



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 FURTHER QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The board of directors (the “**Board**”) of China Haida Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the response to queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) released on 16 August 2019 in relation to the Company’s Unaudited Financial Statements and Dividend Announcement for the half year ended 30 June 2019 released on 8 August 2019 and wishes to respond to the further queries raised by SGX-ST as follows:

SGX-ST’s Query 1:

In response to SGX Query 3c in relation to income recognized by the Company from government grant / incentive amounting to RMB249,000, the Company responded that the deliverables for the grants from the PRC government of RMB53,000 and from the Jiangyin Charity Federation, PRC of RMB196,000 is for the participation in the South African trade exhibition and for Litai to support local charities respectively.

- a. Please elaborate how the value of each of the government grant of RMB53,000 and RMB196,000 were calculated.
- b. Are the amounts of both grants of RMB249,000 paid in cash and to which entity in the Group?
- c. Please provide details on the South African trade exhibition which the Company participated (i.e. date, location, venue)
- d. To disclose how much has been donated to charities by the Group and the respective charities supported.

The Company’s response:

- a. Cost incurred by the Company in participating in the China (South Africa) Trade Fair was approximately RMB130,000 and the grant was determined and calculated by the government taking into account of the total cost incurred by all the participating Chinese companies in this trade fair.

The grant RMB196,000 for the donation to charity is determined and calculated by the Jiangyin Charity Federation which manages the donations to the 冠名基金 fund. A fixed grant of RMB196,000 is given to the companies who donate a minimum of RMB400,000 per annum to the 冠名基金 fund.

- b. Both grants totalling RMB249,000 were paid in cash to the wholly-owned subsidiary of the Company, Jiangyin Litai Ornamental Materials Co., Ltd. (‘Litai’).
- c. Name of trade fair: China (South Africa) Trade Fair
Date: 26.09.2018 to 28.09.2018
Venue: Gallagher Convention Centre, 19 Richards Drive, Midrand, Johannesburg, Gauteng, South Africa

- d. Litai has donated RMB400,000 to 冠名基金, a charitable fund managed by the Jiangyin Charity Federation which is a government agency responsible to disburse funds to the different charities in the Jiangsu/Jiangyin Province.

SGX-ST's Query 2:

In response to SGX Query 3e on how the Company has been utilizing the government grant / incentive amounting to RMB196,000, the Company responded that it has made yearly donations to support local charities in the Jiangsu Province.

- a. Please disclose the amount of yearly donations made by the Company in supporting local charities in the Jiangsu province and how much donation from an organization must be made before the government grant will be extended.
- b. Please explain why the PRC government /Jiangsu Province is making donations through the Company to support local charities in the form of grants.
- c. Please explain under which item the Company has accounted for the donations made in its financial statements.

The Company's response:

- a. Litai has donated RMB400,000 annually to 冠名基金 which is the minimum amount before a grant of RMB196,000 is extended to Litai.
- b. This is to encourage companies in the Jiangsu/Jiangyin province to take up social responsibility to help local charities by donating to the 冠名基金.
- c. The donation has been reported in the administrative expenses in Litai's financial statements.

SGX-ST's Query 3:

In response to SGX Query 4a on providing aging schedule of Trade and bills receivables amounting to RMB87.8 million in bands of 3 months with upper limit specified, the Company did not specify the upper limit in category "270 days and above".

- a. Please disclose the upper limit how long the receivables amounting to RMB6.62 million for the category "270 days and above" have been outstanding.
- b. Please disclose which financial year were these Trade and bills receivables reported.
- c. Please provide a breakdown of identities of these customers which have not paid the Company for more than 270 days and to disclose whether each of these customers are still in operation.
- d. To also indicate which of these abovementioned customers are related parties and disclose their relationship and the nature of the transactions which resulted in the outstanding trade/bills receivables.

The Company's response:

- a. The upper limit is more than 1080 days.
- b. These Trade and bills receivables were reported in the financial years 2013 to 2018.
- c. In our response to SGX Query 4a on providing an aging schedule of Trade and bills receiveables amounting to RMB87.8 million, please refer to Appendices A & B (as attached) for an updated list. Due to an oversight in the calculation of the aging bands, we have made some changes to the aging analysis. For debts 270 days and above, the amount should be RMB26.7 million including another 154 customers. (The previously reported was RMB6.62m for outstanding debts above 270 days for the top 10 customers only.)

- d. Nature of the transactions to these customers are all for sales of either Aluminium Composite Panels (“**ACP**”) and or Aluminium Single Panels (“**ASP**”) and none of these customers as mentioned in Appendices A & B are related party transactions.

SGX-ST’s Query 4:

In the response to SGX Query 4b to set out the identities of the RMB108 million of outstanding trade debtors and their respective amount owed to the Company,

- a. Please provide aging schedule of outstanding amount owed by these customers in bands of 3 months with upper limit specified.
- b. Please confirm if any of the balance undisclosed customers (258 customers) amounting to RMB65.6 million are related parties which have not paid their debts owing to the Company. If so, please disclose their identities and the aging schedule.

