
PROPOSED ACQUISITION OF ASSETS BY JIANGYIN LITAI DECORATIVE MATERIALS CO., LTD., A WHOLLY-OWNED SUBSIDIARY OF CHINA HAIDA LTD. FROM JIANGYIN HUAYOU DECORATIVE MATERIALS CO., LTD (AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION AS DEFINED IN CHAPTER 9 AND CHAPTER 10 RESPECTIVELY OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED)

1. INTRODUCTION

The Board of Directors (the "**Board**") of China Haida Ltd. ("**Haida**") wishes to announce that Jiangyin Litai Decorative Materials Co., Ltd. ("**Litai**"), a wholly-owned subsidiary of Haida, has today entered into a conditional Sale and Purchase Agreement (the "**Sale and Purchase Agreement**") with Jiangyin Huayou Decorative Materials Co., Ltd ("**Huayou**") for the acquisition of certain assets ("**Assets**") consisting of land, building and production equipment from Huayou ("**Acquisition**") as set out in sub-Paragraph 2.2 of this Announcement

1.1 Listing Rule 905 of the Listing Manual ("Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")**

Based on the latest audited financial statements of the Haida group of companies (the "**Group**") as at the date of this Announcement, being the financial statements for the financial year ended 31 December 2005, the Group's latest audited net tangible assets was approximately RMB165.3 million.

The aggregate of :

- (i) the purchase consideration for the Assets of approximately RMB83.1 million based on the valuation of the Assets by the valuers, Sallmanns (Singapore) Pte Ltd (the "**Valuer**") as at 31 January 2007; and
- (ii) the value of all transactions between the Group and Huayou which are subject of aggregation under Listing Rule 906 – being the processing fees of approximately RMB88,000 in aggregate paid by Litai to Huayou for the use of one of Huayou's aluminium composite panel production ("**Additional Production Line**") that was acquired by Huayou in March 2006 and used for the manufacture of Litai's aluminium composite panels - for the current financial year (being the period from 1 January 2007 to the date of the Sale and Purchase Agreement),

is approximately RMB83.2 million (the "**Aggregate Value**").

As the Aggregate Value exceeds the financial threshold prescribed under Listing Rule 906(1) of the Listing Manual, being 5% of the latest audited net tangible assets of the Group as at 31 December 2005, which is RMB8.3 million, approval of Shareholders of the Company for the Acquisition is required pursuant to Listing Rule 906 of the Listing Manual⁽¹⁾.

Note(s) :

- (1) The Aggregate Value also exceeds 5% of the latest unaudited net tangible assets of the Group as at 31 December 2006 i.e. RMB10.3 million.

1.2 Listing Rule 1006 of the Listing Manual

The relative figures for the Acquisition computed on the applicable bases set out in Listing Rule 1006 (being the bases under Listing Rule 1006(b) and 1006(c) only) of the Listing Manual are as set out below :

- (a) Basis under Listing Rule 1006(b) : The net profits⁽¹⁾ 9%⁽²⁾ attributable to the Assets proposed to be acquired, compared with the Group's net profits.
- (b) Basis under Listing Rule 1006(c) : The aggregate value 26%⁽³⁾ of the purchase consideration for the Assets compared with the Company's market capitalisation.

Notes :

- (1) Under Rule 1002(3)(b), "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Determined by dividing the unaudited net profits attributable to the Assets for the year ended 31 December 2006 by the unaudited net profits of the Group for the year ended 31 December 2006 of approximately RMB55.6 million.
- (3) Determined by dividing the S\$ equivalent of the purchase consideration for the Assets of S\$16.4 million (or RMB83.1 million based on a S\$:RMB exchange rate of S\$1:RMB5.063 as at 28 February 2007) with the market capitalisation of the Company of S\$63.4 million (which market capitalisation is determined by multiplying the number of Shares in issue by the weighted average price of such Shares transacted on as at 28 February 2007 of S\$0.276 per Share with the issued share capital of the Company of 229,880,660 Shares as at 28 February 2007).

