the financial year, the Company deconsolidated its principal subsidiary, Jiangyin Litai, due to a loss in control and the corresponding property, plant and equipment was derecognised as disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RMB'000	2021 RMB'000
Unquoted equity shares, at cost - at beginning of year	727	-
Additions	-	1,057
Unquoted equity, at cost - at end of year	727	1,057
Less: Impairment charge during the year	(727)	(330)
Unquoted equity, net - at end of the year	-	727

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2022 %	2021 %
Held by the Company				
Jiangyin Litai Ornamental Materials Co., Ltd. ("Jiangyin Litai") ⁽¹⁾	Manufacture and sale of aluminium composite panels and aluminium single panels and spray painting	PRC	-	100
CHD Engineering and Trading Pte. Ltd. ("CHD")	Wholesale metal and metal ores and general contractors	Singapore	100	100
AAAA Holdings Pte. Ltd. ("AAAA")	Wholesale metal and metal ores	Singapore	100	100
Held by AAAA				
Jiangyin Xinwan New Material Co., Ltd	Manufacture of plumbing parts and other construction metal products and sales of materials	PRC	100	100

- (1) Due to the various matters surrounding the Company's principal subsidiary, Jiangyin Litai, in the PRC as disclosed in Note 2(A) to the financial statements, the Board of Directors assessed and concluded that there was a loss in control over Jiangyin Litai, taking into consideration of, among others, limited or no access to Jiangyin Litai's financial records in the PRC..

Consequently, on 1 January 2022, the Company deconsolidated 100% of its equity interest in Jiangyin Litai and the effects of the deconsolidation on the financial statement of the Group were:

	Group 2022 RMB'000
<u>Carrying amounts of assets as at 1 January 2022</u>	
Trade and other receivables	5,174
Cash and bank balances	25
Advance to a subsidiary	3,357
Due from holding company (non-trade)	3,727
Total assets	12,283

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. INVESTMENT IN SUBSIDIARIES (Continued)

(a) Deconsolidation of subsidiary (Continued)

	Group 2022 RMB'000
<u>Carrying amounts of liabilities as at 1 January 2022</u>	
Trade and other payables	13,562
Contract liabilities	852
Short-term bank borrowings	11,429
Provision for enforced court cases	15,812
Total liabilities	41,655
Net liabilities	29,372
Reversal of capital reserve	23,367
Reversal of statutory reserve fund	47,946
Net gain arising from deconsolidation of the subsidiary	100,685

11. INVENTORIES

	Group	
	2022 RMB'000	2021 RMB'000
Finished goods	175	1,483
Less: Written off during the year (Note 22)	(175)	(1,483)
	-	-

The cost of inventories recognised as expenses and included in "cost of sales" amounted to approximately RMB2,139,000 (2021: RMB7,499,000).

12. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Trade receivables	674	10,359	-	-
Bills receivable	400	530	-	-
	1,074	10,889		
Less: Trade receivables written off (Note 21)	(674)	(10,359)	-	-
Less: Bills receivable written off (Note 21)	(400)	(530)	-	-
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	10	2,408	-	-
Other receivables	4	2,831	-	-
	14	5,239	-	-
Less: Prepayments written off (Note 22)	(10)	-	-	-
Less: Other receivables written off (Note 22)	(4)	-	-	-
	-	5,239	-	-

14. CASH AND BANK BALANCES

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	977	4,146	-	3
Less: Impairment loss ⁽¹⁾	-	(2,486)	-	-
Cash and bank balances	977	1,660	977	3

As at 31 December 2022, 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 RMB889,000 (2021: RMB4,133,000). 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 to conduct foreign exchange business.

