



CHINA HAIDA LTD.

(Incorporated in Singapore on 18 August 2004)
Company Registration No. 200410428C
24 Raffles Place #20-03 Clifford Centre Singapore 048621

RESPONSE TO SGX-ST QUERIES

Capitalised terms in this announcement shall have the same meanings as ascribed to them in the HY2021 Results Announcement (as defined below) unless otherwise defined.

The Board of Directors (the "**Board**") of China Haida Ltd (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to make the following responses to the queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 20 August 2021 in relation to the condensed interim financial statements for the half year ended 30 June 2021 ("**1H2021**") released on 13 August 2021 (the "**HY2021 Results Announcement**"). The queries from the SGX-ST and the Company's responses are set out below.

Query 1:

The Company's wholly-owned subsidiary, Jiangyin Litai Ornamental Materials Co., Ltd ("**Litai**") has formed a new management team led by Mr Lai Shih-Wei who reports directly to the Board of Directors in Singapore.

- (i) Please provide further details on the past employment history of Mr Lai Shih-Wei and whether he has any prior experience as the lead of a principal subsidiary of a SGX listed company.

Company's Response:

The past employment history of Mr Lai Shih-Wei ("**Mr Lai**") is as follows:

No.	Name of corporation	Country of incorporation	Role	Responsibility	Duration of appointment
1	Changzhou Huajian Construction Materials Co. Limited 常州华彩建材有限公司 (" Huajian ")	People's Republic of China (" PRC ")	Director	Managing the daily operations of Huajian. Huajian is in the business of manufacturing and sales of aluminium materials for doors and windows.	2002 till to-date
2	Jiangyin Huali Decorative Materials Co., Limited 江阴华立	PRC	Director	Managing the daily operations of Huali. Huali is in the business	2002 till to-date

	装饰材料有限公司("Huali")			of manufacturing and sales of aluminium doors and windows.	
3	Jianhu County Guangyuan Information Consulting Co. Limited 建湖县光源信息咨询有限公司 ("Guangyuan")	PRC	Director	Managing the operations of Guangyin. Guangyin is in the business of manufacturing and sales of solar power panel.	2008 till to-date

As announced by the Company on 27 April 2021, due to the travel restrictions and quarantine measures in the PRC, the Company has, as a temporary measure appointed Mr Lai in March 2021 as the Company's representative to Litai and has given him a Power of Attorney to obtain the business license legal representation seal, company seal and cashiers' seal, etc. of Litai (collectively, the "Litai Seals"). Mr Lai has, through his hard work, managed to get access to Litai's premises and managed to obtain control over the Litai Seals in April 2021. Mr Lai has also formed the New Litai Management to assist, on a best-efforts basis, in the protection of the Litai's assets. Despite Mr Lai's appointment, certain information is still being withheld by Mr Xu Youcai.

While Mr Lai does not have prior experience as the lead of a principal subsidiary of a SGX-listed company, the Board is of the view that he has the necessary expertise to manage Litai given that he has many years of experience of managing companies involving in the manufacturing and sales of construction materials using aluminium materials. Mr Lai has further demonstrated that he is able to work closely with and to report directly to the Board, as illustrated by the circumstances set out in the preceding paragraph.

- (ii) Please disclose why Mr Lai is able to have access to information which the GFE Law Office was unable to procure and what do these information relate to.

Company's Response:

The Company has been in constant contact with the New Litai Management to obtain additional information and supporting documents surrounding legal proceedings against Litai as well as information for the preparation of the HY2021 Results Announcement. However, Litai was not able to fully provide all information and supporting documents requested by the Company, particularly those surrounding Litai's legal proceedings, as the former CEO, Mr Xu Youcai ("Mr Xu") had been withholding and continues to withhold such information and supporting. As previously disclosed by the Company, Mr Xu has also not been responsive to queries and requests raised by the Company.

In this regard, the Company wishes to clarify that GFE Law Office and the New Litai Management face the same difficulties in obtaining information surrounding Litai's legal proceedings due to Mr Xu's unwillingness to cooperate with the Company and the Board. As disclosed above, Mr Lai did manage to gain access to Litai's premises and obtain control over the Litai Seals in April 2021.

Query 2:

The Group revenue of RMB1.29 million consisted of RMB931,000 by CHD Engineering Pte Ltd (“**CHD**”), RMB60,000 by Jiangyin Xinwan International Trade Limited (“**Xinwan**”) and RMB296,000 by Litai.

- (i) Please disclose which are the principal subsidiaries of the Company and disclose why Litai has not fully resumed operations in 1Q2021.

Company’s Response:

No.	Principal subsidiary	Principal activities
1	CHD	Wholesale of metals and metal ores, particularly aluminium cladding products used in construction projects.
2	Xinwan	Trading of aluminium products, mainly aluminium panels used in construction projects.
3	Litai	Manufacturing and sale of aluminium composite panels and aluminium single panels and spray painting.