Having regard to the above, the Acquisition is a "Major Transaction" under Rule 1014 of the SGX-ST Listing Manual for which approval of shareholders of the Company is required.

2. INFORMATION ON THE ACQUISITION

2.1 Information on Huayou; nature of Huayou's interest in the Acquisition; and description of the trade carried on by Huayou

Huayou is a company established in the PRC and is engaged in the business of manufacture and sale of lower end aluminum and plastic building materials. The Controlling Shareholder and Chief Executive Officer of the Company, Xu Youcai, has a 95% equity stake in Huayou and is the legal representative of Huayou. The Non-Executive Chairman of the Company, Zhao Guiying is the spouse of Xu Youcai, and is a director of Huayou.

Huayou is presently engaged in the business of manufacturing aluminum composite panels for Litai in accordance with the processing agreement dated 17 August 2004 between Litai and Huayou (as amended by two written agreements between Litai and Huayou dated 12 November 2005 and 23 December 2006), for the manufacture of Litai's aluminium composite panels by Huayou (the "**Processing Agreement**") at the Properties (as defined below in sub-Paragraph 2.2 of this Announcement).

Huayou is the legal owner of the Assets that are subject of the Acquisition. The Equipment is installed at and is used at the Properties.

2.2 Particulars on the Assets Acquired

The Assets which are subject of the Acquisition comprise the following :

a) The Properties

(i) Land

No.	Address	Land Area (sq m)	Approved Land Use	Date of Expiration of Land Use Right
1	388, Qin Feng Road, Hua Shi Town, Jiangyin City, Jiangsu Province, the PRC (" <u>Qin Feng Land</u> ")	20,879.3	Industrial	5 September 2056
2	8, Huan Nan Road, Hua Shi Town, Jiangyin City, Jiangsu Province, the PRC (" <u>Huan Nan Land</u> ")	10,881.0	Industrial	23 May 2050

(ii) Buildings

No.	Address	Description	Gross Floor Area (sq m)
1	388, Qin Feng Road, Hua Shi Town, Jiangyin City, Jiangsu Province, the PRC	Buildings consisting of five (5) blocks.	21,376.28
2	8, Huan Nan Road, Hua Shi Town, Jiangyin City, Jiangsu Province, the PRC	Buildings consisting of four (4) blocks.	6,268.76

The Properties are adjacent to the Company's aluminum composite panels manufacturing facilities at South Huan Nan Road, Huashi Town, Jiangyin, Jiangsu, PRC ("Huashi Facility") which houses the Group's aluminum composite panels production lines as well as the Group's administrative offices. Please refer to the aerial plan of the Company's existing Huashi Facility and its immediate surrounding annexed hereto as Appendix 1.

b) The Equipment

(i) Aluminium Composite Panels Production Lines

No.	Description	Specifications	Date acquired by Huayou
1	Aluminium Composite Panels Production Line	For manufacture of aluminium composite panels of up to 1.52 m in width	March 2000
2	Aluminium Composite Panels Production Line	For manufacture of aluminium composite panels of up to 1.3 m in width	September 2000

No.	Description	Specifications	Date acquired by Huayou
3	Aluminium Composite Panels Production Line	For manufacture of aluminium composite panels of up to 1.75 m in width	March 2006

(ii) Ancillary Production Equipment

No.	Description	Date acquired by Huayou	Quantity (Units)
1	Water Tank	September 2000	2
2	Standby Diesel Generator	April 2006	1
3	Cooling Tower	July 2001	3
4	Single Girder Overhead Travelling Crane	July 2000	4
5	Electric Heated Air Drier	November 2000	1
6	Code Printer	October 2000	1
7	Overhead Travelling Crane	July 2005	2

Each of the Assets is subject to existing bank mortgages by Huayou in favour of creditor banks of Huayou and/or Huayou's related corporations for banking facilities extended to Huayou and/or Huayou's related corporations.

