

Our Ref: REG/LC/RLJJ/NOC2021060003

28 June 2021

Board of Directors

China Haida Ltd.
24 Raffles Place
#20-03 Clifford Centre
Singapore 048621

Dear Sirs

**CHINA HAIDA LTD. (THE "COMPANY")
NOTICE OF COMPLIANCE (THE "NOTICE")**

1. Singapore Exchange Regulation ("**SGX RegCo**") refers to the following announcements:-
 - (i) The Company's announcement dated 3 April 2020 (Announcement Reference No.: SG200403OTHRGX9) titled "Request for Trading Halt";
 - (ii) The Company's announcement dated 8 April 2020 (Announcement Reference No.: SG200408OTHR3PLU) titled "Freezing of Certain Bank Accounts of Subsidiary and PRC's Interim Court Order involving Subsidiary";
 - (iii) The Company's announcement dated 9 April 2020 (Announcement Reference No.: SG200409SUSPS4Q6) titled "Request for Suspension";
 - (iv) The Company's announcement dated 22 April 2020 (Announcement Reference No.: SG200422OTHRXXTS) titled "Response to SGX Queries";
 - (v) The Company's announcement dated 20 May 2020 (Announcement Reference No.: SG200520OTHRT82F) titled "Updates on Freezing of Bank Accounts of Subsidiary & PRC's Interim Court Order involving Subsidiary";
 - (vi) The Company's announcement dated 20 July 2020 (Announcement Reference No.: SG200720OTHR8W5V) titled "Further Update of Legal and Enforcement Proceedings against Jiangyin Litai";

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- (vii) The Company's announcement dated 4 November 2020 (Announcement Reference No.: SG201104OTHRG5PC) titled "Appointment of Independent Director and member of the AC, NC and RC";
 - (viii) The Company's announcement dated 21 January 2021 (Announcement Reference No.: SG210331OTHR55BT) titled "Full Yearly Results";
 - (ix) The Company's announcement dated 26 February 2021 (Announcement Reference No.: SG210226OTHRNTFF) titled "Further Update of Legal and Enforcement Proceedings against the Subsidiary";
 - (x) The Company's announcement dated 31 March 2021 (Announcement Reference No.: SG210226OTHRNTFF) titled "Further Update of Legal and Enforcement Proceedings against the Subsidiary";
 - (xi) The Company's announcement dated 14 June 2021 (Announcement Reference No.: SG210614OTHRB2TJ) titled "Annual Reports and Related Documents";
2. On 3 April 2020, the Company requested for a trading halt and announced on 8 April 2020 that its external auditors had received "qualified" bank confirmations from two PRC banks in connection with their audit of the financial statements of the Company's sole wholly-owned operating subsidiary, Jiangyin Litai Ornamental Materials Co., Ltd ("**Jiangyin Litai**") for the financial year ended 31 December 2019. According to the Company's disclosure, one of the PRC banks had indicated in its confirmation reply to the Company's external auditors that two current accounts (in RMB and USD) have each been frozen for a period of 12 months with effect from 10 March 2020 and 18 March 2020, and the balances of these two current accounts as of the two effective dates were not specifically stated in the confirmation. The balances of these two accounts in the Company's books as at 31 December 2019 were RMB753,725.60 and USD3,001.54 respectively. The other PRC bank had indicated in its confirmation reply that a general deposit account with a balance of RMB913,255.57 as of 31 December 2019 was subject to a pledge or other restrictions, albeit particulars of which were not provided.
3. In the announcement on 3 April 2020, the Company disclosed that it obtained a copy of an interim court order ("**ICO**") dated 28 November 2019 issued by the Sichuan Longquanyi District People's Court in connection with the freezing of the bank accounts mentioned above. The ICO was made pursuant to an application filed by one Zhang Kun (the "**Applicant**") against twelve respondents (collectively, "**Respondents**") for the purpose of preserving or freezing the assets of the Respondents up to a sum of RMB 14 million, and was awarded in favour of the Applicant. The application was made in connection with a pending legal dispute over some lending/ borrowing affairs between the Applicant and the Respondents. Mr Xu Youcai who is the Company CEO and some of his controlled entities as well as Jiangyin Litai are parties amongst the Respondents. The Company disclosed that it was in the process of engaging legal and other professionals for assistance and to ascertain the events which had transpired leading to the situation disclosed.