As announced previously on 13 August 2021, in view of the various litigation and enforcement proceedings and coupled with the seriousness of the COVID-19 pandemic, the New Litai Management took a more prudent approach in resuming full operations in Litai. The New Litai Management had taken additional time to reassess its business processes such as the sourcing and pricing of certain raw materials from existing and new suppliers, production planning, identifying and clearance of slow-moving inventory and controls of overheads.

As at 13 August 2021, the confirmed orders (for the supply aluminium panels) received by our newly incorporated subsidiary, Xinwan, amounted to RMB6,000,000. The manufacturing of the aluminium panel will be carried out by Litai for Xinwan. As such, Litai carried out the manufacturing of aluminium panel in HY2021.

- (ii) Please disclose the business activities and to quantify the performance of CHD and Xinwan. Please disclose whether or how these are similar to Litai’s business and the reason why the Company had incorporated these two new subsidiaries.

Company’s Response:

No.	The principal subsidiaries of the Company	Principal activities	Contract values and orders secured (as at 13 August 2021)	Sales for 1H2021	Gross profit margin for 1H2021
1	CHD	Wholesale of metals and metal ores, particularly aluminium cladding products used in construction projects.	RMB3,616,200	RMB931,000	4.7%

2	Xinwan	Trading of aluminium products, mainly aluminium panels used in construction projects.	RMB6,000,000	RMB60,000	8.6%
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The products traded by the two principal subsidiaries above are similar to those of Litai.

As announced previously, CHD is incorporated to carry out the trading of aluminium products in the region closer to Singapore.

Xinwan is incorporated to source for contracts for the supply of aluminium panels to customers in the PRC. Xinwan will then contract Litai to manufacture the aluminium products.

- (iii) Please disclose the management team of CHD, their past experience and country where they are based and operate from.

Company's Response:

The management team of CHD is based in Singapore and is spearheaded by the Executive Director of the Company, Mr Soh Yeow Hwa ("**Mr Soh**").

The management team of CHD comprises of the following key personnel:

- (1) Mr Soh, who is also a Director of CHD, is in charge of strategic business planning and exploring new business ventures.
- (2) Ms Loh Yew Hwee ("**Ms Loh**"), business development manager, is in charge of overseeing the execution of the projects. Ms Loh has more than 20 years of project implementation, management and administration experience in property related projects in Yess Le Green Pte Ltd (incorporated in Singapore) from 2001 to 2013, and in Yess Ventures Enterprise Sdn Bhd (incorporated in Malaysia) from 2014 to 2020.
- (3) Ms Loke Oi Lin ("**Ms Loke**"), finance manager, is in charge of overseeing the finance functions of CHD. Ms Loke has more than 20 years of financial reporting experience in various SGX-ST listed companies. From 1997 to 2004, she was the assistant finance manager in Eu Yan Sang International, and from 2004 to 2006, she was the group finance manager in HLN Technologies Limited whereby she was involved in the Company's listing exercise. For the most recent 10 years, she was the group accountant in Fuxing China Group Limited and Changjiang Fertilizer Holdings Limited and financial consultant on ad-hoc projects.

Query 3:

The Company recorded write back of impairment loss on financial asset amounting to RMB2.07 million.

- (i) Please disclose the identities of the debtors who have repaid the Company, the age of these debts and what is the reason these debts only became collected at this time when the management of Litai is not contactable. Please also disclose if the Company is still doing business with these customers.

Company's Response:

As previously announced at page 9 of the Company's announcement released on 31 March 2021 in relation to the full year results for the financial year ended 31 December 2020 ("FY2020 Results Announcement"), Litai made a prepayment of RMB 2.1 million to a legal firm in the PRC for legal services relating to court proceedings. As of the date of that announcement, there was no evidence yet that the aforementioned prepayment is (or will be) refundable. Accordingly, allowance for impairment had been fully provided.

However, in HY2021, the Group wrote back allowance for impairment loss of RMB1.7 million for the refund of prepayments of RMB1.0 million and the billing of legal charges of RMB0.7 million by the aforementioned legal firm engaged by Litai. Please refer to page 9 of the HY2021 Results Announcement.

The Group also wrote back RMB400,000 to account for the amount received from Jiangyin Caitu further to the reasons set out in the Company's response to Query 3(ii) below. Please refer to Note 7 on page 5 of the HY2021 Results Announcement.

- (ii) Please disclose the identity of the related party whose advance receipt of RMB400,000 from the Company has been written back. Please explain the circumstances why the Company is able to do so and whether the Company will still be conducting business with this related party?

Company's Response:

As disclosed on page 10 of the HY2021 Results Announcement, Litai received an amount of RMB400,000 from Jiangyin Caitu due to the efforts by the New Litai Management to make collection of this outstanding prepayment.