The Company’s response:

- a. Please refer to Appendices A & B (as attached) for the detailed ageing schedule of the outstanding amount owed by the customers.
- b. Appendices A & B (as attached) shows the ageing analysis of the 258 customers amounting to RMB65.6 million. None of them are related to the Company.

SGX-ST’s Query 5:

In response to SGX Query 6b on the relationships and principal business of the two related parties (trade), Jiangyin East-China Aluminium Technology Co., Ltd (“**Jiangyin East-China**”) and Jiangyin Comat Metal Products Co., Ltd, (“**Jiangyin Comat**”) (collectively the “**IPT Entities**”), the Company disclosed inter alia that “Jiangyin East-China is principally engaged in the manufacture and sale of aluminum sliding windows, doors and other aluminum fittings for industrial purposes. Jiangyin East-China is owned by the CEO Mr Xu Youcai and Executive Director Mr Guo Yun through China Delta Limited and Forbury Investment Limited respectively” and “Jiangyin Comat is a company established in the PRC and is a manufacturer of tinned metal strips and steel products. Jiangyin Comat is owned by Xu Qiang (son of the CEO, Mr Xu Youcai)”.

- a. Please elaborate on the business of “other aluminum fittings” and “steel products” in the above IPT entities and provide the AC’s view how such products do not compete with the Company’s business and in compliance with the Non-Compete Undertaking provided by the CEO Mr Xu Youcai and Executive Director Mr Guo Yun disclosed in the Company’s IPO Prospectus.

The Company’s response:

- a. Other aluminium fittings refer to the different types of accessories for the sliding doors and windows such as door handles (interior and exterior), casement window handles, corners, catches, and hinges amongst other fittings.

Steel products refers to mild steel bars, wire rods, steel channels, mounting brackets etc use by home furnishing and renovation contractors.

The Company is a manufacturer of aluminium panels (both Single and Composite Panels) for use in the construction and building industry. The panels are used for either the internal or the exterior walls of the buildings (houses and commercial) and large infrastructure projects and its customers are the main building contractors and or the sub-contractors. The nature of the products of Jiangyin East-China and Jiangyin Comat are different and they do not compete with Litai’s business as they cater to different customers’ needs in the home furnishing, renovation and building materials market. Hence AC’s view is that these IPTs do no compete with the Company’s business and the Company is in compliance with the Non-Compete Undertaking provided by the CEO Mr Xu Youcai and Executive Director Mr Guo Yun as disclosed in the Company’s IPO prospectus.

SGX-ST's Query 6:

In response to SGX Query 6d, the Company disclosed that credit terms granted to the 2 IPT entities is normally 90 days. However, payment is usually received between “90 and 120 days depending on the progress of their projects...repayment from Jiangyin East-China has been slow. The Company is in the process of finalizing a repayment schedule with Jiangyin East China to settle their outstanding debt the end of the year.” To disclose:

- a. The amount due from Jiangyin East China as at 30 June 2019 and provides the aging schedule.
- b. In “APPENDIX A TO THE NOTICE OF ANNUAL GENERAL MEETING OF CHINA HAIDA LTD. (THE “COMPANY”) DATED 12 APRIL 2019” (“**Appendix A Notice**”) relating to the renewal of the IPT Mandate, the AC disclosed that “If during these periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that interests of minority Shareholders are not prejudiced, the Company will revert to the Shareholders for a fresh mandate based on new guidelines and procedures to ensure that the Interested Person Transaction will be on an arm’s length basis and on normal commercial terms.” Please disclose if the AC is aware of Jiangyin East China long outstanding debts and its inability to meet its payments obligations at the date of the Appendix A Notice and the date of the AGM. If not, please elaborate why not.
- c. Whether the Company is still trading with Jiangyin East-China. If not, please disclose when such transaction ceased. If it has still not ceased, please disclose AC’s views what safeguards have been put in place to ensure that further transactions with Jiangyin East-China do not prejudice the interests of the Company and its independent shareholders and that Jiangyin East-China is able to pay for such further transactions.

The Company’s response:

- a. Aging of amount owing by Jiangyin East-China as at 30 June 2019:

RMB’000	1 to 90 days	90 to 180 days	180 to 270 days	270 to 1080 days	Total
Total	9,467	5,977	10,513	0	25,957

- b. Jiangyin East-China has normally been able to repay its debts to the Company, however its business has since been affected by the slow down in economic growth within the PRC and further escalated by the trade tariffs with the USA, hence repayment has been slow. AC has been updated and has requested management to closely monitor the collectibility of the outstanding debts, particularly, from Jiangyin East-China and to stop providing services if necessary.
- c. The Company will stop providing spray painting services to Jiangyin East-China from September 2019 unless it has fulfill its contractual obligations. The Company is currently working with Jiangyin East-China to work out a repayment plan to pay the outstanding debts by installments.

