



CHINA HAIDA LTD.

(Incorporated in Singapore on 18 August 2004)

Company Registration No. 200410428C

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

RESPONSE TO SGX-ST'S QUERY ON THE GROUP'S FINANCIAL RESULTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2018

The board of directors (the "**Board**") of China Haida Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") wishes to provide the following response to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in respect of the Company's financial results announcement for the half year ended 30 June 2018 ("**Half Year Results**") released on 2 August 2018:

Query 1:

Revenue for 6M2018 amounted to RMB100.7 million while Trade receivables amounted to RMB103.5 million, we note that most of the Group's revenue remains uncollected as at 30 June 2018:

- a. Please provide the breakdown of Trade receivables and its aging analysis in bands of 3 months with the upper limit specified;
- b. Please provide the identity of the major debtors and their respective outstanding debts owing to the Company;
- c. Please disclose the reason why trade debtors are not paying for their purchases from the Company.

Company's response 1:

a. Debtors' Aging, gross	Total	0-30 days	31-90 days	91-180 days	181-360 days	361 days & above
HY2018 (RMB'000)	103,462	25,450	19,098	11,267	27,529	20,118

b. Major Debtors	RMB
苏州金螳螂幕墙有限公司	11,836,082.14
乌克兰艾瓦泰公司	5,224,572.03
苏州柯利达装饰股份有限公司	4,663,150.28
天津江胜建筑工程有限公司	4,208,619.76
宁夏国美商贸有限公司	4,029,125.06

- c. Trade debtors are slow in paying for their purchases from the Company because payments are made based on the progress of the construction projects. The pace of completion of such building projects are affected by the economic slowdown and hence has affected the repayment to the Company.

Query 2:

As at 30 June 2018, there was an advanced payment made to a related party, Jiangyin Haida Caitu Co., Ltd of approximately RMB3.87 million for the purchase of raw materials:

- a. Please disclose when were the raw materials delivered;
- b. Please explain why is the Company making advanced payment for purchase from related party even though this is not the norm as the Company does not require its customers to make payments for 6 months;
- c. Please disclose who are the beneficial shareholder of Jiangyin Haida Caitu and how is it related to the Company.

Company's response 2:

- a. The raw materials were received in July 2018.
- b. The Company is making advanced payment for purchase of aluminium sheets from related party because the Company is unable to buy directly from the large state-owned aluminium suppliers, while, the related party on its own is able to purchase directly from these suppliers by making a deposit for their purchase of aluminium sheets. In addition, some customers have also specifically requested that the Company uses the aluminium sheets from these state-owned suppliers. Hence in order to ensure timely delivery of different types of aluminium sheets, the Company has to make advanced payments to related party for the purchase of these raw materials.

The advanced payment to the related party has also been disclosed under the IPT mandate.

Although it is not the norm, the Company does request for advance payments from some new customers.

- c. Jiangyin Haida Caitu is owned by Jiangsu Haida Technology Group Co.,Ltd and Ms Hu Xiuzhen (the spouse of the CEO of the Company). The CEO of the Company is also a beneficial shareholder of Jiangsu Haida Technology Group Co., Ltd.

Query 3:

Company also disclosed that "as at 30 June 2018, there was an outstanding amount of approximately RMB12.0 million owing by 2 related parties (trade), Jiangyin East-China Aluminum Technology Co., Ltd of approximately RMB9.8 million (FY2017: RMB0.5 million) and Jiangyin Comat Metal Products Co., Ltd of approximately RMB2.2 million (FY2017: RMB1.6 million)"

- a. Please provide the credit terms granted to the two related parties (Jiangyin East-China Aluminum Technology and Jiangyin Comat Metal Products);
- b. Please disclose how long from the sales date before payment was finally made and received by the Company;
- c. Please disclose if the Audit Committee reviewed the terms of the transactions;
- d. If yes, please explain whether and why the AC is satisfied that the transactions with related parties are in normal commercial terms and not prejudicial to the Company and its minority shareholders.

Company's response 3:

- a. The credit terms granted to the two related parties are 90 days.

- b. Payment was normally made and received by the Company between 90 to 120 days depending on the progress of their projects.
- c. The Audit Committee carries out half-yearly review of the terms of the transactions.
- d. The Audit Committee carries out the review of such transactions to ensure that the established procedures and guidelines as set out in the IPT mandate are complied with and the relevant approvals are obtained. In addition, the Audit Committee in its review also ensures that the prevailing rules and regulations of the SGX-ST (in particular Chapter 9 of the Listing Manual of the SGX-ST) are complied with.

The Audit Committee also meets with the Internal Auditor to review the annual Internal Audit report of the Company which will include a review of the IPTs entered into pursuant to the IPT mandate.

Query 4:

Please elaborate further on the details of the recent governmental policies and tariff sanctions and how it has affected the Company's sales.

Company's response 4:

Stringent control by the Chinese government and their prudent expenditure have reduced the number of new public infrastructure and building projects within the PRC. This has affected the demand of our aluminium panels.

The export of our aluminium panels to the US has been reduced drastically due to the recent trade sanctions.

By Order of the Board

Guo Yun
Executive Director
20 August 2018