

HU AN CABLE HOLDINGS LTD.

(Incorporated in Singapore)

(Company Registration No. 200810320N)

滬安電力控股有限公司

(成立於新加坡)

(公司註冊號: 200810320N)

RESPONSE TO SGX-ST'S QUERY ON ANNOUNCEMENT OF THE HALF YEAR RESULTS ENDED 30 JUNE 2015

回復新交所就截至 2015 年 6 月 30 日的半年業績公告的詢問

The Board of Directors (the “**Board**”) of Hu An Cable Holdings Ltd. (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on its financial statements and related announcement for the half year ended 30 June 2015 (the “**1H2015 Results Announcement**”), and wishes to provide further information as follows:-

滬安電力控股有限公司(簡稱“公司”與其子公司統稱“集團”)董事會(“董事會”)對於新加坡證券交易所(“新交所”)就集團所發佈的截止 2015 年 6 月 30 日半年財務報表及相關公告(“2015 年上半年業績公告”)提出的相關詢問, 做以下回應:

SGX-ST's Query

新交所疑問

1. In the Company's announcement on its 2Q2015 Results, in relation to the Cables and Wire segment, it was disclosed that “the negative contribution from the power generation and transmission sector was due to the sales return”.
在公司 2015 年第二季度的業績公告中關於電線電纜總部門披露, “發電及輸電部門對總部門的負貢獻率係由於銷售退貨”。
 - i. Please provide details and reasons on the sales return and quantify the sales return.
請提供銷售退貨的詳情和原因并量化銷售退貨。
 - ii. What are the mitigating controls put in place by the Company to prevent the future occurrence of sales return;
公司推行哪些緩解控制措施以避免未來再發生銷售退貨;
 - iii. Noting that power generation and transmission sector was the biggest revenue contributor of 48% of total revenue for HY 2014 and that its revenue has decreased by 64.1% for the same corresponding period under review in FY2015, provide details of the remaining order book for this sector and provide details of the contracts that were cancelled or postponed.

知悉發電及輸電分部門對公司 2014 財政年總營收的貢獻最大，占比 48%，但該分部門的營收于 2015 財政年同比下降了 64.1%。請提供該分部門余留的訂單簿的詳情和取消或推遲的合同的詳情。

The Company's Reply

公司的回復

- i. The sales return was due to a delay in delivery and the total affected amount was RMB17.8 million.
銷售退貨係因延期交貨且受影響的總金額達人民幣 1780 萬。
- ii. The company will closely monitor the production schedule to prevent future occurrences of sales returns due to delays in delivery.
公司將緊密監管生產計劃以避免未來因延期交貨發生銷售退貨。
- iii. As at 30 June 2015, the remaining order book for this sector stands at RMB706 million, of which contracts with a total value of RMB466 million have been postponed until further notice.
截至 2015 年 6 月 30 日，該分部門（發電及輸電分部門）余留的訂貨額達人民幣 7.06 億，其中價值人民幣 4.66 億的合同被推遲至等待進一步通知。

SGX-ST's Query

新交所疑問

2. With respect to the RMB178.5 million of additional allowance for doubtful debt, please disclose:
就人民幣 1.785 億的額外壞賬計提，請披露：
 - i. The names of the customers;
客戶名稱；
 - ii. Reasons why the customers are unable to pay their debts;
客戶無力償還債務的原因；
 - iii. What steps have been taken by the Company to collect the debts;
公司為收回債務已採取的措施；
 - iv. When were the underlying sales for these debts recorded;
該等債務對應的銷售是何時記錄的；
 - v. The ageing analysis; and
賬齡分析；及

- vi. The reason why the state-owned customers are unable to repay their debts due to the Company.
國有企業客戶無力向公司償還所欠債務的原因。