⁽¹⁾ During the prior financial year, Jiangyin Litai's bank accounts with balances of RMB2,486,000 has at 31 December 2021 are inaccessible and have been deemed frozen, pursuant to the various litigations and enforcement proceedings involving Jiangyin Litai and Mr. Xu (together with his controlled entities) as disclosed in Note 2A and the Board of Directors has made a full impairment charge on these PRC bank accounts. During the financial year ended 31 December 2022, the Company deconsolidated Jiangyin Litai due to a loss in control and the corresponding bank balances were derecognised as disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Other taxes payable	-	314	-	-
Accrued operating expenses	740	6,996	739	1,813
Other payables	6,134	1,354	4,486	86
VAT payables	12	-	-	-
	6,886	8,664	5,225	1,899

16. DUE TO SUBSIDIARIES (NON-TRADE)

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

17. LOANS

	Group		Company	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Bank Loan I (Secured) ⁽¹⁾	-	4,429	-	-
Bank Loan II (Secured) ⁽¹⁾	-	7,000	-	-
Bank Loan	660	-	-	-
Loan from investor	119	-	119	-
Total bank loans due and defaulted	779	11,429	119	-

Interests on secured bank loans were charged at the rate of 5% to 9.79% (2021: 3.99% to 4.79%) per annum.

⁽¹⁾ During the financial year ended 31 December 2022, the Company deconsolidated Jiangyin Litai due to a loss in control and the corresponding bank loans were derecognised as disclosed in Note 10 to the financial statements.

Reconciliation of liabilities arising from financing activities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PROVISIONS

	Group	
	2022	2021
	RMB'000	RMB'000
Enforcement proceedings ⁽¹⁾	-	3,790
Legal suit 1 ⁽¹⁾	-	5,500
Legal suit 2 ⁽¹⁾	-	863
Legal suit 3 ⁽¹⁾	-	46
Legal suit 4 ⁽¹⁾	-	12
Legal suit 5 ⁽¹⁾	-	5,600
	-	15,811

- ⁽¹⁾ During the financial year ended 31 December 2022, the Company deconsolidated Jiangyin Litai due to a loss in control and the corresponding bank loans were derecognised as disclosed in Note 10 to the financial statements.

Enforcement proceedings

Eleven enforcement cases were filed against Jiangyin Litai and Mr. Xu, together with 7 other parties, for an aggregate amount of RMB5,107,400 in the Sichuan Chengdu Longquanyi District People's Court from 6 March 2020 to 7 August 2020. These cases ended in August 2020 and the Group is liable for the full amount claimed. The provision of RMB3,790,000 represents the remaining unsettled amount as at 31 December 2021 and 2022.

Legal suit 1

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

Legal suit 2

Jiangyin Litai was named as a co-defendant alongside its related party, Jiangyin Shengtong Aluminium Co., Ltd, Mr. Xu, and spouse in a legal suit instituted by a Bank of China, WuXi Branch (the "Bank") during 2020 before the Jiangsu Wuxi Liangxi District People's Court. This is in relation to the default payment on the facilities granted to Jiangyin Litai (Note 17). The Bank has claimed for an aggregate amount of RMB12,292,000, including the outstanding loan amount, interests, legal fees and penalties ("Total Claim"). In addition, the Bank has the right to list the pledged assets with net carrying amount of RMB3,356,000 (Note 17) on auction. The Board of Directors has made an additional provision of RMB836,000 representing the difference in Total Claim and defaulted loans in Note 19 to the financial statements.

18. PROVISIONS (Continued)

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

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

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

(a) **Disaggregation of revenue**

	Sale of aluminium single panel		Sale of aluminium composite panel		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Timing of transfer of goods and services						
At a point of time	-	1,617	2,058	6,551	2,058	8,168

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

(b) Contract liabilities

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

	Group	
	2022	2021
	RMB'000	RMB'000
Contract liabilities	-	852

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.