2.3 The aggregate value of the consideration, including factors taken into consideration in arriving at the value of the consideration

The purchase consideration payable by Litai to Huayou for the Assets is approximately RMB83.1 million, being the valuation of the Assets by the Valuer_as at 31 January 2007.

2.4 Any material conditions, including put and call options

Conditions Precedent : The Acquisition is conditional upon the fulfilment of the following conditions on or prior to the :

- (i) the approval of the Shareholders for the Acquisition to the extent required under Chapter 9 and Chapter 10 of the Listing Manual;
- (ii) Litai obtaining the environmental protection approvals required for the use of the aluminium composite panel production lines;
- (iii) discharge by Huayou of the existing bank mortgages over the Assets;
- (iv) Litai obtaining the right to the 18 month quality guarantee for the Additional Production Line; and
- (v) Litai obtaining an undertaking from Jiangyin City Haida Industrial Co., Ltd. that it will unconditionally agree to allow Litai to continue using its waste water treatment facilities after the Assets have been transferred to Litai.

2.5 The value of the assets being acquired

The unaudited book value of the Assets as at 31 December 2006 (being Huayou's cost of acquisition of the Assets) was approximately RMB87.3 million.

The market valuation of the Assets based on the valuation commissioned by the Company, and undertaken by the Valuer as at 31 January 2007, is approximately RMB83.1 million.

2.6 The source(s) of funds for the acquisition

The Acquisition will be funded through internal resources.

2.7 The net profits attributable to the assets being acquired

The unaudited net profits attributable to the Assets for the financial year ended 31 December 2006 was approximately RMB4.9 million.

2.8 The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transactions

Huayou is presently engaged in the business of manufacturing aluminum composite panels for Litai in accordance with the Processing Agreement at the Properties.

As disclosed at page 110 of the prospectus dated 8 November 2004 issued by the Company in connection with its initial public offering (the "IPO") :

- (a) Pursuant to the Processing Agreement, Huayou had agreed to allow Litai the exclusive use of its two aluminum composite panels production lines (the "Initial Production Lines") for the manufacture of Litai's aluminum composite panels for fees to be determined based on the cost of production plus a gross profit margin of up to 12.0%, subject to annual review by the Audit Committee.
- (b) Pursuant to the Processing Agreement, Litai was also granted an option ("Huayou Option"), subject to Shareholders' approval and the approval of the relevant authorities including the SGX-ST if required, to purchase the Initial Production Lines. The purchase price shall be determined based on the prevailing market value of the same as determined by an independent valuer at the time of purchase.
- (c) The Huayou Option had commenced on 17 August 2004, (being the date of the Processing Agreement) and was to expire on 31 December 2006.
- (d) Pursuant to the Processing Agreement, Huayou is also required to obtain the prior written consent of Litai in the event Huayou intends to transfer or sell the Initial Production Lines to any other party.

Pursuant to the Processing Agreement, Huayou is also required to obtain the prior written consent of Litai in the event Huayou intends to transfer or sell the Initial Production Lines to any other party.

The Company had on 21 April 2006 obtained a general mandate from Shareholders for the use of the Initial Production Lines pursuant to the Processing Agreement. Subsequent to the IPO, there was an increased market demand for aluminum composite panels of between 1.6 metres to 1.75 metres in width. As Litai's existing manufacturing facility could not accommodate additional production lines, Litai requested that Huayou acquire another aluminum composite panels production line (the "Additional Production Line") that is capable of manufacturing aluminum composite panels of such specifications.

Consequently, Litai and Huayou entered into a written agreement on 12 November 2005 (that was supplemental to the Processing Agreement), pursuant to which Huayou agreed to acquire the Additional Production Line and to allow Litai the exclusive use of the Additional Production Line on the same terms as the Initial

Production Lines, save that the Additional Production Line was not subject to the Huayou Option.

