Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: China Haida Ltd.

Security: China Haida Ltd.

Meeting details:
Date: 29 April 2019
Time: 10.30 a.m.
Venue: Portsdown 3, Temasek Club, 131 Rifle Range Road #03-03, Singapore 588406

Company Description

China Haida Ltd. is an investment holding company. The Company's segment focuses on the manufacture and sale of aluminum composite panels (ACP) and aluminum single panels (ASP). The segment also include the spray-painting services. Its subsidiary, Jiangyin Litai Decorative Materials Co., Ltd (Litai), is a manufacturer of aluminum panels in the People's Republic of China. Litai manufactures a range of aluminum panels for various applications in the building and construction industries. Litai sells ACP and ASP under the Haida brand name. It develops ACP of different color surfaces and various finishes, which are suitable for interior and exterior uses. ASP are also suitable for both interior and exterior applications in the construction of commercial, industrial and residential buildings, as well as in infrastructure projects. It operates in People's Republic of China, the United States, Brazil, the United Kingdom, Ukraine, Mexico, Australia, Italy, Spain, Israel and other countries.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C92)

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Q1. As noted in the Corporate profile, the group's wholly owned main subsidiary, Jiangyin Litai Decorative Materials Co., Ltd ("Litai"), produces a wide range of Aluminium Composite Panels and Aluminium Single Panels which are sold under the "Haida" brand, locally and abroad.

As disclosed in the Management discussion and analysis section (page 4), the group reported gross profit margin of 2.4% in FY2018, down from 3.6% in FY2017.

(i) **Has the board re-evaluated the strength of the group and identified the key value drivers for the group?**

(ii) **How can the group better capture its fair share of value and improve the gross profit margin?**

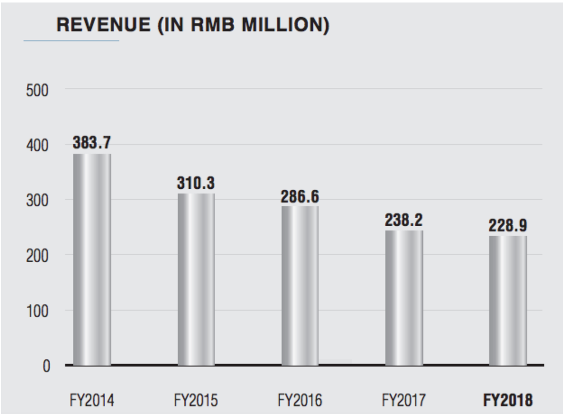
(iii) **For the benefit of new and long standing shareholders, can the board/management clearly articulate its business model and identify the key value drivers for the business?**

(iv) **What is the utilisation rate of the group's manufacturing facilities?**

(v) **What is the impact of the trade war? Are the group's aluminium products the subject of the tariffs?**

(vi) **Given that aluminium is a major cost component for the group, has management evaluated how it could reduce the cost?**

(vii) The revenue has been on a clear and steep downward trend since FY2013. From the peak of RMB432.1 million in FY2013, revenue in FY2018 is just RMB229 million or approximately just over half of the FY2013 revenue, as seen in the chart below.



(Source: Company annual report)

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Losses in the past 2 years add up to RMB(48.6) million. In FY2016, profit for the year was RMB5.0 million.

Given the revenue trend and the loss of competitiveness in the last 2 years, has the board reviewed if the business is viable in the long run?

Q2. As at 31 December 2018, the group has a carrying amount due to advance payment to a related party, Jiangyin Haida Caitu Co., Ltd., of approximately RMB23.5 million for the purchase of raw materials. This was to fulfill anticipated orders for period between January to May 2019.

As seen in Note 27 (page 79 – Related parties information), payments made in advance to purchase raw materials for the year increased to RMB135.3 million in FY2018, an increase of 2.2% from RMB132.4 million even as revenue slipped 4%.

(i) **Has the audit committee reviewed the practice of making advance payment to a related party?**

(ii) **When was the last review by the board/management to consider other sources and seek out alternate arrangement?**

(iii) **How does the board assess that the current practice is fair and on normal commercial terms?**

In fact, would the audit committee elaborate further on how it reviews related parties transactions (RPTs) to ensure that such transactions are carried out on normal commercial terms? How does the audit committee satisfy itself that the terms of the sales, including prices, are fair and reasonable and are not prejudicial to the interests of the issuer and its minority shareholders? The group has RPT transactions in purchase and sale of goods and services and advances and reimbursements as seen in the table below.

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		Group	
		2018	**2017**
		RMB'000	**RMB'000**
(a)	**Purchase of goods and services**		
	Subcontracting costs paid/payable	**39**	1
	Purchase of raw materials and consumables	**110,893**	113,191
	Rental expenses	**30**	30
(b)	**Sale of goods and services**		
	Spray-painting income included in revenue	**(20,623)**	(25,235)
	Sales of aluminium panels included in revenue	**(2,576)**	(1,751)
	Sales of raw material	**(1,719)**	(1,600)
	Other income from sub-processing fee	**(44)**	(127)
(c)	**Advances and reimbursements**		
	Payments made in advance to purchase raw materials*	**135,321**	132,427
	Reimbursement received for utilities expenses	**(1,304)**	(2,487)
(d)	**Key management personnel compensation**		
	Short-term employee benefits	**4,958**	4,733
	Contribution to defined contribution plan	**162**	146

* Recognised as purchases once the raw materials are received. This includes the amount shown as purchase of raw materials and consumables in part (a) of this Note.

The transactions as disclosed in (a), (b) and (c) above are entered into with companies in which two directors of the Company have controlling financial interests.

(Source: Company annual report)

Q3. The company was placed on the Watch-list under the MTP criterion pursuant to Rule 1311(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited on 5 June 2017.

The company would be required to take active steps to meet the requirement of Listing Rule 1314(2) within 36 months from 5 June 2017, failing which the Exchange would delist the company or suspend trading in the company's shares with a view to delisting the company.

Rule 1314(2) requires the company to achieve a volume-weighted average price of at least $0.20 and an average daily market capitalisation of $40 million or more over the last 6 months.

The company currently has a market capitalisation of $2.8 million based on 6-month volume weighted average price of $0.00965 per share.

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In the last update on 5 March 2019, the company has stated that based on the current business conditions, it is not the appropriate time to make a decision.

(i) **Would the board update shareholders on the deliberations it has had with regard to exiting the watch-list?**

(ii) **What are the options available to the group given that it has 36 months from 5 June 2017 to meet the MTP exit criteria? Given that the market capitalisation is more than 90% below the minimum market capitalisation, how feasible is it for the group to meet the threshold?**

(iii) **In addition, has the board/management evaluated the cost to the group as a result of it being watch-listed by the exchange?** For instance, the risk of being delisted would negatively impact the share price and this would make fund raising more difficult and more costly. In addition, the company's shares are no longer investable under CPF funds. There might also be reputational risks as suppliers and customers may be concerned with the company's status as a listed company when it is on the watch-list.