



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 ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The board of directors (the “**Board**”) of China Haida Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Company’s Annual Report for the financial year ended 31 December 2019 released on 14 June 2020 and wishes to respond to the queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) as follows:

SGX-ST’s Query 1:

We refer to China Haida Ltd’s (the “**Company**”) announcement on the freezing of Company’s bank accounts and interim court order issued pursuant to an application filed by Zhang Kun against Mr Xu Youcai (the CEO of the Company) and Jiangyin Litai, in connection with legal dispute over lending/borrowing affairs.

- a. Please provide an update on status and whether the Company had been unable to contact the Group CEO (Mr Xu Youcai) to date. Given that the majority of the board of directors reside in the PRC, namely Non-Executive Chairman (Ms Zhao Guiying) and Independent Director (Mr Wang Liangfa), please disclose the efforts made in establishing contact with the missing Group CEO, apart from electronic communication channels such as WeChat and emails.
- b. Please disclose details of all other lawsuits (if any) against the Company apart from the 6 enforcement cases stated in the announcement on 20 May 2020.
- c. Please disclose the relevant websites where the information of the ongoing lawsuits (including the 6 enforcement cases) against the Company can be found.

The Company’s response:

- a) The Company is still unable to contact Mr Xu Youcai as of the date of this announcement. The following actions were taken by the Company and the Singapore Independent Directors to contact the Chinese directors residing in the PRC:

- calling Mr Xu as well as the other PRC directors directly on their mobiles but the calls were not answered.
 - sending messages via Wechat to Mr Chen Wei, a director of Jiangyin Litai (the wholly owned subsidiary of the Company) and Mr Zhang Qinyu, the general manager of Jiangyin Litai.
 - sending notices of AC and Board meetings, and draft announcements via the email address of Mr Chen Wei of the above for his onward transmission to the Chinese directors.
 - writing several times to the board of directors and/or supervisor of Jiangyin Litai with a view to enquiring and seeking full explanations of the apparent irregularities as detailed in our announcements dated 8 April 2020 and 20 May 2020. No response has been received to date.
 - procuring verbal confirmations from Mr Chen Wei during one audio conference call on 14 April 2020 and another video conference call in conjunction with an AC meeting held on 29 May 2020 that he was also unable to locate Mr Xu Youcai within the premises of Jiangyin Litai.
- b) Details of the 6 enforcement cases as disclosed in our announcement dated 20 May 2020 were provided by our Chinese legal counsel. We understand that they had gathered such information from various sources including official websites (such as 中国执行信息公开网 and 中国庭审公开网 operated by Supreme People’s Court) and some third-party corporate profile search databases (such as 企查查 and 天眼查).
- c) As we did not instruct our Chinese legal counsel to renew or update their searches after 20 May 2020, we are unable to ascertain details of all other lawsuits (if any). However, based on a quick search on the 天眼查 mobile application (last accessed 16 June 2020), the Company noted the following two additional two enforcement cases being filed against the same nine parties (of which Jiangyin Litai is one of them) before the Sichuan Longquanyi District People’s Court:

S/No.	Enforcement Case Number	Date of filing	Amount (RMB)
1	(2020)川0112执1635号 (Case No.1635)	3 June 2020	1,000,000
2	(2020)川0112执1636号 (Case No.1636)	3 June 2020	1,000,000

SGX-ST’s Query 2:

We refer to the Company’s audited financial results for period ended 31 December 2019. The Company made allowance for impairment on financial asset (net) of RMB48.3 million in FY2019, an 1680.5% increase from FY2018. It was disclosed that this is mainly due to additional allowance for impairment for trade receivables due from related parties and advance payments to a related party in FY2019.

- a. Please disclose the identity of the related parties who owe money to the Group and over which these debts are now impaired and to disclose the individual beneficial owners of these related parties.

- b. Please provide a breakdown of the impairments relating to each related party identified in 2a. above and elaborate on the basis for these impairments.

The Company's response:

The amount of RMB48.3 million relates to the allowance for impairment loss (net of write-back) made against third-party trade receivables and related party receivables for FY2019, of which RMB8.8 million was attributable to the former and RMB39.5 million (see Table 2 below) to the latter.

The identities of related parties and their respective outstanding balances as at 31 December 2019 are set out in Table 1 below.