On 23 December 2006, Litai and Huayou entered into a further written agreement (that was supplemental to the Processing Agreement) for the extension of the Huayou Option (which extension was announced by the Company on 28 December 2006) to 31 December 2007.

In January 2007, Huayou notified Litai of its decision to discontinue the business of manufacturing aluminum composite panels for Litai as Huayou intends to expand into and focus on other businesses which are not related to the manufacture of aluminium composite panels.

As Huayou had earlier granted the Huayou Option in favour of Litai for the purchase of the Initial Production Lines, Huayou also invited Litai to purchase the other Assets, namely, the Properties as well as other Equipment (including the Additional Production Line).

The Directors of the Company are of the view that it would be in the best interests of the Group that Litai exercises the Huayou Option to acquire the Initial Production Lines, and at the same time, acquire the other Assets for the following reasons :

(a) Minimisation of production downtime / disruption :

Purchasing the Assets would minimise any production downtime or disruption that would otherwise be associated with :

- (i) the sourcing for, installation and calibration of replacement equipment which would take at least 6 to 9 months; or
- (ii) the sourcing for, and qualification of, other sub-contractors who are able to manufacture aluminum composite panels to the quality and quantity required by Litai and to deliver within the specified time frame;

(b) Consolidation of manufacturing operations to achieve cost savings :

The Properties proposed to be acquired from Huayou are adjacent to Litai's Huashi Facility.

Litai presently operates its aluminium single panels production in another manufacturing facility ("**Huayi Factory**") that is situated on the premises located at Huayi Village, Huashi Town, Jiangyin, PRC. The Huayi Factory is leased from Jiangyin Haida Decorative Materials Co., Ltd ("**Jiangyin Haida Deco**"). Jiangyin Haida Deco is 15% and 40% owned by China Delta Ltd and Jiangyin Haida Group Co., Ltd respectively. China Delta Ltd is a controlling Shareholder of the Company and is in aggregate 90% owned by our Chief Executive Officer, Xu Youcai and our Non-Executive Chairman, Zhao Guiying.

With the Acquisition, which includes the acquisition of the Properties, the Group will re-locate its aluminium single panels manufacturing operations at Huayi Factory to the Properties, thereby consolidating such manufacturing operations with its existing aluminium composite panels manufacturing operations at Huashi Factory into a single integrated manufacturing complex. Such consolidation is anticipated to enable the Group to achieve production costs savings in the form of reduced management, transport, delivery, storage and production and other incidental costs through the pooling of resources.

(c) Reduce risk of exposure to increase in rental, and to reap potential investment returns :

The increasing scarcity of industrial land in the vicinity of the Company's current manufacturing operations is anticipated to translate into an increase in land prices and rental.

The acquisition of the Properties and relocating the Huayi Factory to the same would reduce Litai's exposure to increases in rental for the Huayi Factory due to any increase in market rental rates, which in turn would contribute to an increase in operating costs for the Group, and erode profits.

Furthermore, if land prices continue on its current uptrend, the Group would by investing in the Properties, stand to reap capital returns from any capital appreciation in the Properties as may be associated with such property price uptrend.

2.9 Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests

Xu Youcai is the Chief Executive Officer and a Director of the Company. Xu Youcai is also a controlling shareholder of the Company, and as at the Latest Practicable Date, has a deemed interest of 32.38% in the Company by virtue of his 60.00% shareholding interests in China Delta Limited which in turn has a 32.38% shareholding interest in the Company.

Zhao Guiying is the non-Executive Chairman and a Director of the Company. Zhao Guiying is also a controlling shareholder of the Company, and has a deemed interest of 32.38% in the Company by virtue of her 30.00% shareholding interests in China Delta Limited which in turn has a 32.38% shareholding interest in the Company.

Xu Youcai is deemed to be interested in the Acquisition by virtue of his 95% equity interest in Huayou. Xu Youcai is also the legal representative of Huayou.

