



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 FINANCIAL PERIOD ENDED 30 JUNE 2017

The Board of Directors of CHINA HAIDA LTD. (the "**Company**", together with its subsidiaries, the "**Group**") wishes to provide the following response to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in their email dated 11 August 2017 in respect of the Company's financial results announcement for the financial period ended 30 June 2017:

Query 1:

It is noted in the statement of financial position that the Group's inventory as at 30 June 2017 amounted to approximately RMB 60,559,000, up by about 14.1% from approximately RMB 53,055,000 as at 31 December 2016. This is despite a decrease of 23.6% in the Group's revenue for the half year 1 January 2017 to 30 June 2017 ("**HY2017**") of approximately RMB 103,405,000, as compared to RMB 135,276,000 for the half year 1 January 2016 to 30 June 2016 ("**HY2016**").

The Company disclosed that higher inventory was registered as at 30 June 2017 mainly because of the anticipated demand of future orders from the customers.

- a) Please provide an aging analysis/schedule of the inventory financial statement line item.

Company's response:

Inventory Aging Analysis as at 30 June 2017:

Description	Total	Current	Days			
			30-90	90-180	180-365	above 365
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw Material	37,847	21,854	14,853	133	479	528
Consumables	1,322	296	161	275	251	339
Finished Goods	20,880	16,560	2,489	1,831	-	-
Work in progress	510	510	-	-	-	-
Total	60,559	39,220	17,503	2,239	730	867

- b) Please reconcile the increase in the inventory to the Company's prospect statement that global uncertainty and economic slowdown will prevail and continue to impact the Company's sales in the overseas and domestic markets.

Company's response:

The economic slowdown and global uncertainty has continued to impact the demand of aluminium panels in the building and construction industry. The delivery of panels is slower than

previously, hence the inventory balance has increased as at 30 June 2017 as compared to the balance as at 31 December 2016. The Company has to maintain a certain level of inventory to meet the anticipated demands of new and regular customers and also for the sales order backlog as at 30 June 2017.

- c) Please provide details on the Company's order book.

Company's response:

As at 30 June 2017, the Company's order backlog was mainly from the following major customers:

Customer:	RMB'000
苏州金螳螂幕墙有限公司	7,200
上海富艺幕墙工程有限公司	4,800
上海美特幕墙有限公司	3,100
无锡王兴幕墙装饰工程有限公司	3,000
常熟金龙装饰有限公司	2,600
中铁物资集团华东有限公司	1,300
Total	22,000

- d) Please provide a breakdown of the inventory financial statement line item.

Company's response:

Breakdown of inventory as at 30 June 2017:

Description	30/6/2017	30/12/2016
	RMB'000	RMB'000
Raw Material	37,847	38,035
Consumables	1,322	1,083
Finished Goods	20,880	12,981
Work in progress	510	956
Total	60,559	53,055

Query 2:

It is noted in the statement of financial position that the Group's amount due from a related party (trade) as at 30 June 2017 amounted to approximately RMB 24,194,000.

It is also stated in the Company's HY2017 results announcement that "(6) as at 30 June 2017, there was an outstanding amount of approximately RMB24.2 million owing by a related party (trade), Jiangyin East-China Aluminium Technology Co., Ltd. This was attributed to the sales of spray-painting services provided by Litai (31 December 2016: RMB11.1 million). The outstanding balance would be expected to be repaid in the second half of the year".

We also note the disclosure under interested person transactions, that the spray-painting income from Jiangyin East-China Aluminium Technology Co., Ltd, conducted under shareholders' mandate pursuant to Listing Rule 920 (excluding transactions less than S\$100,000) for the half year ended 30 June 2017 amounts to approximately RMB 13,895,000.

- a) Please provide an aging analysis/schedule of the amount due from a related party (trade) financial statement line item.