4. On 9 April 2020, the trading halt was converted to a trading suspension pursuant to Listing Rule 1303(3) as the Company was unable to continue as a going concern or unable to demonstrate to the Exchange and its shareholders that it is able to do so.
5. On 22 April 2020, in response to SGX Queries, the Company disclosed that it was unable to contact Mr Xu Youcai despite numerous attempts. As a result, it was unable to obtain all relevant and pertinent information, documents and/or explanations from Jiangyin Litai to accurately complete and finalize the FY2019 Financial Results. It was also disclosed that “As alluded to in the 8 Apr Announcement and to the best knowledge and information of the Company, the Company and Jiangyin Litai do not have any business relationship with Zhang Kun.”
6. On 20 May 2020, the Company announced that it had appointed a PRC legal counsel to ascertain the events which led to the freezing of certain bank accounts of Jiangyin Litai and the ICO issued against Jiangyin Litai. The PRC legal counsel procured information, as at 18 May 2020, that six enforcement cases were filed against nine parties (of which Jiangyin Litai is one of them) before the Sichuan Chengdu Longquanyi District People’s Court. The Company added that these nine parties (including Jiangyin Litai and CEO, Mr Xu Youcai) were also among the twelve respondents being named in the ICO.

The Company also disclosed that, “Jiangyin Litai is currently named as the second defendant alongside a related party, Jiangyin Comat Metal Products Co., Ltd (“**Jiangyin Comat**”), being the first defendant, in a civil suit instituted by a Hangzhou Xiaoshan Jiangnan Iron Printing & Cans Manufacturing Co., Ltd (the “**Plaintiff**”) sometime in 2019 before the Jiangyin People’s Court. While the Company understands that the first tranche of the trial took place on 17 March 2020, it is uncertain whether the trial has been procedurally completed to date. Due to the paucity of information, the Company was only given to understand that the legal suit was apparently in relation to a dispute over some trading transactions between the Plaintiff and Jiangyin Comat. Based on the accounting records of Jiangyin Litai as at 31 December 2019, the Plaintiff was however neither a customer nor a supplier of Jiangyin Litai. The Company is therefore also unable to ascertain, at this juncture, the whys and wherefores of Jiangyin Litai being embroiled in the dispute and eventually joined in the legal suit as well as other substantive details of the claim.”

7. On 20 July 2020, the Company announced that based on its investigation, each of Mr Xu Youcai, Jiangyin Litai and Jiangyin Haida Technology were the subject of several “Consumption Restriction Orders” (“**CROs**”) issued by the competent courts in China as a consequence of the enforcement cases. The Company understands that “a pre-condition to making such CROs is where the judgement debtor has failed to fulfil or satisfy his/her or its payment obligations within the period specified in an effective legal instrument (such as a court judgement or an enforcement order). Where a CRO is made against a judgment debtor that is an entity, the legal representative, principal, persons directly responsible for debt settlement, or effective controller of that entity will also be subject to the same restrictions on consumption as stipulated in the CRO.”

