



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 QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
ON THE UNAUDITED FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

The board of directors (the “**Board**”) of China Haida Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Company’s Unaudited Full Year Financial Statements and Dividend Announcement for the financial year ended 31 December 2018 released on 28 February 2019 and wishes to respond to the queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) as follows:

SGX-ST’s Query 1:

Please provide a breakdown of Administrative expenses amounting to RMB22.1 million against comparative period for fourth quarter ended 31 December 2018 and describe each of the material expenses and reasons for incurring these expenses.

The Company’s response:

The breakdown of Administrative expenses is as follows:

	<u>FY2018</u>	<u>FY2017</u>	<u>Remarks</u>
	<u>RMB’000</u>	<u>RMB’000</u>	
Wages, salaries and bonus	8,965	8,804	
Staff benefits	2,397	2,393	
Social insurance	3,006	2,629	higher rates charged by the authorised agents.
Advertising	27	5	
Entertainment	784	914	
Insurance	242	204	
Other taxes	894	891	
Donation	400	400	
Office expenses	92	116	
Legal and professional fees	1,170	1,091	
Intangible amortisation	302	302	
Depreciation	1,592	1,232	increase due to fully depreciated assets in 2018
Telephone expenses	141	133	
Repairs and maintenance	541	326	increase in repair of aircon, furniture & motor vehicles.
Travelling & transport	157	178	
Waste and water treatment	329	360	
Bank charges	125	159	
Software maintenance fee	4	49	
Service fees on building maintenance	504	505	
Rental	235	229	
Consumables	79	149	
Others	142	473	better control over misc expenses.
Total:	22,128	21,542	

SGX-ST's Query 2:

Please reconcile the Allowance for impairment of trade receivables amounting to RMB24.7 million against Explanatory Notes A part (6) which states that allowance for FY2018 amounted to RMB4.5 million with writeback of \$05.m and reversal of impairment loss RMB1.3 million under the expected credit loss (ECL) model.

The Company's response:

An analysis of the Allowance for impairment FY2018 of trade receivables (third party and related parties trade) is as follows:

	<u>Trade Receivables</u> RMB'000	<u>Related Parties</u> RMB'000	<u>Total</u> RMB'000
Balance at 1.1.2018	14,634	0	14,634
Effect of adopting SRF(I) 9	7,481	21	7,502
Add : Allowance in 2018	4,506	0	4,506
Less: write-back in 2018	(468)	0	(468)
Less: reversal of impairment loss under ECL	(1,474)	152	(1,322)
Balance at 31.12.2018	<u>24,679</u>	<u>173</u>	<u>24,852</u>

SGX-ST's Query 3:

In relation to Advance payments to a related party (trade):

- a. It was disclosed by the Company on 20 August 2018 that it is making advanced payment to related party Jiangyin Haida in order to procure aluminum sheets from large state owned aluminum suppliers, please provide background of Jiangyin Haida and explain why they are able to access to these large state owned suppliers whereas the Company is unable to.
- b. Please disclose whether the anticipated orders leading to the prepayment of raw materials amounting to RMB23.5 million have been fulfilled?

The Company's response:

- a. Jiangyin Haida is an established company in the PRC and engages in the manufacture and sale of aluminium related products for the telecommunications industry. Only large companies are able to get their supply of aluminium sheets and related products from the major state-owned suppliers. Jiangyin Haida buys in bulk (including the Company's requirements) and is able to purchase from these state-owned suppliers, however it has to place a deposit in order to secure its purchases. Jiangyin Haida has the space to keep stock of the raw aluminium sheets which are bulky. The Company on its own is unable to buy directly from these large state-owned suppliers, hence in order to ensure timely delivery, the Company has to make advance payments to Jiangyin Haida for the purchase of these raw materials.
- b. Approximately RMB7 million of the anticipated orders leading to the prepayment of raw materials amounting to RMB23.5 million have been fulfilled at end February 2019. The balance is expected to be fulfilled by end May 2019.

SGX-ST's Query 4:

In relation to Due from related parties (trade):

- a. Please disclose the identity of related parties to which the Company is due to.
- b. Please disclose the underlying transactions that gave rise to the RMB15.3 million amount due.

The Company's response:

- a. The identity of related parties (trade) to which the Company is due to as at 31 December 2018 is as follows:
 - Jiangyin East China Aluminium Technology Co., Ltd.
 - Jiangyin Comat Metals Products Co., Ltd.
- b. The underlying transactions of RMB15.3 million due from Jiangyin East China Aluminium Technology Co., Ltd was attributed to the sales of spray-painting services by the Company.

By Order of the Board

Guo Yun
Executive Director
8 March 2019