



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 FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2019

The board of directors (the “**Board**”) of China Haida Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) refers 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 queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) as follows:

SGX-ST’s Query 1:

To provide breakdown of Cost of sales by major items and explain the factors which give rise to the material variances against corresponding period.

The Company’s response:

Breakdown of Cost of Sales (RMB’000)	30.6.2019	30.6.2018	Variance	Remarks
1.Raw materials (aluminium)	67,599	79,565	-11,966	-lower aluminium cost
2.Direct labour	7,980	7,710	+ 270	-higher staff related cost
3.Depreciation	2,245	2,276	- 31	-some equipment fully depreciated
4.Consumables	2,770	2,814	- 44	
5. Utilities	4,466	4,057	+ 409	-electricity rate is rising
6.Repairs	359	770	- 411	-major repair carried out in 2018
7.Sub-contractor cost	1,634	705	+ 929	-higer time cost due to complicated design of ASP
8.Fuel consume	183	242	- 59	
9.Others	43	69	- 26	
Total Cost of Sales	87,279	98,208	-10,929	

SGX-ST's Query 2:

In relation to the write back of impairment loss on financial asset amounting to RMB785,000:-

- a. To disclose identity of trade debtors and their respective aging of the debt written back.
- b. To disclose if the Company still has ongoing transactions with any of the trade debtors listed above.
- c. To explain reason for the previous impairment made in FY2018 and provide details of the background of this customer and whether this customer is still operating and place of operations.
- d. To explain reason why Company is able to recover these amounts now when it could not do so previously.
- e. To disclose whether the directors and key management of the customers are associated with the directors, key management or subsidiaries of the Group.
- f. To disclose what steps did the Company take in recovering the amount owed.

The Company's response:

a. Name of the two debtors:	吴江市海润装饰建材有限公司	20,000.00
	南京仁恒置业有限公司	<u>765,000.00</u>
	Total (RMB)	<u>785,000.00</u>

- b. No more ongoing transactions with both debtors.
- c. Debts were owing for more than two years and Company has stopped the supply of aluminium panels to them. They are subcontractors in the building and construction industry in China. Place of operation of both debtors is in China.
- d. Company has all the while been following with the chasing of the debts owing by these debtors. The debtors have received payments from their main contractors in 2019 and hence were able to repay their amounts owing to the Company.
- e. Directors and key management of the customers have no association with the directors, key management or subsidiaries of the Group.
- f. Steps taken by Company to recover debts :
 - Sent statements and chased for payments every month.
 - Sales executives visited the debtors on regular basis to try to recover amounts outstanding.
 - Plant manager visited debtors to negotiate for repayment of debts.

SGX-ST's Query 3:

In relation to the Government grant / incentive amounting to RMB249,000:-

- a. To provide information on the Global expansion incentive grant by PRC government and Jiangsu Province.
- b. To disclose the name of government agency in PRC and the name of scheme.
- c. What are the deliverables for the two grants by PRC government and Jiangsu Province?
- d. Whether there are any terms and conditions of the grants such as clawback provisions?
- e. To provide specific details on how has the Company been utilizing these grants.

The Company's response:

- a. The Global expansion incentive granted by the PRC government of RMB53,000 was given to Litai (wholly owned subsidiary of the Company) to participate in the South Africa trade exhibition to promote our aluminium panels overseas.

The government grant of RMB196,000 was income received from the Jiangyin Charity Federation, PRC, as an incentive for supporting local charitable organisation.

- b. The names of the two the government agency in the PRC are as follows:
 江阴市财政国库集中支付中心 – 国际贸易补贴 RMB53,000
 江阴市华士镇财政所 - 慈善返回款 RMB196,000
- c. The Company to participate in the South African trade exhibition and to support local charities.
- d. There is no unfulfilled conditions or contingencies attached to these grants.
- e. The grant has helped the staff of the Company to travel to South Africa to participate in the trade exhibition. The Company has made yearly donations to support local charities in the Jiangsu province.

SGX-ST's Query 4:

In relation to Trade and bills receivables:-

- a. To provide aging schedule of Trade and bills receivables in bands of 3 months with upper limit specified.
 b. To disclose the identities of trade debtors and their respective outstanding amount owed to the Company.