Xu Youcai and Zhao Guiying are also spouses. Zhao Guiying is deemed to be interested in the Acquisition by virtue of her being the spouse of Xu Youcai. Zhao Guiying is also a director of Huayou.

Save as disclosed in the foregoing of this sub-Paragraph 2.9, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition.

2.10 Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction

Not applicable, no directors have been identified for appointment to the Board of Haida in connection with the Acquisition.

2.11 Details of Interested Person Transactions with Huayou to be aggregated with the Acquisition

Pursuant to Listing Rule 906 of the Listing Manual, the value of the transaction arising from the use by the Company of the Additional Production Line pursuant to the Processing Agreement – unlike the use of the Initial Production Lines pursuant to the Processing Agreement which is subject to a Shareholder's mandate pursuant to Listing Rule 920 of the Listing Manual – is subject to aggregation with the Acquisition.

Pursuant to the Processing Agreement, Litai had paid Huayou a processing fee for the exclusive use of the Additional Production Line for the manufacture of Litai's aluminum composite panels based on the same terms as those in relation to the

Initial Production Lines i.e. the cost of production plus a gross profit margin of up to 12.0%.

The processing fees paid / payable by Litai to Huayou for the use of the Additional Production Line for the current financial year (being the period from 1 January 2007 to the date of the Sale and Purchase Agreement) amounts to RMB88,000.

3. FINANCIAL EFFECTS OF THE ACQUISITION

Details of the proforma financial effects of the Acquisition on the unaudited earnings per share (EPS) for the financial year ended 31 December 2006 on the assumption that the Acquisition had been effected at the beginning of FY2006 are set out below :

	<u>FY2006 before the Acquisition</u>	<u>After the Acquisition</u>
EPS (RMB cents)	21.4	23.3
Profits after taxation (RMB'000)	48,325	52,677
Weighted average number of ordinary shares in issue in FY2006 ('000)	226,089	226,089

Details of the proforma financial effects of the Acquisition on the unaudited net tangible assets (NTA) of the Group as at 31 December 2006 on the assumption that the Acquisition had been effected at the end of FY2006 are set out below :

	<u>As at 31 December 2006 before the Acquisition</u>	<u>After the Acquisition</u>
NTA (RMB'000)	206,582	206,582
Number of ordinary shares at the end of FY2006 ('000)	229,881	229,881
NTA per Share (RMB cents)	89.9	89.9

The above proforma financial effects of the Acquisition are for illustrative purposes only and may not reflect the actual future financial situation of the Group after the completion of the Acquisition.

4. SHAREHOLDERS' APPROVAL

For reasons set out in the foregoing of this Announcement, the Company will be seeking the approval of the Company's shareholders for the Acquisition.

Shareholders will receive in due course, a circular ("**Circular**") which will provide them with further information on the Acquisition.

5. AUDIT COMMITTEE OPINION & INDEPENDENT FINANCIAL ADVISER

The Audit Committee of the Company is obtaining an opinion from an independent financial adviser before forming its view on the Acquisition. The opinion of the Audit Committee will be set out in the Circular to be dispatched to Shareholders in due course.

Westcomb Capital Pte Ltd has been appointed as the independent financial adviser to advise Messrs Guo Yun, Wang Liangfa and Ong Kian Guan, being the Directors of the Company for the time being other than Directors who are deemed interested in the Acquisition ("Independent Directors").

6. DOCUMENTS FOR INSPECTION

The following documents are available for inspection during normal business hours at 30 Raffles Place, #21-02 Caltex House, Singapore 048622 for three (3) months from the date hereof :

- (a) the Sale and Purchase Agreement;
- (b) the Processing Agreement; and
- (c) valuation reports on the Assets by the Valuer.

BY ORDER OF THE BOARD

Guo Yun
Executive Director
China Haida Ltd.

APPENDIX 1

AERIAL PLAN OF THE PROPERTIES

