

HU AN CABLE HOLDINGS LTD.
(Incorporated in Singapore)
(Company Registration Number: 200810320N)

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The board of Directors (the “**Board**”) of Hu An Cable Holdings Ltd. (the “**Company**” and its subsidiaries, the “**Group**”) refers to questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s annual report for the financial year ended 31 December 2015 (“**FY2015**”). The questions raised by SIAS and the Company’s corresponding responses are set out below:

Q1. At the annual general meeting to be held on 30 June 2021, shareholders are asked to receive and adopt the Directors’ Report and the Audited Accounts of the company for the financial year ended 31 December 2015 [emphasis added] together with the Auditors’ Report thereon. This is the first AGM to be held by the company since 30 April 2015.

As noted in the chairman’s statement, the company has gone through several tumultuous and difficult years. A summary of the account of events and irregularities has been set out in the company’s announcements via SGXNet dated 13 May 2020 titled “Update to Shareholders”¹. All three of the company’s former China subsidiaries have been liquidated. The consolidated financial statements of the group for the year ended 31 December 2015 were drawn up based on records and data left behind by the management and finance personnel who were with the group in FY2015 (collectively the “Previous Management”). The Chinese court has found that the former CEO, Mr Dai Zhixian (“Dai”), fabricated accounting records and falsified accounts at the PRC subsidiaries’ level.

The present directors do not believe that the consolidated financial statements of the group prepared on the aforesaid basis give a true and fair view of the financial performances nor are they in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards save for the closing balances in the balance sheets of the group and the company and statements of changes in equity of the company.

The present directors are unable to restate the accounts for prior years or to prepare the accounts for FY2015 independent from the records and data left behind by the Previous Management as (i) the PRC court has also found that Dai has instigated and directed the destruction of the servers hosting the necessary financial data; (ii) the PRC subsidiaries have been wound up; and (iii) Dai has been sentenced to 15 years’ jail on 31 August 2018.

As at 31 December 2015, the group was in a net liability position of RMB (5.3) million.

(i) **Would the board help shareholders understand the current financial position of the group (i.e. 2021)?**

Response:

Currently, the income of the Company is dependent on the revenue of the trading business of its Singapore subsidiary Hu An Electric Pte Ltd, which has been seriously impacted by the COVID-19 pandemic. The Company also provides management and sales and marketing and

administrative support services to Da Hang trading Pte Ltd (DH), which enabled the Company to have management and service income from 1st quarter 2019.

The Company would like to draw the attention of the Shareholders to the Company's announcement issued on 31 May 2021 in relation to the proposed acquisition of a 51% stake of DH. This acquisition is part of the Company's plan to expand its business and commercial activities as well as improve the Company's financial performance and position. Should the Company successfully complete the proposed acquisition on or before 31 December 2021, the ability of the Company to consolidate DH's assets and financial performance with the Group's would augur well for the Company and the Shareholders as a whole.

(ii) When will the consolidated financial statements and annual reports for FY2016 to FY2020 be published?

Response:

The Company is unable to give a definitive timeline for the publication of the consolidated financial statement and annual reports for FY2016 to FY2020 at this juncture. The Company's auditor, EY, has expressed its unwillingness to audit the financial statements of the Company after completing the audit for FY2015 and the Company is using best efforts to retain the services of a suitable replacement auditor with the requisite experience to complete the outstanding audits. The Company appreciates the fact that it has been given a deadline by the Singapore Exchange Securities Trading Limited to complete and issue all the outstanding consolidated financial statements and annual reports by no later than 17 December 2021. The Company intends to abide by this deadline.

(iii) Can management elaborate further on the financial and operating status of the two Singapore subsidiaries, Hu An Electric (Singapore) Pte Ltd and General Pacific Power Pte Ltd (f.k.a Shenhuan Cable (Singapore) Pte Ltd)?

Response:

General Pacific Power Pte Ltd (f.k.a Shenhuan Cable (Singapore) Pte Ltd) is currently a dormant company while Hu An Electric (Singapore) Pte Ltd is currently in a loss position. The Company wishes to note that whilst Hu An Electric (Singapore) Pte Ltd used to be able to get supplies from the China subsidiaries of the Group, with the collapse of such China subsidiaries, Hu An Electric (Singapore) Pte Ltd has lost its competitiveness. The COVID-19 pandemic and the liquidation of the China subsidiaries of the Company has severely impacted the competitiveness of Hu An Electric (Singapore) Pte Ltd as a company.

(iv) Is the group still in negotiation with Gold Peak International Industrial Limited to sell Hu An Electric (Singapore) Pte Ltd?

