



**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 QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

---

China Haida Ltd. (the "**Company**") refers to its announcement in relation to Further Update of Legal and Enforcement Proceedings Against Jiangyin Litai released on 20 July 2020 ("**20 July 2020 Announcement**") and wishes to respond to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") dated 22 July 2020 as follows. For convenience, unless otherwise stated, the same terminology used in the Previous Announcements (as defined in and including the 20 July 2020 Announcement) has been adopted in this announcement.

***SGX-ST's Query 1:***

On page 4 of the Company's Announcement on 20 July 2020, it is noted that "Mr Xu (Youcai) is the legal representative of Jiangsu Haida Technology and Jiangyin Litai, each of Jiangsu Haida, Jiangyin Litai and Mr Xu was served the CROs ("Consumption Restriction Orders") in conjunction with or as a consequence of the enforcement cases filed before the competent courts in China as detailed in Table D below". In view of the personal financial and legal distress surrounding Mr Xu, please disclose whether he is suitable to remain as legal representative of subsidiaries within the group. Please disclose if actions have been/will be taken to restrict his authority in dealing with banking transactions and management/control of the assets of the group.

***The Company's response:***

The Company has since sought clarification from its PRC legal counsel and they advised that Mr Xu is also *prima facie* not fit to be a legal representative of Jiangyin Litai under the relevant laws in China. Notwithstanding this, it would be a real and practical challenge to source for and identify a suitable replacement for the office of legal representative at this juncture and under the dire circumstances. Without an appropriate replacement, it would be virtually impossible to effect a change in legal representative with the competent authorities in China. The Company is of the view that while in theory it may take steps to remove Mr Xu as a legal representative of Jiangyin Litai (such as by passing a written resolution to that effect but subject to the Company's Board's approval), it may not be feasible, in practical terms, to execute or effect the change given, *inter alia*, the practical challenge of identifying a suitable candidate to replace Mr Xu (having regard to the multiple legal and enforcement proceedings against Jiangyin Litai and the exorbitant indebtedness incurred by him) as well as the travel restrictions to China due to COVID-19.

**SGX-ST's Query 2:**

For each of the cases in Table A, Table B and Table C, please elaborate on:

- (a) the nature of the transaction/background for each of the cases set out in the announcement which gave rise to the enforcement proceedings.
- (b) for those which relates to debts, please disclose the borrower, the nature of the Group's subsidiaries' involvement in the transaction and when were these debts incurred.

***The Company's response:***

As adverted to and save as already been disclosed in the Previous Announcements, the substantive details for those cases as set out in Table A, Table B and Table C are not available to the Company.

**SGX-ST's Query 3:**

Please quantify the aggregate amount arising from legal actions against the Group and tabulate how much of these loans/proceeds from loans had been included in the Company's audited FY2018 and FY2019 financial information relating to:

- (a) Cash and bank balance;
- (b) Bank Loans;
- (c) Contingent Liabilities.
- (d) Adjusted figures for 3(a) to (c) above, if applicable.

***The Company's response:***

The Company has disclosed all the pertinent information that was made available to it to date through the help of its Chinese legal counsel. As mentioned several times in the Previous Announcements, the Company reiterates that it is still unable to know or ascertain how and why Jiangyin Litai had been embroiled in all the pending and identified legal or enforcement proceedings to date except probably for Suit (2020)浙0421民初1760号 ("**Suit No. 1760**") as instituted by Akzo Nobel Paint (Jiaxin) Co., Ltd.. In other words, the Company has no substantive information or details of the contractual and/or other legal claims or applications made by the various plaintiffs and/or applicants against Jiangyin Litai save for Akzo Nobel Paint (Jiaxin) Co., Ltd which was a trade supplier of Jiangyin Litai with an outstanding balance of approximately RMB1.5 million as at 31 December 2019 (i.e. the sum had already been recorded and included as a liability in the audited financial statements of the Group for FY2019). For the avoidance of doubt, there is no information on the actual amount of claim mounted by this trade supplier against Jiangyin Litai in Suit No. 1760.