20. OTHER OPERATING INCOME

	Group	
	2022	2021
	RMB'000	RMB'000
Rental income	-	3,070
Government grants	-	55
Interest income on bank deposits	-	8
Recovery of trade and bills receivables written off	2,027	1,001
Recovery of other receivables written off	77	-
Recovery of inventories written off	1,483	-
Reversal of inventories written down to net realisable value	-	674
Foreign exchange gain, net	580	-
Others	-	126
	4,167	4,934

21. IMPAIRMENT LOSS ON FINANCIAL ASSETS, NET

	Group	
	2022	2021
	RMB'000	RMB'000
Impairment loss on financial assets:		
(a) Trade receivables (Note 12)	674	10,359
(b) Bill receivable (Note 12)	400	530
(c) Other receivables, deposits and prepayments (Note 26 (iii))	-	3,366
Impairment loss written back	-	(400)
	1,074	13,855

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. OTHER EXPENSES

	Group	
	2022 RMB'000	2021 RMB'000
Inventories written off (Note 11)	175	1,483
Prepayment written off (Note 13)	10	-
Other receivables written off (Note 13)	4	-
Foreign exchange loss, net	-	306
	<u>189</u>	<u>1,789</u>

23. PERSONNEL EXPENSES

	Group	
	2022 RMB'000	2021 RMB'000
Wages, salaries and bonuses *	477	12,527
Contributions to defined contribution plan *	-	213
Other payroll related expenses *	-	75
	<u>477</u>	<u>12,815</u>

* Inclusive of directors' fees approximately RMB392,000 (2021: RMB324,000) and nil directors' remuneration (2021: RMB236,000), as disclosed in Note 24 respectively.

24. PROFIT / (LOSS) BEFORE TAX

	Note	Group	
		2022 RMB'000	2021 RMB'000
Audit fees			
- Auditor of the Company		98	96
Directors of the Company:			
- Directors' fees	23	392	324
- Directors' remuneration	23	-	236
Personnel expenses *	23	85	12,815
Foreign exchange (gain) / loss, net	22	(580)	306
Lease expenses not included in lease liabilities			
- short term leases		-	46
Cost of inventories recognised as cost of sales	11	2,139	7,499

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. TAX EXPENSE

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

	Group	
	2022 RMB'000	2021 RMB'000
Accounting profit (loss) before tax	102,243	(29,785)
Tax at the domestic rates applicable to loss in the countries where the Group operates	25,561	(7,446)
Tax effect of:		
- non-deductible expenses	-	734
- non-taxable income	(25,561)	(13)
Deferred tax asset not recognised	-	6,730
Tax expense	-	5

The Company's applicable tax rate is 17% (2021: 17%). However, the Company has no material Singapore-sourced chargeable income, and hence the administrative expenses representing corporate expenses are not tax deductible.

The subsidiaries in the PRC are subject to an applicable tax rate of 25% (2021: 25%). The subsidiaries in the PRC have unused tax losses of RMB3,602,000 (2021: RMB112,405,000) 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 the subsidiaries in the PRC expire at end of 5 years from the losses recorded are as follows:

	Group			
	2022		2021	
	RMB'000	Expiring on	RMB'000	Expiring on
Tax losses arising from financial year of:				
2017	-	2022	9,887	2022
2018	-	2023	12,424	2023
2019	-	2024	37,332	2024
2020	-	2025	25,841	2025
2021	3,602	2026	26,921	2026
	<u>3,602</u>		<u>112,405</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. 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. Approximately 100% (2021: 20%) of the Group's sales are denominated in foreign currencies. The Group's trade receivables at the end of the financial year are also subject to foreign currencies exposure. The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes.