The Company's response:

- a. Trade and bills receivables aging schedule with 3 months' bands

Ageing Analysis	1-90 days	90 to 180days	180 to 270 days	270 days & above	Total
RMB ('000)	44,415	21,694	35,275	6,624	108,008

- b. Identities of trade debtors and the bills receivables outstanding amount:

Top 10 customers	RMB('000)
1. 苏州金螳螂幕墙有限公司	8,847
2. 中亿丰(苏州)绿色建筑发展有限公司	5,189
3. 乌克兰艾瓦泰公司	4,940
4. 苏州市鑫泰建筑装璜有限公司	4,337
5. 宁夏国美商贸有限公司	3,745
6. 上海富艺幕墙工程有限公司	3,594
7. 南京三惠建设工程有限公司	3,496
8. 英国黑布斯金属公司	2,981
9. 苏州柯利达装饰股份有限公司	2,684
10. 太原万柏林区鑫大全铝塑板总汇	<u>2,576</u>
Total for Top 10 customers	42,389
The rest of the 258 customers:	<u>65,619</u>
Total trade debtors and bills receivables	<u>108,008</u>

SGX-ST's Query 5:

In relation to Advance payments to a related party:-

- a. To disclose the principal business of Jiangyin Haida.
- b. To explain reason why Company is placing a large advance payment to Jiangyin Haida to purchase raw materials in advance, despite the drop in demand for Company's products where Revenue decreased by 4% during the current reporting period.
- c. To disclose what kind of raw materials and how much of this raw materials was reported in the Cost of sales of RMB87.3 million and RMB98.2 million respectively?
- d. To disclose the Company's order book and explain rationale for the material increment in advance payments made for raw materials.
- e. To explain if the Advance payments amounting to RMB40.3 million appear reasonable taking into account the size of operations and the financial status of Jiangyin Haida.

The Company's response

- a. Jiangyin Haida is a company established in the People's Republic of China and engages in the manufacture and sale of aluminium related products for the telecommunications industry.
- b. Despite the decrease in Revenue by 4% for HY2019, the Company has placed large advance payment to Jiangyin Haida for the purchase of raw materials to fulfil backlog orders of approximately RMB55 million and anticipated future demands to be delivered to customers in the second half of the year.

As explained in para 1B1 note 4 in the results announcement for HY2019, the increase in advance payment is also due to the delays in receiving raw materials from the supplier as the supplier is currently in the process of upgrading its production facilities and hence delivery of raw materials ordered would be expected to be received only in the next three months or later.

- c. The Company purchased raw materials (aluminium coils) from Jiangyin Haida and approximately RMB52.5 million and RMB56.4 million respectively were reported in the Cost of Sales of RMB87.3 million (HY2019) and RMB98.2 million (HY2018) respectively.
- d. The order backlog as at 30 June 2019 was approximately RMB55 million. The increase in advance payment for purchase of raw materials was to ensure that the Company is able to fulfil its obligations to meet the customers' demands taking into consideration the supplier lead time of 2-3 months and the production lead time of another 2-3 months to manufacture the aluminium panels.
- e. Jiangyin Haida is an established company with a turnover of approximately RMB15 billion in 2018. With its creditability and sound financial status, Jiangyin Haida buys in bulk the raw aluminium sheets directly from the major suppliers in the PRC. The Company on its own is unable to purchase directly from the major aluminium suppliers, and hence buys via Jiangyin Haida. The advance by the Company to Jiangyin Haida forms a small fraction of its bulk purchases with the major suppliers.

SGX-ST's Query 6:

In relation to Due from related parties (trade):-

- a. Audit Committee to comment whether they have assessed the collectability of these amounts. To provide specific details and basis for their views.
- b. To disclose the principal business of Jiangyin East-China and Jiangyin Comat.
- c. To disclose the relationship between the Company and the 2 related parties (Jiangyin East-China and Jiangyin Comat).
- d. To explain the reason why amount due from the 2 related parties increased by 71.8% for 1H2019 and elaborate on the credit terms extend to these parties.

The Company's response:

- a. Audit Committee has assessed the collectability based on past payment records, controlling shareholders of the two entities (please refer to part c below), market creditability of the two entities and subsequent payments. The transactions with these related parties were mandated and approved by the shareholders at the AGM.
- b. Jiangyin East-China is a company established in the PRC and is principally engaged in the manufacture and sale of aluminium sliding windows, doors and other aluminium fittings for industrial purposes.

Jiangyin Comat is a company established in the PRC and is a manufacturer of tinned metal strips and steel products.

- c. Jiangyin East-China is 70%, 22% and 8% owned by Jiangsu Haida Technology, China Delta Limited ("China Delta") and Forbury Investment Limited ("Forbury") respectively. China Delta is a controlling shareholder of the Company and is in aggregate 60% owned by our Chief Executive Officer, Mr Xu Youcai and 30% owned by our Non-Executive Chairman, Ms Zhao Guiying. Forbury is 100% owned by our Executive Director, Mr Guo Yun.

Jiangyin Comat is 55%, 20% and 25% owned Jiangyin Haida Technology Group Co., Ltd, Xu Qiang (son of the CEO, Mr Xu Youcai) and Chen Yong respectively.