Table 1

S/No.	Name of related parties	Gross balance as at 31/12/2019	Impairment allowance balance (see Table 2)	Net balance as at 31/12/19
		RMB'000	RMB'000	RMB'000
1	Jiangyin Haida Caitu Co., Ltd	51,150	(25,575)	25,575
2	Jiangyin East-China Co., Ltd	28,017	(14,079)	13,938
Total		79,167	(39,654)	39,513

The movements of the allowance for related party receivables accounts are summarised in Table 2 below.

Table 2

S/No.	Name of related parties	Opening balance as at 1/1/2019	Impairment allowance for FY2019 (P/L)	Closing balance as at 31/12/2019
		RMB'000	RMB'000	RMB'000
1	Jiangyin Haida Caitu Co., Ltd	-	25,575	25,575
2	Jiangyin East-China Co., Ltd	172	13,907	14,079
Total		172	39,482	39,654

As disclosed in Note 31(iii) to the Audited Financial Statements for FY2019 (at page 92 of the Annual Report), as of 31 December 2019, management estimated the impairment allowance rate for related parties to be approximately 50% taking into consideration of, *inter alia*, the undue delay in delivery of goods ordered to reduce the advances paid for such goods or the tardiness in repayment of outstanding amounts for goods and services rendered (as the case may be) despite repeated reminders and follow-ups as well as some forward-looking factors such as the unprecedented damage and other repercussions brought about by COVID-19 on the global economic environment.

Beneficial Owners of the Related Parties

The equity owners of **Jiangyin Haida Caitu Co., Ltd** are Jiangsu Haida Technology Group Co., Ltd (60%) and Mdm Hu Xiuzhen (40%). Jiangyin Haida Technology Group Co., Ltd is in turn owned by Mr Xu Youcai (52.2%) and Jiangyin Fu Aute International Co., Ltd (47.8%).

The equity owners of **Jiangyin East-China Co., Ltd** are Jiangsu Haida Technology Group Co., Ltd (70%), China Delta Limited (22%) and Forbury Investment Limited (8%).

Identities of equity owners of Jiangsu Haida Technology Group Co., Ltd are disclosed above.

China Delta Limited is owned by Mr Xu Youcai (60.0%), Mdm Zhao Guiying (30.0%), Mr Gong Jinbao (2.5%), Mr Hu Xirong (2.5%), Mr Zhang Yunlong (2.5%) and Mr Xie Jizhu (2.5%).

Forbury Investment Limited is wholly owned by Mr Guo Yun, a former director of the Company who had resigned on 15 January 2020.

SGX-ST's Query 3:

The Company reported Cash and cash equivalents amounting to RMB11.54 million as at 31 December 2019.

- a. Please disclose how much of the cash has been frozen in the PRC bank accounts due to interim court order issued by Sichuan Longquanyi District People's Court on 28 November 2019.
- b. Please disclose how much of the cash is left in the Singapore bank accounts which is accessible to the Singapore Independent Directors.
- c. Please provide an update of the utilization of cash as of 15 June 2020.

The Company's response:

For clarity, the sum of RMB11.54 million pertains to the Group's cash and cash equivalents as at 31 December 2019.

- a) As adumbrated in our announcement dated 8 April 2020, we are unable to determine whether any of the bank balances of Jiangyin Litai as at 31 December 2019 had been frozen although we are only aware that two current accounts (denominated in RMB and USD) maintained with BCHX have each been frozen for a period of 12 months with effect from 10 March 2020 and 18 March 2020 respectively based on BCHX's confirmation reply for audit purposes. On the other hand, the confirmation reply from ABOCHS indicated that a general deposit account with a balance of RMB913,255.57 as of 31 December 2019 was subject to a pledge and/or other restrictions albeit particulars of which were not provided.

- b) The estimated available bank balance in Singapore is approximately S\$145,000 (equivalent to RMB0.7 million) as of June 2020. Needless to say, this balance will be further reduced upon the receipt and settlement of subsequent billings or invoices from external service providers and other vendors for services rendered to the Company.

- c) The cash utilization of the Company from 1 January 2020 to 15 June 2020 was approximately S\$780,000 (equivalent to RMB3.9 million). However, we are unable to provide such information on a Group or consolidated basis as we have no information on the utilization of cash by Jiangyin Litai from 1 January 2020 to 15 June 2020 due to the limitations and restraints as detailed in, among others, the FY2019 Annual Report of the Company.

By Order of the Board

Soh Beng Keng
Lead Independent Director
17 June 2020