Response:

No, the Group is no longer in negotiation with Gold Peak International Industrial Limited on the sale of Hu An Electric (Singapore) Pte Ltd.

It was also disclosed that the group had received funding from a director amounting to \$2.5 million in 2018 based on the loan agreement and supplemental loan agreement dated 7 July 2018 and 27 December 2018 respectively.

(v) Please identify the director who had provided the \$2.5 million loan.

Response:

The loan was provided by the executive directors of the Company Mr Gao Hong, Mr Fang Hua Sheng and their associates (“Lenders”).

(vi) Please update shareholders on the terms of the loan agreement and the supplement loan agreement and publish the agreements on SGXNet.

Response:

The principal terms and conditions of the loan and the supplement agreements are:

- (i) Principal : S\$2.5 million
- (ii) Interest : 6 %
- (iii) Repayment : To be mutually agreed
- (iv) Capitalization : The lenders are willing to capitalize the loan into shares

One key term in the loan and supplement loan agreements with regards to the repayment of the loans are currently not finalised and formalised yet. Given the weak financial position of the Company, on the repayment of the loans, it is the intention of the Lenders to enter into an agreement with the Company to formalise the loans and to give the Lenders the option to convert the loan into ordinary shares in the Company. Given the continual suspension of the Company’s shares since December 2018, the option to convert will be determined at a later date when there is more clarity on the lifting of the Company’s shares. Upon finalisation of the repayment clause in the loan and supplement loan agreements, the Company will make the necessary announcements and updates on SGXNET.

Any such agreement will be entered into in compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

(vii) What is the current burn-rate of the group? How much of the \$2.5 million remains?

Response:

Based on the preliminary unaudited management accounts for the financial year ended 31 December 2020, expenses of the Group amounted to approximately S\$1.0 million. It should be noted that the outstanding costs and charges of the Company were much higher in the FY2018, FY2019, and FY2020 due to, among others, costs and expenses incurred to liquidate the Group’s China subsidiaries and legal expenses relating to claims and legal action involving the former CEO, Mr. Dai.

Of the S\$2.5 million previously lent, none remains. Mr Gao is providing ad hoc funding to the Company for its current operations.

Q2. On 5 May 2021, the company was issued a final notice from Singapore Exchange Regulation (SGX Regco) to comply with the applicable listing rules². Trading in the company's shares has been suspended since 10 December 2018 pursuant to Listing Rule 1303(3). The issuer was unable to demonstrate to the Exchange and its shareholders that it is able to continue as a going concern and it was unable to reasonably assess its financial position and inform the market accordingly.

SGX Regco stated that the company has not made efforts to rectify its non-compliance nor submitted any resumption proposal to the Exchange for the acquisition of a business that satisfies the requirements for a new listing despite repeated reminders to the company.

To maintain the listing status of the company on SGX, the company must, inter alia, hold the AGM for FY2015 and enter into a definitive agreement for the acquisition of a business that satisfies the requirements for a new listing by 30 June 2021 [emphasis added].

- (i) Is Da Hang Trading Pte. Ltd. (“DH”) a business that satisfies the requirements for a new listing?** In April 2020, the company had proposed to acquire 51% of DH for a consideration of \$1.785 million. The principal activities of DH are wholesale trade of a variety of goods. DH has historically been profitable and is expected to contribute positively to the results and cash flows of the group.

Response:

DH is not a business that satisfies the requirements for a new listing on the main board. It is entered into by the Company to provide a source of cashflow to sustain its operations and in the event of a transfer to the Catalist board, DH's business and profitability is expected to aid the Group.

- (ii) If not, what are the efforts by the board to acquire a new business that satisfies SGX's requirements for a new listing by 30 June 2021?**

- (iii) Did the company inform shareholders of the proposed acquisition of DH or any other targets? Please provide shareholders with greater clarity on the profile of the target(s), the rationale to acquire the proposed target(s), the vendor(s) and the progress made in entering into definitive agreements with the vendor(s)?**

Response:

It is the intention of the Company to enter into a definitive agreement to acquire a new business that satisfies SGX's requirements for a new listing by 30 June 2021. Further details of the proposed acquisition will be set out in an announcement via SGXNet on such acquisition.

In addition, SGX Regco has clearly stated the conditions to be met for the company to maintain its listing status on SGX. The conditions and the timeline can be found on page 2 of the announcement dated 5 May 2021 (reproduced below).

Conditions to maintain listing status of the Company on SGX-ST

The Exchange requires the Company to strictly adhere to the timelines below for compliance with the Listing Rules.