- d. The amount due from the two related parties has increased by 51.7% for HY2019 (not 71.8% as stated in the above), from RMB17.2 million (as at 31 December 2018) to RMB26.1 million as at 30 June 2019. The net increase of approximately RMB8.9 million was attributed to the purchase of aluminium panels by Jiangyin Comat of approximately RMB0.2 million and spray painting services provided to Jiangyin East-China of RMB12.1 million offset by repayments of RMB1.4 million from Jiangyin Comat and RMB2 million from Jiangyin East-China respectively in HY2019.

Credit terms granted to the two related parties are normally 90 days. Payment is usually received by the Company between 90 to 120 days depending on the progress of their projects. Jiangyin Comat has fully repaid RMB0.2 million in July 2019. With the economic slowdown in the PRC and continued trade tension with the US, repayment from Jiangyin East-China has been slow. The Company is in the process of finalising a repayment schedule with Jiangyin East-China to settle their outstanding debt by end of the year.

SGX-ST's Query 7:

In relation to the Group's borrowings:-

- a. To disclose when were the loans of RMB22 million incurred and what were the use of proceeds for the loans.
- b. To disclose what are the gross carrying values of the leasehold building and land use rights for the bank loans of RMB22 million.

The Company's response:

- a. The two short term loans were incurred as follows:
First loan RMB7 million rollover on 1 Feb 2019 and due on 29 January 2020.
Second loan RMB15 million rollover on 27 November 2018 and due on 26 November 2019.

The proceeds of the loans were used for the Company's operations and working capital purposes.

b. The gross carrying values are as follows:	RMB'000
Leasehold building	13,703
Land use rightes	1,752

SGX-ST's Query 8:

To elaborate why there is a huge variance in the cashflow arising from Inventories.

The Company's response:

As at 30 June 2018, the inventory balance was approximately RMB64.3 million, or about RM9.3 million higher as compared to the balance at the beginning of the year of RMB55 million. This was reflected in the cash flow statement for HY2018. The increase was due to inventory of ASP of approximately RMB6 million pending delivery second half of 2018, fireproof ACP of approximately 1.6 million and other aluminium panels for anticipated orders.

As at 30 June 2019, the inventory balance was approximately RMB51 million as compared to RMB51.5 million as at the beginning of the year. There was a reduction of approximately RMB0.5 million as reflected in the cash flow statement for HY2019.

SGX-ST's Query 9:

To provide breakdown of Revenue and Cost of sales for each of the product lines, and to present the figures in terms of domestic and export sales.

The Company's response:

RMB ('million')	Domestic revenue	Cost of sales	Export revenue	Cost of sales	Total revenue	Total cost of sales
HY 2019						
ACP	14.0	12.2	30.6	30.4	44.6	42.6
ASP	37.8	33.2	0	0	37.8	33.2
Spray painting services	14.3	11.5	0	0	14.3	11.5
Total	66.1	56.8	30.6	30.4	96.7	87.3

SGX-ST's Query 10:

To disclose the main customers of Company for each of the product lines and to provide breakdown of their outstanding payables to the Company in bands of 3 months.

The Company's response:

The main customers by product and outstanding payables in bands of 3 months are listed below:

ACP Major Customers	1-90 days RMB'000	90-180 days RMB'000	Total Balance RMB'000
乌克兰艾瓦泰公司	4,939	0	4,939
英国黑布斯金属公司	2,981	0	2,981
上海富艺幕墙工程有限公司	1,833	1,761	3,594
ASP customers			
苏州金螳螂幕墙有限公司	327	8,519	8,846
中亿丰(苏州)绿包建筑发展有限公司	3,261	1,928	5,189
苏州市鑫泰建筑装璜有限公司	1,867	2,470	4,337
Paint spray customers			
江阴东华铝材科技有限公司	9,468	16,491	25,959

SGX-ST's Query 11:

Revenue decreased by 4% while Selling and distribution expense decreased by 23.5%. Please provide breakdown of the Selling and distribution expenses amounting to RMB2.5 million and explain for the material variance against corresponding period.

The Company's response:

Selling and distribution expenses (RMB'000)	HY2019	HY2018	Variance	Remarks
1. Salary	600	580	+ 20	
2. Travelling	339	367	- 28	
3. Transport sales.	1,308	1,694	- 386	-due to reduction in export
4. Marketing expenses sales.	28	103	- 75	-due to reduction in export
5. Test and inspection sales.	70	383	- 313	-due to reduction in export
6. Insurance	113	118	- 5	
7. Exhibition	29	29	0	
8. Others	34	20	+ 14	
Total	2,521	3,294	- 773	

SGX-ST's Query 12:

Paragraph 12 of Appendix 7.2 of Listing Manual requires issuer to state the reason if no dividend has been declared. Please disclose accordingly.

The Company's response:

No dividend has been declared or recommended for the half year ended 30 June 2019 due to the net loss for the half year and also to enable the Company to conserve cash for working capital purposes.

By Order of the Board

Guo Yun
Executive Director
16 August 2019