In view of the above, the Company is not in a position to provide the requisite financial information (a) to (d).

#### **SGX-ST's Query 4:**

In relation to Table A, the Company updated on 20 May 2020 FY that there are 6 enforcement cases filed against nine parties (of which Jiangyin Litai is one of them) before the Sichuan Chengdu Longquanyi District People's Court, these are Cases No. 750, **751**, 862, 1101, 1248 and 1249 which ranges from amount of RMB 1 million to RMB 2.054 million. However, it was mentioned in the Company's further update on 20 July 2020 that there are now 7 enforcement cases and these are Case No. **750** [sic], 862, 1101, 1248, 1249, 1635 and 1636. It is noted that the Company has now discovered 2 new cases (Case No. 1635 and 1636) and that Case No. **751** [sic] has been dropped. Please elaborate on the status of Case No. **751** [sic] which amounted to RMB 2.054 million and why it was excluded from the Company's announcement on 20 July 2020.

#### **The Company's response:**

The Company notes that this question contains some typographical errors in terms of the identification of enforcement cases (highlighted in yellow above), and believes that SGX-ST had meant to seek clarification and elaboration on why Case No. **750** (instead of No. 751) was dropped or excluded from the 20 July 2020 Announcement. In preparing for that announcement, the Company had posed a similar question to its Chinese legal counsel. The Chinese counsel responded that, as of the date of their last update, Case No. 750 was apparently removed from and no longer appeared on the list of enforcement cases of which Jiangyin Litai is a respondent, and surmised that it was probably due to the closure of that enforcement case. No official information regarding the apparent removal or closure of Case No. 750 was however disclosed or made available.

#### **SGX-ST's Query 5:**

The Company announced that "it is in the process of seeking advice from the SGX-ST, the Company Secretary and/or other professionals to determine whether Mr Xu is still fit to be a director of the Company".

- (a) Please disclose whether this assessment is under the terms of reference of the Nominating Committee ("NC") and if so, please disclose their assessment of Mr Xu's suitability;
- (b) Please disclose the specific actions taken by the Board based on the recommendations of the NC;
- (c) Please disclose who are the professionals the Company had sought advice from and provide their views;
- (d) Please clarify that no submissions had been made to the SGX-ST in relation to the matters disclosed in its announcement on 20 July 2020 and that it is the responsibility of the NC and the Board to make its determination of the continued suitability of the directors it recommended to be appointed to the Board.
- (e) To disclose if the NC/Board will be convening an EGM to seek shareholders' actions in relation to the adverse findings, in particular noting the inaccurate information disclosed to shareholders for their voting on the re-election of Mr Xu.

***The Company's response:***

- (a) As of the date of this announcement, the NC comprises Mr Tang Chun Meng (Singapore-based ID) and Mr Wang Liangfa (PRC-based ID). Unfortunately, Mr Wang was again uncontactable and no NC meeting or discussion had been held. Notwithstanding this, Mr Tang, in consultation with the Company Secretary and the Singapore Solicitors (see response to (c) below), is of the view that Mr Xu is not fit to be a director of the Company on account of the egregious events discovered by the Company to date.
- (b) Mr Tang will continue to liaise with and reach out to Mr Wang to discuss the matter. Be that as it may, it should be noted that as of the date of this announcement (and in fact, since the conclusion of the Last AGM), the Board of the Company is effectively paralysed with only one active director in Singapore (i.e. Mr Tang Chun Meng) and three PRC-based directors (namely, Mr Xu Youcai, Mdm Zhao Guiying and Mr Wang Liangfa) who are either wholly uncontactable or fortuitously available. This was also adumbrated in the Previous Announcements.
- (c) The Company has sought advice from its Company Secretary and Messrs Aquinas Law Alliance LLP, Advocates and Solicitors ("**Singapore Solicitors**").