8. On 4 November 2020, the Company announced the appointment of Mr Soh Yeo Hwa as an Independent Director. It also disclosed that the Singapore Directors have been unable to contact Ms Zhao Guiying, Mr Xu Youcai and Mr Wang Liangfa ("**PRC Directors**") for board meetings.
9. On 21 January 2021, the Company announced the appointment of Mr Zhu Peng as an Independent Director and the redesignation of Mr Soh Yeow Hwa to an Executive Director. The Nominating Committee, consisting Mr Tang Chun Meng, Mr Zhu Peng and Mr Soh Yeow Hwa ("**Singapore Directors**"), considered and recommended to the Board of Directors that the duties of the PRC Directors be suspended as they have not been responsive to queries raised by the Board nor have they attended any board meetings for more than six months.
10. On 26 February 2021, the Company tabulated in their announcement, details of legal and enforcement proceedings against Jiangyin Litai. The announcement also stated that the Company is the midst of changing legal representative of Jiangyin Litai. However, as the relationship between the Board and Mr Xu Youcai is getting increasingly strained, there is no guarantee that Mr Xu Youcai will be willing to relinquish his authority as a legal representative of Jiangyin Litai. Without Mr Xu Youcai being a willing participant to this exercise, the Company has been advised by its legal advisor in PRC that the change of legal representative of Jiangyin Litai may be a protracted affair.
11. On 31 March 2021, in the Company's announcement of its FY2020 Results, it was disclosed that "the Company has been unable to obtain all relevant and pertinent information, documents and/or explanations from Litai to accurately complete and finalise the financial statements of the Group for FY2020", "Consequently, the Company is constrained to prepare and report the FY2020 Financial Results to the best of its knowledge using financial figures obtained from Litai's Team. The Company is therefore unable to ascertain whether the figures provided by Litai's Team would be an accurate representation of Litai's financials due to information or supporting documents which have not been forthcoming from Mr Xu Youcai." and "For reasons disclosed in the Introduction section of the Company's FY2020 Results announcement, Company is not able to obtain information from Litai to fully disclose information on interested persons transactions conducted for the half year ended 31 December 2020."
12. On 14 June 2021, the Company announced the **Disclaimer of Opinion** issued by its auditors for the Company's audited FY2020 financial statements. The auditors had issued disclaimers on numerous matters. The auditors issued disclaimers on "the Group's recorded gross amount owing from related parties (companies in which CEO Xu Youcai and members of his close family have controlling financial interests) totalling RMB80,138,000 as at 31 December 2020, comprising trade receivable and advance payments of RMB28,008,000 and RMB52,130,000 (2019: RMB28,017,000 and RMB51,150,000). These related parties were also named as co-defendants in several litigations and enforcement proceedings". In addition, the auditor's Disclaimer of Opinion also noted, inter alia, that the auditor was unable to obtain sufficient documents to support impairments of the receivables and PPE and on the unsatisfactory explanation on financial impact from the ongoing lawsuits and going concern issues.

13. Listing Rule 1405 provides that the Exchange may exercise administrative powers for the purposes of ensuring that the market is fair, orderly and transparent. In this regard, the Exchange may, inter alia: (a) require an issuer to appoint compliance advisers or other independent professionals for specified purposes under Listing Rule 1405(1)(f).
14. In view of the above developments, the Company had been unable to ascertain its state of affairs and unable to assess the circumstances leading to the legal proceedings against Jiangyin Litai which had resulted in significant impairments and unknown impact to the Company and provide full and accurate updates to the market accordingly.
15. Pursuant to Listing Rule 1405(1)(f), the Exchange requires the Company to appoint a suitable independent Special Auditor, acceptable to the Exchange, by **12 July 2021**. The terms of reference of the Special Audit must be cleared with SGX RegCo and the scope of Special Audit shall cover the following:-
 - (i) To investigate the circumstances surrounding the litigations and enforcement proceedings and the background of the lending and borrowing affairs by Mr Xu Youcai and his controlled entities which led to the court ordering the freezing of the Company's bank accounts;
 - (ii) Circumstances surrounding the payments to/on behalf of related parties involving Mr Xu Youcai and his associates and to review the circumstances and recoverability of trade receivables due from related parties involving Mr Xu Youcai and his associates and the circumstances surrounding the litigations and enforcement proceedings against them;
 - (iii) The veracity of the Group's gross balance due from trade receivables of RMB86,535,000 as at 31 December 2020;
 - (iv) Existence and completeness of bank balances, inventories and trade and other payables and impairment charge of RMB9,560,000 made in relation to other receivables and deposits;
 - (v) The state of affairs of Jiangyin Litai's operation status in PRC and the extent of its operations; and
 - (vi) To review the adequacy and effectiveness of the Group's internal controls in safeguarding the Group's assets as well as addressing the material risks in the Group;
16. Pursuant to Listing Rule 1405(4), failure to comply with the requirements imposed by SGX RegCo shall be deemed a contravention of the Listing Rules. Upon fulfilment of the requirements imposed, please inform the SGX RegCo in writing.

17. Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX RegCo reserves the right to take disciplinary action against the Company for breaches of the Listing Rules, including any failure to comply with the requirements imposed by SGX RegCo.

Yours faithfully

June Sim
Senior Vice President
Head, Listing Compliance
SGX RegCo