SGX-ST's Query 7:

In response to SGX Query 7a in relation to when the Group’s borrowings of RMB22 million were incurred, the Company responded the first loan of RMB7 million rollover on 1 Feb 2019 and second loan of RMB15 million rollover on 27 Nov 2018. The Company disclose that gross carrying value of the security for the total loan of RMB22 million amounts to RMB15.452 million. Please disclose the name of the lenders and when these two loans were first taken up. To disclose who are the beneficial owners and provide details and principal activities of the lenders for the loans of RMB22 million and disclose whether the beneficial owners or key management of the lenders have any business associations or relationships with the Company, its interested persons, key management in the group or their respective associates.

The Company's response:

Name of lender of the two loans is Bank of China, Jiangyin Sub Branch at Huashi Town and the two loans were first taken up with the Bank of China in 2004. The Company has started banking relationship with the bank since its incorporation in 2004. Bank of China is a listed company in China and it provides the standard banking operations and its owners has no relationships with the Company, its interested persons, key management in the group or our respective associates.

SGX-ST's Query 8:

In the Company's 1H2019 Results, it was disclosed that "With lower revenue, selling and distribution expenses decreased by approximately RMB0.8 million or 23.5%, from RMB3.3 million to RMB2.5 million. The decrease was attributed mainly to the lower salary expenses and lower cost of shipment". In response to SGX Query 11, in the breakdown of selling and distribution expenses, we note that contrary to the Company's explanation in its 1H2019 Results, despite the 4% decline in Revenue, Salary expenses (for selling and distribution expenses) had increased by RMB20,000 to RMB600,000 for HY2019, contrary to the Company's disclosure in its 1H2019 Results. Please reconcile the differences in the Company's representations on salary expenses.

The Company's response:

Salary related expenses has increased slightly by about RMB20,000 due to the replacement of an administrative staff (the position has been vacant since 2018) and an intern in the marketing department at the beginning of the year. There was an oversight in our earlier announcement when we mentioned that salary expenses had decreased.

By Order of the Board

Guo Yun
Executive Director
27 August 2019

Trade Receivables Ageing 30/06/2019	Total (RMB'000)	1-90 days	91-180 days	181-270 days	271-360 days	> 361 days	> 720 days	>1080 days
1.苏州金螳螂幕墙有限公司	8,847	327	8,520	0	0	0	0	0
2.中亿丰苏州绿色建筑发展有限公司	5,189	3,261	1,455	473	0	0	0	0
3.乌克兰艾瓦泰公司	4,940	4,940	0	0	0	0	0	0
4.苏州市鑫泰建筑装璜有限公司	4,337	1,868	2,469	0	0	0	0	0
5.宁夏国美商贸有限公司	3,745	538	52	0	0	0	0	3,155
6.上海富艺幕墙工程有限公司	3,594	1,833	1,679	82	0	0	0	0
7.南京三惠建设工程有限公司	3,496	500	1,586	0	1,410	0	0	0
8.英国黑布斯金属公司	2,981	2,981	0	0	0	0	0	0
9.苏州柯利达装饰股份有限公司	2,684	17	429	836	1,402	0	0	0
10.太原万柏林区鑫大全铝塑板总汇	2,576	208	1,480	888	0	0	0	0
Total for top 10 trade receivables	42,389	16,473	17,670	2,279	2,812	0	0	3,155
The rest of the 258 trade receivables	65,619	19,177	11,296	14,405	4,332	4,120	2,559	9,730
Total trade receivables – 30/06/2019	108,008	35,650	28,966	16,684	7,144	4,120	2,559	12,885
Allowance for impairment FY2018	-18,671	0	0	0	0	-3,227	-2,559	-12,885
Add write back of impairment HY2019	785	0	0	0	0	785	0	0
Add bills receivables	3,657	3,657	0	0	0	0	0	0
Total before ECL	93,779	39,307	28,966	16,684	7,144	1,678	0	0
Estimated credit loss in FY2018 (ECL)	-6,008	0	0	0	0	0	0	0
Total trade & bills receivables HY2019	87,771							

- 1) The previously reported figure of RMB6.62 million for trade receivables above 270 days ageing was for the top 10 customers only. The revised figure of RMB26.7 million (sum of 7,144,000 +4,120,000 +2,559,000 + 12,885,000) includes the top 10 customers and the remaining 154 customers.
- 2) Allowance for impairment of RMB18.7 million has been made for customers whose debts are more than 361 days.

China Haida Ltd. & its subsidiary

Extract of Trade Receivable as at 30 June 2019, for ageing more than 270 days

APPENDIX B

Number of customers	Total outstanding (RMB '000)	Product	Outstanding since
84	5,440	ACP	FY2013
10	8,948	ASP	FY2013
4	18	ACP	FY2015
1	1,634	ASP	FY2015
11	751	ACP	FY2016
1	1,816	ASP	FY2016
10	957	ACP	FY2017
30	4,344	ACP	FY2018
4	2,800	ASP	FY2018
Total: 154	26,708		