The Company's Reply

公司的回復

- i. Please refer to Appendix A.
詳見附件 A。
- ii. For prudence, the Group has made provisions for trade receivables aged more than one year. In general, the infrastructure-related industries are affected by China's transformation from an investment-driven growth model to a consumption-based growth model. Many of the Group's customers are in the infrastructure-related industries, and they have faced tightened cash flow due to tightened country-wide bank credit control and economic slowdown since 2014. As a result, most of the infrastructural projects we supplied goods to have been deferred. Specifically, reasons for those outstanding debts are summarized as follows:
謹慎起見，集團已為賬齡超過一年的應收賬款計提了壞賬撥備。總體而言，中國經濟從投資拉動增長的模式向消費拉動增長的模式轉型，這使基礎設施相關的產業受到了影響。集團的很多客戶從事的是基礎設施相關產業且自 2014 年起，全國銀行信貸控制加緊和經濟增長放緩使客戶的資金流吃緊。因此，公司供貨的大部分基礎設施項目已延期。具體來看，該等未償債務的原因總結如下：
- 1) Most of our goods are used in large infrastructural projects which usually take a longer time to complete. It is common industry practice that a certain percentage of payment will be only released upon completion of final inspection. Those outstanding debts are mainly related to those projects that have not had the final inspection..
公司的大部分產品用於工期較長的大型基礎設施項目。部分款項在最終驗收后才支付是行業慣例。該等未償債務主要來自尚未完成最終驗收的項目。
- 2) Usually 5%-10% of the total contract value is held as retention sum by customers for 1-2 years after the final inspection. Due to project deferment, the payment of retention sum has been deferred accordingly.
通常，合同總價值的 5%-10% 作為保留款於最終驗收後由客戶保留 1-2 年。由於項目延期，保留款的支付也已相應延期。
- iii. The Group is closely following up with its customers on the payment schedule by phone, mail and personal visit.
集團正以電話、郵件和上門拜訪的方式加緊跟進客戶付款計劃時間的落實。
- iv. These debts were sales recorded one year ago or earlier.

該等債務是一年前或更早前記錄的銷售。

- v. All doubtful debts were due for more than one year. The aging analysis of trade receivable after impairment is shown in the table below:

所有壞賬賬齡都超過一年。減損后的應收賬款的賬齡分析如下表所示：

Less than 90 days 少於 90 天	4%
90 to 180 days 90 至 180 天	3%
181 to 365 days 181 至 365 天	88%
1 to 2 years 1 至 2 年	5%
Total 總計	100%

- vi. The infrastructural projects are usually run by the state-owned customers. However, some of the government-led projects have been deferred or cancelled due to China's economic transformation and tightened cash flow. In addition, government initiatives to tighten operations of state-owned enterprises, especially in the power generation and transmission sector in China, have also prolonged the payment cycle.

基礎設施項目通常由國有企業客戶運轉。然而，一些政府主導的項目因中國經濟轉型和現金流吃緊已延期或取消。此外，中國政府加緊對國有企業，尤其是發電及輸電行業運營的監管也使付款週期變長。

SGX-ST's Query

新交所疑問

3. It was disclosed that "the Group had collectively placed RMB310.0 million as prepayment to purchase copper rods from one of our major suppliers. However this supplier had declared bankrupt and are currently under liquidation stage. In view of its liquidation status and no collateral collected, the Group had made provision for full amount of prepayments."

經披露，“集團為購買銅桿向一大供應商共支付人民幣 3.1 億的預付款。然而，該供應商已宣佈破產，且正處於清算階段。鑒於其清算狀態且未作任何抵押，集團已對該預付款作了全額撥備。”

- i. It was also disclosed that "The Group has suspended the production (of copper rods) since last year and also limited sales of copper rods due to increasing competition and decreasing market demand... revenue... from copper rods segment decreased to RMB27.2 million for 1H2015 as compared to RMB43.0 million for 1H2014." Noting that the sales from copper rods segment have

decreased and that the Group's revenue decreased by 88% for 1H2015 to RMB112.7 million, why did the Company place such a huge sum of prepayment to purchase copper rods from one of its major suppliers? Please elaborate on the rationale why such a significant amount was paid.

經披露，“從去年開始，由於競爭加劇且市場需求減少，集團已經暫停生產（銅桿），也限制了銅桿的銷售。因此，銅桿部門的外銷營業收入從 2014 年上半年的人民幣 4,300 萬元下降至 2015 年上半年的人民幣 2,720 萬元。”知悉銅桿部門的銷售量已下降且集團 2015 年上半年的營收下降了 88%，至人民幣 1.1127 億，公司為何為購買銅桿向其一大供應商支付如此大一筆預付款。請詳述支付該筆金額的原因。

- ii. To disclose when the prepayment was made and the terms of the purchase agreements, including any recourse actions or collateral available to the Group. To confirm if this prepayment arrangement is in line with industry practices and the Group's past purchases history with this major supplier. If no, why did the Group deviate from its past practices? To explain.

請披露該筆預付款于何時支付以及採購協議的條款，包括公司可獲得的任何求償方式或抵押物。請確認該預付款的安排是否符合行業慣例及集團與該大供應商的採購歷史記錄。如無，集團為何背離過去的慣例。請解釋。

- iii. To provide details, including the identity, background, years of relationship with this major supplier and how significant was this supplier in the last few FY?

請就該大供應商的身份、背景、與公司的合作時間及其在過去幾個財政年的重要性提供詳情。

- iv. To provide details on how will the Company be affected by the termination of business of its major supplier.