Group As at 31 December 2022	Singapore dollars RMB'000	Chinese Renminbi RMB'000	Total RMB'000
Financial assets			
Cash and bank balances	88	889	977
Other receivables and deposits	-	-	-
Intra-group receivables (non-trade)	828	90	918
	<u>916</u>	<u>979</u>	<u>1,895</u>
Financial liabilities			
Trade payables	-	529	529
Other payables and accruals	1,609	5,277	6,886
Loans	119	660	779
Intra-group payables (non-trade)	828	90	918
	<u>2,556</u>	<u>6,556</u>	<u>9,112</u>
Net financial liabilities	(1,640)	(5,577)	(7,217)
Add: Net financial liabilities denominated in the respective entities' functional currencies	-	5,577	5,577
Foreign currency exposure	<u>(1,640)</u>	<u>-</u>	<u>(1,640)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 31 December 2021	Singapore dollars RMB'000	Chinese Renminbi RMB'000	Total RMB'000
Financial assets			
Cash and bank balances	12	1,648	1,660
Other receivables and deposits	-	2,831	2,831
Intra-group receivables (non-trade)	536	3,727	4,263
	<u>548</u>	<u>8,206</u>	<u>8,754</u>
Financial liabilities			
Trade payables	-	8,573	8,573
Other payables and accruals	1,898	6,766	8,664
Loans	-	11,429	11,429
Provisions	-	15,811	15,811
Intra-group payables (non-trade)	536	3,727	4,263
	<u>2,434</u>	<u>46,306</u>	<u>48,740</u>
Net financial liabilities	(1,886)	(38,100)	(39,986)
Add: Net financial liabilities denominated in the respective entities' functional currencies	-	38,100	38,100
Foreign currency exposure	<u>(1,886)</u>	<u>-</u>	<u>(1,886)</u>

As at 31 December 2022 and 2021, the Company has no financial instruments denominated in foreign currency, except for an amount due to subsidiaries of approximately RMB90,000 (2021: RMB3,727,000) which is denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company	Singapore dollars RMB'000	Chinese Renminbi RMB'000	Total RMB'000
As at 31 December 2022			
<u>Financial liabilities</u>			
Other payables and accruals	5,225	-	5,225
Intra-group payables (non-trade)	673	-	673
Loan	119	-	119
	<u>6,017</u>	<u>-</u>	<u>6,017</u>
Net financial liabilities	(6,017)	-	(6,017)
Add: Net financial liabilities denominated in the respective entities' functional currencies	-	-	-
Foreign currency exposure	<u>(6,017)</u>	<u>-</u>	<u>(6,017)</u>
As at 31 December 2021			
<u>Financial assets</u>			
Cash and bank balances	3	-	3
	<u>3</u>	<u>-</u>	<u>3</u>
<u>Financial liabilities</u>			
Other payables and accruals	1,899	-	1,899
Intra-group payables (non-trade)	-	4,265	4,265
	<u>1,899</u>	<u>4,265</u>	<u>6,164</u>
Net financial liabilities	(1,896)	(4,265)	(6,161)
Add: Net financial liabilities denominated in the respective entities' functional currencies	-	4,265	4,265
Foreign currency exposure	<u>(1,896)</u>	<u>-</u>	<u>(1,896)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 5% (2021: 5%) increase and decrease in the Chinese Renminbi and Singapore dollars against the relevant foreign currencies. 5% (2021: 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% (2021: 5%) change in foreign currency rates. The sensitivity analysis includes external loans.

If the Chinese Renminbi strengthen / weaken by 5% (2021: 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:

	2022	2021
	Loss net of tax RMB'000	Loss net of tax RMB'000
Group		
RMB against SGD		
- strengthened	62	71
- weakened	(62)	(71)
Company		
RMB against SGD		
- strengthened	226	71
- weakened	(226)	(71)

(b) Interest rate risk

The Group obtains additional financing through 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 2022, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The Group's total comprehensive losses were not affected by changes in interest rates as the interest-bearing financial instruments carry fixed interest (Note 17) and are measured at amortised cost. As such, sensitivity analysis is not provided.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. 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 bank balances 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 bank balances (Note 14) on the basis of expected cash flows.

Since prior financial years, Jiangyin Litai's bank balances as at 31 December 2021 are inaccessible and have been deemed frozen as disclosed in Note 14.