As disclosed on page 10 of the FY2020 Results Announcement, the Company noted that an applicant had on 9 February 2021 applied to Jiangyin People's Court (江阴人民法院) to put Jiangyin Caitu under bankruptcy review under case number (2021)苏0281 破申 10 号. The New Litai Management has also filed declaration of claims to the bankruptcy manager of Jiangyin Caitu, whereby the declaration of claims has been acknowledged by the bankruptcy manager. Other than monitoring the collection of the prepayment from Jiangyin Caitu, the Group has not been conducting business with Jiangyin Caitu since 1 January 2021 and will not be doing so.

Query 4:

Please disclose how and why there was a net increase in the frozen bank accounts balance by RMB275,000 in 1H2021 which resulted in the Group making additional allowance for impairment loss.

Company's Response:

The bulk of the increase in the frozen bank account arose from collections from trade debtors by Litai. Certain trade debtors made payment directly to the frozen bank account of Litai. As the bank accounts of Litai, where trade debtors made payments to, are frozen, it is prudent to make related additional allowance for impairment.

Query 5:

The Company has written off all of its fixed assets and is left with short-term assets, mainly trade receivables which the Company has difficulties collecting and had provided significant allowance for impairment amounting to RMB57.6 million. Please explain whether the Company should be deemed a cash company under Listing Rule 1018(1) given that its assets consist wholly or substantially of cash or short-dated securities. Please provide details and basis for the Board's views.

Company's Response:

Despite the fact that the Group has made full provision for allowance for impairment for Litai's fixed assets and prepayment, the Board is of the view that Company is not a cash company given the following:

- (a) The Group has incorporated a wholly-owned subsidiary, CHD, which had entered into a joint venture agreement K-United Builder Pte. Ltd. to collaborate in the supply and installation of aluminium cladding products for certain commercial and residential projects. The parties have secured contract value amounting approximately to S\$0.75 million for the projects to be conducted in Singapore. For more details on the aforementioned joint venture agreement and projects, please refer to the Company's announcements released on 25 May 2021 and 31 May 2021.
- (b) The Group has incorporated Xinwan for the trading of aluminium products. As at 13 August 2021, Xinwan has confirmed orders of RMB6,000,000 whereby the manufacturing of the aluminium panels will be carried out by Litai.

Query 6:

Please disclose if cash and bank balances of RMB3.12 million as at 30 June 2021 includes the \$500,000 loan from Mr Stanley Lee as announced on 4 February 2021 and to disclose the specific use of proceeds from the loan to-date.

Company's Response:

The cash and bank balances of RMB3.12 million as at 30 June 2021 includes the S\$500,000 loan from Mr Stanley Lee as announced on 4 February 2021. The specific breakdown on the use of the proceeds is as follows:

	In S\$
Investment in subsidiaries (CHD and Xinwan)	235,000
Legal and professional fees	20,767
Auditors' fees	62,274
Listing and compliance costs	28,621
Directors' fees, remuneration and staff cost	153,338
	<u>500,000</u>

Query 7:

The Company made allowance for impairment of trade receivables amounting to RMB57.6 million as at 30 June 2021. Please disclose the basis for impairment for each of the material debtors and whether these entities are still operating. Please disclose what efforts have been made in the collection of these debts and whether the Management is still continuing to do so.

Company's Response:

The basis for allowance for impairment of trade receivables of Litai of RMB57.6 million as at 30 June 2021 has been provided for in the Appendix (attached as a separate document in the SGXNet announcement) to the HY2021 Results Announcement released on 13 August 2021.

An extract of the allowance for impairment of trade receivables of Litai of RMB57.6 million as per the aforementioned Appendix is as follows:

No.	Nature of allowance	RMB'000
1	Allowance for specifically impaired trade receivables	26,048
2	ECL model adjustment carried forward from 31.12.2020	7,284
3	General allowance for impairment carried forward from 31.12.2020	24,308

Total	57,640
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As disclosed in the aforementioned Appendix, Litai made full allowance for specifically impaired trade receivables as these trade debts have been long outstanding.

The New Litai Management is trying their very best to collect the outstanding trade receivables through reminders, visiting of trade receivables, demand letters, etc. For the six-month period ended 30 June 2021, the New Litai Management has managed to make collections of approximately RMB7.3 million from outstanding trade receivables. The New Litai Management will continue to monitor closely the collections of the remaining outstanding trade receivables.

Query 8:

The Company has on 3 August 2021 appointed FTI Consulting Pte Ltd to investigate, among others, the circumstances surrounding the litigation and enforcement proceedings and the background of the lending and borrowing affairs by Mr Xu and his controlled entities. Please disclose whether the investigation has commenced, or date of commencement if not yet commenced.

Company's Response:

FTI Consulting Pte Ltd ("**FTI**") has since reached out to the New Litai Management to obtain information and documents for the purposes of the special audit and the New Litai Management is working to fulfil the information and document requests from FTI.

The Company will make further announcements on any material updates in relation to the special audit as and when appropriate.

BY ORDER OF THE BOARD

24 August 2021