



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 YEAR ENDED 31 DECEMBER 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 the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to the Company's announcement on 28 February 2018 and their email dated 6 March 2018 in respect of the Company's financial results announcement for the financial year ended 31 December 2017 ("**Results**"):

Query 1:

We note that the administrative expenses is significant at RMB37.2 million when compared against net losses of RMB26.9 million, as well as 78.7% increment from previous period. Please provide a breakdown and explain for the significant increment.

Company's response 1:

Breakdown of administrative expenses are as follows:

	FY2017	FY2016	Variance	Remarks
	RMB'000	RMB'000	RMB'000	
1. Salary & related expenses	11,691	10,981	710	due to higher salary costs and staff welfare expenses.
2. Directors' fees & remuneration	2,125	2,084	41	-
3. Travel & transportation	217	221	(4)	-
4. Utilities & office expenses	604	820	(216)	due to lower repair & maintenance cost
5. Telephone expenses	126	136	(10)	-
6. Duties & property taxes	891	903	(12)	-
7. Amortization expenses	302	302	0	-
8. Entertainment	879	855	24	-
9. Listing expenses	272	252	20	-
10. Office rental	234	230	4	-
11. Professional fees (audit, tax etc)	758	585	173	higher fees for sustainability report & audit fees
12. Donation	473	805	(332)	donation for 2015 accrued in 2016
13. Sewage fees & services	870	427	443	focus on environmental and pollution, hence higher fees on waste disposal

14. Exchange loss	1,638	0	1,638	weakening of USD against RMB
15. Impairment of doubtful debts	6,661	0	6,661	provisions made on 2017 debts
16. Impairment of hostel	7,143	0	7,143	impairment in 2017
17. Translation loss	256	190	66	-
18. Deposit written off	216	0	216	amount not collectible
19. Depreciation	1,207	1,402	(195)	lower as some assets are already fully depreciated
20. Insurance	368	230	138	higher insurance in 2017
21. Gain on disposal of car	(149)	0	(149)	-
22. Miscellaneous	418	398	20	-
Total	37,200	20,821	16,379	

Query 2:

In relation to the impaired Property, Plant and Equipment (“PPE”) (hostel), please disclose:

- a. What are the current arrangements for the vacated employees;
- b. Why did the management take 4 years before deciding to impair the PPE;
- c. What is the current market value of the hostel, whether there were any proper valuation performed;
- d. What is the identity of valuation firm who performed the relevant valuation and provide discussion of the methodology used;
- e. What is the Audit Committee’s views on the reasonableness of the deemed value of the impaired hostel;
- f. How much did the Company acquired the hostel for; and
- g. What is the remaining useful life of the impaired hostel?

Company’s response 2:

- a. Employees rent their own accommodation near the factory.
- b. In 2014, management identified the potential fire hazard and temporarily vacated the employees from the hostel. During the past 4 years, management continuously assessed the value in use of the hostel, taking into consideration, the estimated modification costs and explored other options, including changing the functionality of the hostel. In 2017, management conducted a cost-benefit analysis and concluded not to proceed with modifications to the hostel, as such changes will require significant investment cost in the existing hostel. Accordingly, an impairment was made to write-down the carrying cost of the PPE.
- c,d As the hostel was constructed on the upper level of the existing production area and it is not marketable, hence the management deemed it not cost effective to carry out a proper valuation.
- e. AC has reviewed the methodology, assumptions and reasonableness of the impairment of the PPE and has also consulted and taken into account the view of the external auditors regarding the impairment. The impairment of the PPE was done in compliance with FRS36 whereby the expected future cashflow from the use of the asset cannot generate sufficient cash to cover the net book value of the asset.
- f. The original cost to build the hostel was RMB13,065K.
- g. Estimated remaining useful life to be about 10 years.

Query 3:

We note that most of the Group's revenue remains uncollected as at 31 December 2017, please provide:

- a. Breakdown of the Trade Receivables and aging analysis in bands, showing upper limit of overdue period;
- b. Identity of its major debtors and explain for the significant outstanding amount; and
- c. Discuss the Company's credit policy with the debtors and how does the Board ensures recovery of these outstanding debts.

Company's response 3:

a. Debtors' ageing, gross	Total	Not past due	Past due 0-9 months	Past due 9 mths – 2 yrs	Past due > 2 yrs
FY2017 (RMB'000)	132,728	57,869	43,087	14,151	17,621

- b. As at 31 December 2017, some of the major debtors are as follows:

	RMB
苏州金螳螂幕墙有限公司	11,893,011
苏州柯利达装饰股份有限公司	7,797,613
南京仁恒江洲房地产开发有限公司	6,897,319
苏州市鑫泰建筑装饰有限公司	5,564,636
无锡王兴幕墙装饰工程有限公司	4,104,557

We have supplied aluminium panels to the above debtors who have on-going building projects. The panels are delivered to these debtors on a progressive basis depending on the installation progress of each building project.

- c. The Company supplies its panels to the debtors who are in the building and construction business. These building projects usually have a long installation process and a final acceptance process before completion. Debtors usually pay according to the progress of the specific projects and different projects have different payment cycles. To ensure payment by the debtors, the Company will regularly review and monitor the debtors' payment progress and their credit standing and delay further supply if payment is slow. As a last resort, the Company will seek legal action to recover the long outstanding debts.

Query 4:

Please explain the nature of the PPE purchased at RMB12.4 million and what will it be utilized for?

Company's response 4:

Purchase of PPE at RMB12.4 million is made up of the following:	RMB million
1. A new production line and accessories used for the production of the new fireproof aluminium composite panels (ACP)	8.6
2. Upgrading and improvement to warehouse	1.9
3. Other production machinery and equipment (cutting, welding machines etc)	0.6
4. Office equipment	0.6
5. Motor vehicle	0.7
Total purchase of PPE	12.4

Query 5:

It was explained on page 10 of the Results that operating expenses increased by RMB1.1 million due to transport costs of shipment to customers in Europe and South Africa. Please reconcile the statement with the decrease in revenue derived from Overseas segment for period ended 31 December 2017, a decrease from RMB107 million to RMB99 million.

Company's response 5:

The sea freight cost of shipping panels to some customers in Europe and South America has increased by almost 86%, from USD885 per ton to USD1,649 per ton as compared to the previous year. In addition, we saw lower sales under FOB (free on board or freight on board) terms to two major customers in the current financial year. On the contrary, the proportion of sales on CIF (cost, insurance and freight) basis had increased which in turn contributed to the increase in sea freight cost despite the lower revenue from the overseas segment.

By Order of the Board

Guo Yun
Executive Director
8 March 2018