



**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

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**RESPONSE TO SGX-ST'S FURTHER QUERY ON THE GROUP'S FINANCIAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

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The Board of Directors of CHINA HAIDA LTD. (the "**Company**", together with its subsidiaries, the "**Group**") wishes to provide the following response to the further queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to the Company's announcement on 22 August 2017 and their email dated 24 August 2017 in respect of the Company's financial results announcement for the financial period ended 30 June 2017:

Query 1:

In the Company's response to SGX Query 2(c), it was disclosed that "*advanced payments were made to a related party, Jiangyin Haida Caitu Co., Ltd. ("**Caitu**") for the purchase of raw materials... to ensure a normal and timely delivery of these aluminium sheets to the Company...*". It was also disclosed that the Company provides spray-painting services to a related party, Jiangyin East-China Aluminium Technology Co., Ltd ("**Jiangyin East-China**"), and "*the auxiliary sales of such spray-painting services by the Company do not require an advance payment*".

We refer to the above related party transactions. Please explain why the auxiliary sales of spray painting services from the Company do not require advanced payments from Jiangyin East-China, when advanced payments are made from the Company to Caitu for the purchase of raw materials.

Company's response 1:

Production of aluminium sheets is mainly controlled by the Chinese government and the large suppliers are usually state-owned. Only large companies are able to get their supply of aluminium sheets from these major state-owned corporations. Caitu is able to purchase from them however it has to place a deposit in order to secure its purchases. Caitu 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 aluminium suppliers, hence in order to ensure timely delivery of different types of aluminium sheets, the Company has to make advance payments to Caitu for the purchase of these raw materials.

Some of the products manufactured by Jiangyin East-China have to be spray-painted before delivery to its customers. The Company in its ordinary course of business, is able to provide such auxiliary services to Jiangyin East-China without affecting its principal operations. It has the capacity and is situated within the vicinity of Jiangyin East-China and there is no necessity for the Company to keep stock. The Company is able to provide Jiangyin East-China with comparable service at comparable commercial prices to those of the unrelated external vendors and hence the Company do not require advance payments from Jiangyin East-China.

Query 2:

In the Company's response to SGX Query 2(d), it disclosed that "*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*".

- a. Are the credit terms extended to Jiangyin East-China in line with the Company's credit policy?

Company's response:

The credit terms extended to Jiangyin East-China are in line with the Company's credit policy.

- b. Has the Audit Committee reviewed the terms in relation to the sales of spray painting services to Jiangyin East-China (including the credit terms extended) as interested person transactions ("**IPTs**") in accordance with the methods and procedures for determining transaction prices as set out in the IPT mandate?

Company's response:

When providing the spray-painting services to Jiangyin East-China, the Company will compare the prices and terms of one other successful sale of similar services to an unrelated third party to ensure that the sales are transacted at arm's length and on normal commercial terms. The Company records such transactions in the Interested Person Transactions ("**IPTs**") register as set out in the IPT mandate. The Audit Committee reviews the IPT register to ensure that the sales to Jiangyin East-China (including credit terms extended) are made according to the methods and procedures to determine transaction prices as set out in the IPT mandate.

- c. Is the Audit Committee satisfied that the said IPTs are on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders? Please provide the Audit Committee's bases and justifications.

Company's response:

The Audit Committee is satisfied that the said IPTs are carried out on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders base on the following justifications:

- The Audit Committee carries out half-yearly review of the IPT transactions to ensure that the established procedures and guidelines as set out in the IPT mandate are complied with and the relevant approvals are obtained. In addition, the Audit Committee in its review also ensures that the prevailing rules and regulations of the SGX-ST (in particular Chapter 9 of the Listing Manual of the SGX-ST) are complied with.
  - The Audit Committee meets with the Internal Auditor to review the annual Internal Audit report of the Company which will include a review of the IPTs entered into pursuant to the IPT mandate.
- d. Why is Jiangyin East China unable to repay their debts to the Company within the 90 day credit terms and why is interest not chargeable for late and overdue amounts?

Company's response:

The economic slowdown in the building and construction industry in China has affected the collection of debts by Jiangyin East-China, hence they have been slow in paying the outstanding

balance owing to the Company. However, in July 2017, Jiangyin East-China has repaid RMB17.9 million to settle the outstanding amount.

It is not the normal business practice in China to charge interest on late and overdue amounts. The Company does not charge its customers, whether third party or related party, interest on overdue amounts.

By Order of the Board

Guo Yun  
Executive Director  
28 August 2017