請就該大供應商的破產對公司的影響提供詳情。

The Company's Reply

公司的回復

- i. The external sales from copper rods segment have decreased significantly due to low profit margin and increasing competition. However as main raw materials of wires and cables, copper rods are still required to fulfil the orders on hand for the wires and cables segment. The total amount of orders on hand for this segment was approximately RMB1.0 billion as at 30 June 2015. Therefore, the Group placed purchase orders with one of our major suppliers upon obtaining additional bank loans.

由於利潤率減少，競爭加劇，銅桿部門的外銷量大幅度下滑。然而，作為電線和電纜的主要原材料，銅桿仍需用於滿足電線電纜部門已獲得的訂單。截至 2015 年 6 月 30 日，該部門已獲得的訂單總額約為人民幣十億。因此，獲得額外銀行貸款后，集團向其大供應商之一下了採購訂單。

- ii. The prepayment was made in early June 2015 and the terms of the purchase agreements require 50% of the purchase price to be payable within 3 days from the date of agreement and the balance 50% due within 15 days from the date of agreement. The agreement itself has legal binding effect and the Company has appointed a lawyer to handle the case. These payment terms are in line with industry practices. In response to the local government's appeal for our support of the supplier, the Group had committed a purchase amount that is larger than the historical purchase amounts from the same supplier for the past two years

該預付款于 2015 年 6 月初支付且根據採購協議的條款，協議日起 3 天內需支付採購價格的 50%，剩餘的 50%于協議日起 15 天內清償。協議具有法律效力，公司已聘請律師處理此事。該支付條款符合行業慣例。為回應當地政府要求，給予供應商支持，集團從同一個供應商採購了比過去兩年都多的銅桿。

- iii. The supplier is named Jiangsu Tiandilong Group Ltd. and is one of largest non-state-owned enterprises in Yixing where the Group's main factories are located. Its business is diversified in many areas including the manufacturing and sale of aluminium cans, copper rods, wires and cables, and property development etc. The Group has established business relationship with this supplier since 2010. It was one of top 10 suppliers from 2010 to 2013.

該供應商名為江蘇天地龍集團有限公司，是宜興（集團主要工廠所在地）最大的非國有企業。該公司的業務機具多元化，包括製造銷售鋁罐、銅桿、電線電纜和房地產開發等。自 2010 年起，公司已與該供應商建立了商業關係。該公司在 2010 年至 2013 年期間都是集團十大供應商之一。

- iv. This supplier is not the Group's sole supplier of copper rods. Therefore, its bankruptcy has limited impact on material sourcing. However, the potential prepayment loss may cause our cash flow to be even tighter and may result in production schedule delays as well.

該供應商並非集團的唯一銅桿供應商，因此該供應商的破產對原料採購的影響不大，但潛在的預付款損失可能造成公司現金流更緊縮及導致生產計劃時間推遲。

By Order of the Board

經董事局授權

Dai Zhi Xiang

CEO and Executive Chairman

8 September 2015

戴志祥

公司執行總裁兼首席執行官

2015 年 9 月 8 日

Appendix A – Name of customers

附件 A-客戶名稱

1	China Power Investment Corporation Materials and Equipment Branch	中国电力投资集团公司物资装备分公司
2	Shanghai Construction Yijian Group Co., Ltd.	上海建工一建集团有限公司
3	JiangSu Electric Power Co., Ltd	江苏省电力有限公司
4	Tangshan Xintiandi Meiyu Real Estate Development Co., Ltd.	唐山新天地美域房地产开发有限公司
5	Shanxi Zhongyu Energy Co., Ltd	山西中钰能源有限公司
6	Shanxi Zhongyang Steel Co., Ltd	山西中阳钢铁有限公司
7	Wuxi Guangying Industrial Co.,Ltd	无锡广盈实业有限公司
8	State Grid Hubei Electric Power Company Materials Branch	国网湖北省电力公司物资公司
9	Chengdu Xinhexin Technology Co., Ltd.	成都鑫河鑫科技有限公司
10	Datang Jianshan Tianshuo Alukerqinqi New Energy Co.Ltd	大唐尖山天硕阿鲁科尔沁旗新能源有限公司

Note: We have provided the top 10 customers which accounted for approximately 80% of the total doubtful debt. Approximately 800 customers account for the remaining 20% of total doubtful debt, and will be provided upon SGX's further request.

注：集團提供的是前十大客戶，占壞賬總額約 80%。約 800 個客戶占剩餘 20%的壞賬，將應新交所進一步要求提供。