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 (2021: 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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Carrying amount				
Other receivables and deposits	-	2,832	-	-
Cash and bank balances	977	1,660	-	3
	977	4,492	-	3

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

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

- 100% (2021: 46%) were due from 3 (2021: 3) major PRC customers who are established companies engaged in the construction and building material sector.
- 100% (2021: 51%) were due from customers located in Jiangsu province and Shanghai in PRC which are companies engaged in construction and building material sector.
- Nil% (2021: 3%) were due from nil (2021: 2) 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 (2021: 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	
	2022 RMB'000	2021 RMB'000
<u>By geographical areas</u>		
- PRC	1,074	-
	<u>1,074</u>	<u>-</u>

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

	Group	
	2022 RMB'000	2021 RMB'000
<u>By types of customers</u>		
- Third parties	1,074	-
	<u>1,074</u>	<u>-</u>

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 is 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

The following tables provide information about the breakdown and exposure to ECL. The movement of the lifetime ECL is as follows:

	Group		
	Collective impairment - Not credit impaired RMB'000	Individual impairment - Credit impaired RMB'000	Total RMB'000
Balance at 1 January 2022	-	12,926	12,926
Reversal for deconsolidation	-	(12,849)	(12,849)
Reversal of written off	-	(77)	(77)
		(12,926)	(12,926)
Balance at 31 December 2022	-	-	-
Balance at 1 January 2021	31,249	116,087	147,336
ECL allowance recognised during the year:			
- Additional ECL allowance	-	3,366	3,366
- Reversal of ECL allowance	-	(400)	(400)
	-	2,966	2,966
Written off:			
- Trade receivables	(31,249)	(26,389)	(57,638)
- Amount due from related parties (trade)	-	(28,008)	(28,008)
- Advance payment to a related party	-	(51,730)	(51,730)
	(31,249)	(106,127)	(137,376)
Balance at 31 December 2021 ⁽ⁱ⁾	-	12,926	12,926

⁽ⁱ⁾ The balance of ECL is solely for other receivables, deposits and prepayments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

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

	31 December 2022			31 December 2021		
	Gross carrying amount RMB'000	Probability of default rate %	ECL allowance RMB'000	Gross carrying amount RMB'000	Probability of default rate %	ECL allowance RMB'000
<u>Third parties – not credit impaired</u>						
<u>PRC customers</u>	-	-	-	64,345	~ 40	30,361
<u>Overseas customers</u>						
Austria	-	-	-	63	40	31
United Kingdom	-	-	-	1	40	1
Ukraine	-	-	-	2,063	40	845
Other countries	-	-	-	28	40	11
						31,249
Third parties – credit impaired ⁽ⁱⁱ⁾	1,074	100	1,074	26,389	100	26,389
Total trade receivables	-	-	-	92,889		57,638
Related parties Credit impaired ⁽ⁱ⁾	-	-	-	79,737	100	79,737
Other receivables, deposits and prepayments	-	-	-	18,165	~ 70	12,927
Total	1,074		1,074	190,791		150,302

⁽ⁱ⁾ As of 31 December 2021, management estimated ECL allowance rate for related parties to be approximately 100%) taking into consideration of the on-going enforcement proceedings and claims made against the related parties.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(B) Bill receivables, other receivables and deposits, cash and bank balances

The Group and Company use 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.

(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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Financial assets at amortised cost	977	4,414	-	3
Financial liabilities at amortised cost	8,194	28,666	6,017	6,164

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 17, net of cash and bank balances and the equity attributable to equity holders of the parent, comprising issued capital, statutory reserve fund, capital reserve, currency translation reserve and accumulated losses.

The Group's and Company's strategies were unchanged from 2021.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group and the Company had no financial assets or liabilities carried at fair values in 2022 and 2021.

The carrying amounts of cash and bank balances, 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.

28. SUBSEQUENT EVENTS

On 18 December 2023, the Company disposed all of its shares in its wholly-owned subsidiary, CHD Engineering and Trading Pte Ltd at S\$144,313 (approximately RMB772,140) to a third-party individual.