	Requirements	Final Deadline
1	Announce audited financial statements for FY2015	14 May 2021
2	Issue annual report for FY2015	16 June 2021
3	Hold AGM for FY2015	30 June 2021
4	Entry into a definitive agreement for the acquisition of a business that satisfies the requirements for a new listing	30 June 2021
5	Announce audited financial statements for FY2016, FY2017, FY2018, FY2019 and FY2020	By 30 November 2021
6	Issue annual report for FY2016, FY2017, FY2018, FY2019 and FY2020	By 17 December 2021
7	Hold AGM for FY2016, FY2017, FY2018, FY2019 and FY2020	By 31 December 2021
8	Complete the acquisition of a business that satisfies the requirements for a new listing	By 31 December 2021

(v) What are the efforts by the executive directors and the independent director to comply with all the requirements in the Listing Rules (shown above)?

Response:

The Board is making efforts and doing the necessary to meet and fulfil all the conditions laid down by SGX Regco. The only difficulty is that EY informed the Company its resignation right after the signing off the 2015 Audit report, this caused the Board amending the original plans, and had no time to fully communicate with SGX and the relevant parties. It is really hard for the Board to find a new mainboard auditor and make the new auditor to finish the 5 years' audit report in such a limited time. The Board do hope the Company could have more time to success the conditions because of the resignation of EY. In the meantime, the current Board also unable to comprehend why EY did its resignation just right after signing off the most difficult year 2015, EY was the auditor starting from IPO of the Company, and EY is the only party which reviewed all the financial data from the beginning of the listing of the Company, it is thus hard for other audit firms to catch up all the previous financial data in such a short time than EY.

Notwithstanding the above difficulties mentioned above, the Company is still targeting the issuance of the annual reports for FY2016 to FY2020 by 17 December 2021. The Company is further targeting the entry into of definitive agreements for the acquisition of a target company that meets the SGX-ST's listing requirements by 30 June 2021. Further, the Company intends to source for and appoint two additional independent directors expeditiously but expects difficulty in finding candidates willing to accept appointments to the Company, given the Company's extended period of suspension,

Q3. The board currently comprises three directors, two of whom are executive directors. Mr Gao Hong, executive chairman, and Mr Fang Hua Sheng, executive director, were appointed to the board on 18 June 2017 and 12 October 2018 respectively. Mr Kong Hoi Shuen, the only independent director on the board, was appointed on 27 November 2019.

The biographies of the directors can be found on pages 3 and 4 of the annual report. All three directors do not appear to have experience as director of a company listed on the SGX.

- (i) Can the board help shareholders understand if they are familiar with the listing rules and with the relevant regulations in Singapore?**

Response:

Both Mr Gao and Mr Fang have held directorship positions in Hong Kong and China listing companies. Mr Gao and Mr Fang believe that Hong Kong listing rules are very similar to regulations in Singapore. The Directors are familiar with the rules and regulation in Singapore.

- (ii) What is the board's experience in accounting (especially forensic accounting), due diligence, restructuring and risk management?**

Response:

Upon the entry into of definitive agreements, the Company will appoint suitable professional to advise the Board on the terms of the acquisition, due diligence, as well as compliance with listing requirements.

In respect of the acquisition of DH, the Company was advised on listing requirements by a law firm and has engaged an audit firm and law firm to carry out financial and legal due diligence respectively

- (iii) Can the company/executive directors clarify if the two executive directors are residing in China and that the independent director is a resident of Hong Kong? If so, how effective is the board in carrying out its duties, especially in overseeing the financial reporting of the group?**

Response:

The executive directors of the Company has segregated responsibilities as follows:

Mr Gao Hong, who is currently resident in Singapore, will focus on the operations in Singapore, and compliance with the listing requirements of the SGX-ST, and is heading efforts by the Company for the lifting of the suspension of the Company.

Mr Fang's role is to clarify the legal disputes and legal situation in respect of the Company's subsidiaries in the PRC.

- (iv) **Has the board consulted legal professionals to explore the options available to the company to claim against the former executive chairman and CEO and other responsible persons involved in the misappropriation of funds and assets at the PRC Subsidiaries' level and the falsification of financial records and accounts at the PRC Subsidiaries? Please update shareholders of the findings.**

Response:

The current Board continually consults and engages legal professionals to claim against the former responsible persons involved in the misappropriation of funds and assets. The current board and shareholders reserve all rights to claim against all the involved parties both here in Singapore and China. The Company will keep the Shareholders of any major developments through public announcements as and when appropriate.

By Order of the Board

Gao Hong
Executive Chairman
25 June 2021