In brief, the Company Secretary drew the Company's attention to Regulation 104(1) of the Company's Constitution which provides several circumstances under which the office of a director shall become vacant. According to Regulation 104(1)(f) which states that "*the office of a Director shall be vacant if the Director for more than six months is absent without permission of the Directors from meetings of the Directors held during that period and his alternate Director (if any) shall not during such period have attended in his stead*".

The Singapore Solicitors are of the view that, based on their review of the pertinent announcements released by the Company (but without the benefit of speaking with the directors (including the CEO) of the Company, save for Mr Tang Chun Meng), Mr Xu has not complied with the standard required of a director of a listed company under the SGX-ST Listing Manual and the Code of Corporate Governance. Additionally, the Singapore Solicitors opined that as Mr Xu is technically not an adjudicated bankrupt in Singapore, his office (as a director) will not *ipso facto* become vacant pursuant to the SGX-ST Listing Rules, Companies Act (Cap. 50) and/or the constitution of the Company. However, they also underscored the relevance of Regulation 104(1)(f) of the Company's Constitution and suggested that the Company might consider issuing a final notice for Mr Xu to comply with his obligations. Alternatively, the Company might choose to vacate Mr Xu's office on the expiration of the six-month period stated in Regulation 104(1)(f) without issuing any notice to him. Notwithstanding the stipulations in the Company's Constitution, the Singapore Solicitors also highlighted that even if Mr Xu's office were vacated by way of Regulation 104(1)(f), the shareholders in support of Mr Xu could requisition an EGM to reinstate his position or otherwise to re-appoint him, given that the three major PRC-based shareholders hold in aggregate approximately 46.7% of the Company's shares. These three major PRC-based shareholders are China Delta Limited (a company controlled and substantially owned by Mr Xu), Forbury Investments Limited (a company owned and controlled by former ED, Mr Guo Yun) and Mr Lai Shih-Wei. Please also see page 95 of the FY2019 Annual Report for detail and our response to (e) below.

- (d) The Company would like to clarify that it had not made any written submissions to the SGX-ST in relation to the matters disclosed in the 20 July 2020 Announcement. However, the Company (through its Singapore independent director, Mr Tang Chun Meng) had endeavoured to verbally enquire SGX-ST of its view regarding these matters prior to the release of the 20 July 2020 Announcement but was informed to proceed to release the same. While the Company acknowledges that its NC or Board is primarily responsible for determining the suitability of directors, it is of the view that the existing circumstances present unusually challenging issues. In this regard, it is also respectfully hoped that SGX-ST can offer some constructive and pragmatic assistance and recommendations with a view to protecting minority shareholders of the Company as well as upholding the integrity and robustness of the capital market ecosystem as a whole.
- (e) The Company verily believes that it had disclosed all the pertinent information (including its inability (and the reasons thereof) to complete the prescribed form pursuant to Appendix 7.4.1 to the SGX-ST Mainboard Listing Rules) for its shareholders at all material times to make the most appropriate decision (albeit in the unfortunate circumstances). As such, the Company respectfully disagrees with the assertion or notion that inaccurate information had been disclosed to shareholders in the FY2019 Annual Report in respect of the proposed resolution to re-elect Mr Xu (“**Re-election Resolution**”) at the Last AGM. The fact remains that the Re-election Resolution was duly carried with 99.41% of votes cast at the Last AGM as the two PRC-based substantial shareholders had clearly voted in favour of it (namely, Forbury Investments Limited and Mr Lai Shih Wei; in aggregate they hold 17.5% of the Company’s shares) even without garnering the votes from the single largest shareholder, China Delta Limited (a company controlled and substantially owned by Mr Xu) which owns about 29.2% of the Company’s shares.

In the light of the legal and practical impediments noted above, the NC sees no point in convening an EGM to seek shareholders’ actions in relation to the adverse findings relating to Mr Xu as the outcome is envisaged to be the same unless the SGX-ST is in a position and is minded to preclude the three PRC-based shareholders (holding in aggregate about 46.7% of the shares in the Company) from exercising their legal rights to vote at the EGM.

Tang Chun Meng  
Independent Director  
24 July 2020