Company's response:

As at 30 June 2017, amount due from Jiangyin East-China Aluminium Technology Co., Ltd. ("Jiangyin") was as follows:

	Total	1-30 days	RMB'000 31-90 days	91-180 days
Balance	24,194	6,214	7,188	10,792

In July 2017, Jiangyin has repaid RMB17.9 million to settle the outstanding amount.

- b) Please explain the reason(s) why pursuant to the disclosure under interested person transactions, the spray-painting income from Jiangyin East-China Aluminium Technology Co., Ltd amounted to approximately RMB 13,895,000 for HY2017; but in the statement of financial position, the amount due from a related party (trade) as at 30 June 2017 amounted to approximately RMB 24,194,000.

Company's response:

As at 30 June 2017, the amount due from Jiangyin East-China Aluminium Technology Co.,Ltd., a related party (trade) was as follows:

	RMB'000
Balance brought forward as at 1.1.2017	11,126
Add: Sales of spray-painting	13,895
Less: Payments received	- 827
Balance carry forward as at 30.6.2017	24,194

- c) It is noted in the statement of financial position that there was advance payments to a related party amounting to approximately RMB 19,738,000 as at 30 June 2017 for the purchase of raw materials. Similarly and in relation to the "Due from a related party (trade)" current asset financial statement line item, please clarify whether related parties need to make advance payments to the Company.

Company's response:

As at 30 June 2017, the advance payments to a related party, Jiangyin Haida Caitu Co., Ltd., ("Caitu") for the purchase of raw materials (different types of aluminium sheets) was RMB19.7 million.

Caitu has the capability to supply specific and special aluminium sheets which normally has a longer delivery lead time and also the capacity to keep sufficient inventory at their premises. In order to ensure normal and timely delivery of these aluminium sheets to the Company, Caitu has requested for advance payments on such supplies.

The Company provides spray-painting services to a related party (trade), Jiangyin East-China Aluminium Technology Co., Ltd. The auxiliary sales of such spray-painting services by the Company do not require an advance payment.

- d) What are the credit terms extended to Jiangyin East-China Aluminium Technology Co., Ltd? Is interest payable on the late and overdue payments? If so, please quantify.

Company's response:

The credit terms extended to Jiangyin East-China Aluminium Technology Co., Ltd. is normally 90 days. No interest is payable on the late and overdue amounts.

- e) Please disclose the reason(s) why Jiangyin East-China Aluminium Technology Co., Ltd has not repaid the Company yet?

Company's response:

The economic slowdown in the building and construction industry in China has affected the collection of debts by Jiangyin East-China Aluminium Technology Co., ("Jiangyin") hence they have been slow in paying the outstanding balance owing to the Company. However, in July 2017, Jiangyin has repaid RMB17.9 million to settle the outstanding amount.

Query 3:

It is disclosed that,

"(5) As at 30 June 2017, there was an advance payment to a related party, Jiangyin Haida Caitu Co., Ltd of approximately RMB19.7 million for the purchase of raw materials. (31 December 2016: RMB12.0 million)....."

Jiangyin Haida Caitu Co., Ltd. requires the Group to provide advances for purchases of raw materials. Such advances would be used to reduce payable for purchase transactions. The outstanding advances to Jiangyin Haida Caitu Co., Ltd. as at 30 June 2017 were RMB 19.7 million (As at 31 Dec 2016: RMB 12.0 million)."

- a) Please provide an aging analysis of this amount.

Company's response:

As at 30 June 2017, the advances for purchases of raw materials are as follows:

	RMB'000
Goods expected to receive in July 2017:	7,954
Goods expected to receive in August 2017:	10,000
Goods expected to receive in September 2017:	1,780

- b) Please clarify what percentage of contracted purchase is paid as advance and how long is the payment in advance?

Company's response:

Approximately 19.6% of the total contracted purchases was made by advance payment for purchases. Advance payment lead time is about 3 months.

By Order of the Board

Guo Yun
Executive Director
22 August 2017