

Hailide Fibers Europe A/S

Hospitalsgade 10, 8900 Randers C

CVR no. 39 04 82 56

Annual report 2017/18

(As of the establishment of the Company 26 October 2017 - 31 December 2018)

Approved at the Company's annual general meeting on 15 May 2019

Chairman

A handwritten signature in black ink, written over a horizontal dotted line. The signature is stylized and appears to be a cursive script.

The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

The EY logo, consisting of the letters 'EY' in a bold, sans-serif font. The 'E' and 'Y' are connected at the top.

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Hailide Fibers Europe A/S for the financial year as of the establishment of the Company 26 October 2017 - 31 December 2018.


The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year as of the establishment of the Company 26 October 2017 - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Randers, 15 May 2019
Executive Board:



Uffe Hjorth
CEO

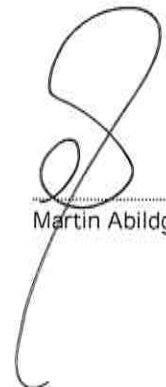
Board of Directors:



Junmin GE
Chairman



Lin Zhang



Martin Abildgård Jensen

Independent auditor's report

To the shareholders of Hailide Fibers Europe A/S

Opinion

We have audited the financial statements of Hailide Fibers Europe A/S for the financial year as of the establishment of the Company 26 October 2017 - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year as of the establishment of the company 26 October 2017 - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent auditor's report

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

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

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

Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 15 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


Henrik Pungvig Jensen
State Authorised Public Accountant
mne24825



Management's review

Company details

Name	Hailide Fibers Europe A/S
Address, Postal code, City	Hospitalsgade 10, 8900 Randers C
CVR no.	39 04 82 56
Established	26 October 2017
Registered office	Randers
Financial year	26 October 2017 - 31 December 2018

Board of Directors	Junmin GE, Chairman Lin Zhang Martin Abildgård Jensen
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Executive Board	Uffe Hjorth, CEO
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Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
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Management commentary

Business review

Hailide Fibers Europe A/S is an international commercial fabrics firm trading in industrial yarn.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements for the period 26 October 2017 - 31 December 2018

Income statement

Note	DKK	2017/18 14 months
	Gross margin	475,635
2	Staff costs	-2,001,481
	Profit/loss before net financials	-1,525,846
	Financial income	964
	Financial expenses	-228,409
	Profit/loss for the year	-1,753,291
	Recommended appropriation of profit/loss	-1,753,291
	Retained earnings/accumulated loss	-1,753,291



Financial statements for the period 26 October 2017 - 31 December 2018

Balance sheet

Note	DKK	<u>2017/18</u>
	ASSETS	
	Non-fixed assets	
	Inventories	
	Goods for resale	<u>9,171,838</u>
		<u>9,171,838</u>
	Receivables	
	Trade receivables	4,916,280
	Receivables from group enterprises	110,400
	Other receivables	<u>138,241</u>
		<u>5,164,921</u>
	Cash	<u>844,124</u>
	Total non-fixed assets	<u>15,180,883</u>
	TOTAL ASSETS	<u>15,180,883</u>



Financial statements for the period 26 October 2017 - 31 December 2018

Balance sheet

Note	DKK	<u>2017/18</u>
	EQUITY AND LIABILITIES	
	Equity	
3	Share capital	7,441,825
	Retained earnings	<u>-1,753,291</u>
	Total equity	<u>5,688,534</u>
	Liabilities other than provisions	
	Current liabilities other than provisions	
	Bank debt	2,755,373
	Trade payables	952,938
	Payables to group enterprises	5,352,700
	Payables to associates	73,119
	Other payables	<u>358,219</u>
		<u>9,492,349</u>
	Total liabilities other than provisions	<u>9,492,349</u>
	TOTAL EQUITY AND LIABILITIES	<u>15,180,883</u>

1 Accounting policies

4 Collateral

5 Related parties

Financial statements for the period 26 October 2017 - 31 December 2018

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Cash payments concerning formation of enterprise	7,441,825	0	7,441,825
Transfer through appropriation of loss	0	-1,753,291	-1,753,291
Equity at 31 December 2018	<u>7,441,825</u>	<u>-1,753,291</u>	<u>5,688,534</u>

Financial statements for the period 26 October 2017 - 31 December 2018

Notes to the financial statements

1 Accounting policies

The annual report of Hallide Fibers Europe A/S for 2017/18 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Income statement

Revenue

Income from the sale of goods for resale, including technical yarn, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Gross margin

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

External expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, administration, premises, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses, etc.

Financial statements for the period 26 October 2017 - 31 December 2018

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash

Cash comprise cash and subject only to minor risks of changes in value.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Other liabilities are measured at net realisable value.

Financial statements for the period 26 October 2017 - 31 December 2018

Notes to the financial statements

DKK	2017/18 14 months
2 Staff costs	
Wages/salaries	1,803,196
Pensions	139,899
Other social security costs	7,668
Other staff costs	50,718
	<u>2,001,481</u>
 Average number of full-time employees	 <u>2</u>

3 Share capital

The Company's share capital has remained DKK 7,441,825 since the establishment. Share capital have been fully paid and are divided in nom. 100 euro shares.

4 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

5 Related parties

Hailide Fibers Europe A/S' related parties comprise the following:

Significant influence

<u>Related party</u>	<u>Domicile</u>	<u>Basis for significant influence</u>
Zejiang Hailide New Material Co. Ltd.	Zejiang, China	70% ownership