CHINA HAIDA LTD.
(Incorporated in Singapore on 18 August 2004)
Company Registration No. 200410428C
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RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The board of directors (the "**Board**") of China Haida Ltd. (the "**Company**") refers to the Company's announcement in relation to (i) Proposed Transfer of Listing from Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") to the Catalist Board of the SGX-ST; (ii) Renounceable Non-Underwritten Rights Issue ("**Rights Issue**"), released on 28 June 2019 (the "**Announcement**") and wishes to respond to the queries raised by the SGX-ST as follows. Capitalised terms used and not defined herein shall have the meanings ascribed to them in the Announcement.

SGX-ST's Query 1:

China Haida (the "**Company**"), announced on 28 June 2019 that it is proposing (i) to transfer its listing on the Mainboard to Catalist and (ii) a Rights Issue. The Catalist transfer and 8 for 1 non-underwritten Rights Issue @ $0.002 are intended to be inter-conditional resolutions to be sought at EGM. Please explain the rationale why the fund raising has to be inter-conditional to the transfer to the Catalist Board.

The Company's response:

The Company had been placed on the Watch-List under the minimum trading price requirement ("**MTP Watchlist**") pursuant to Rule 1311(2) of the Listing Manual of SGX-ST, and must take active steps to meet the requirements of Rule 1314(2) of the Listing Manual of the SGX-ST within 36 months from 5 June 2017, failing which, the SGX-ST may either remove the Company from the Official List, or suspend trading of the listed securities of the Company with a view to removing the Company from the Official List.

The Board has considered various options and steps to enable the Company to exit from the MTP Watchlist, including a share placement and/or share consolidation, and believes that transferring its listing on the Mainboard to the Catalist Board is the best option for the Company and its shareholders. Furthermore, by transferring to the Catalist Board, the Board believes that the Company will be in a better position to pursue other business opportunities.

To facilitate the transfer, the proposed Sponsor will either have to be satisfied of the Company's plans to turn around its business, or that with the strengthened balance sheet, the Company is in a better position to pursue other business opportunities, and that the transfer to Catalist is necessary for the Company to address its funding needs and execute its plans.

The Board has also considered various options to strengthen its balance sheet, including fund raising by way of share placement or rights issue. Given that the share price of the Company was S$0.007 as at 28 June 2019, a share placement to raise similar net proceeds of S$1.6 million to S$3.8 million will be significantly dilutive to the existing shareholders of the Company, as the Company's market capitalization was merely S$1.78 million as at 28 June 2019. The Board is therefore of the view that the Rights Issue is in the best interests of the Company and shareholders as it provides all existing shareholders with an opportunity to maintain their equity participation in the Company, and is not seen as a dilutive corporate action.

As China Delta, being the current controlling shareholder of the Company, does not have the financial resources to do so, and in the case of the China Delta Shareholders, being nationals of the People's Republic of China ("**PRC**") who are additionally constrained by PRC regulations restricting the remittance of funds offshore, China Delta and China Delta Shareholders will not be able to participate in the Rights Issue. Therefore, to ensure that the Company will raise a certain minimum net proceeds from the Rights Issue, China Delta's rights entitlements were renounced to the Investor, who also believes that the Catalist Board is a more suitable listing platform for the Company and agrees to invest in the Company so long as it remains a listed entity.

Therefore, it is necessary for the fund raising exercise to be inter-conditional to the transfer to the Catalist Board as the transfer from Mainboard to Catalist is subject to the Company's ability to strengthened its balance sheet by way of a Rights Issue, which would only be meaningful if it can secure an anchor investor.

SGX-ST's Query 2:

As the Company has a cash balance of RMB25 million on its balance sheet as at 31 Dec 2018, please advise why the Board has to conduct a dilutive 8-for 1 Rights issue to raise a further $1.6 million - $3.8 million for working capital. Please elaborate on the Board's specific plans for the use of its existing funds and proceeds from the Rights Issue.

The Company's response:

As at 31 December 2018, the Company is in a net cash position of RMB3 million, with a cash position of RMB25 million and short term bank loans from Chinese banks amounting to RMB22 million. The RMB25 million on the Group's balance sheet as at 31 December 2018 comprised of i) RMB17.5 million held in China by the Company's wholly-owned subsidiary, Jiangyin Litai Ornamental Materials Co., Ltd., and ii) RMB7.5 million held in Singapore by the Company. Out of the RMB17.5 million held in China, RMB15.5 million is denominated in Renminbi and such funds are generally restricted due to foreign exchange control restrictions, and as such, only RMB7.5 million held in Singapore is available for immediate uses.

The Rights Issue is therefore proposed with the aim of strengthening the Company's financial position, in particular, its working capital. Any funds raised above the Minimum Scenario may be put towards new business opportunities, as and when such opportunities arise. Pending the deployment of the net proceeds for the purposes set out above, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities, as the Directors may deem appropriate in the interests of the Company.

SGX-ST's Query 3:

The Rights shares is expected to raise net proceeds of between $1.6 million and $3.8 million, which will be applied for working capital including for new business opportunities which may arise from their strategic review to be undertaken. The Company is currently on the MTP watchlist. Company's existing market cap is S$1.78 million which is 8th lowest market cap on Mainboard + Catalist companies combined. Please advise, despite the low market capitalisation, the Board's justification why a dilutive 8 for 1 Rights issue at a significant discount of more than 70% to raise $1.6 million is not prejudicial to shareholders as a whole. To substantiate bases for views.

The Company's response:

The Board had observed that the trading volume and liquidity of the shares of the Company is low. Therefore, the Right Issue is priced attractively to encourage participation from all shareholders. Accordingly, in order for the Company to raise a meaningful amount of funds through the Rights Issue, taking into consideration the expenses to be incurred, a substantial number of new Rights Shares is required to be issued.

The Board is of the view that the Rights issue is not prejudicial to shareholders for the following reasons:-

(i) The Rights Issue provides all existing shareholders with an opportunity to maintain their equity participation in the Company, and is not seen as a dilutive corporate action.

(ii) The Rights Issue is subject to, *inter alia*, the Whitewash Resolution being approved by shareholders at the EGM. Shareholders will have the opportunity to consider, and vote on, the Proposed Corporate Actions. At the EGM, shareholders may raise their concerns, if any, and seek clarification from the Directors. Thereafter, such shareholders may also elect to vote against the Corporate Actions should they wish to.

SGX-ST's Query 4:

The Company has reported losses for 2 financial years, in FY 2017 and FY2018 amounting to RMB26.9 million and RMB21.7 million respectively. Noting the Regulatory Column dated 4 January 2016 titled "Transfers from Mainboard to Catalist – what to expect of companies and sponsors".

(a) Who is the proposed Sponsor who has assessed the Company's suitability for the proposed transfer to Catalist?
(b) Based on the Company's track record of 2 years of losses and its negative cashflow from operations, please elaborate whether the Company is at risk of being placed on the financial watchlist;
(c) What are the Company's plans / strategies following transfer to Catalist? How would the transfer to Catalist help in executing such plans / strategies, and turn the Company around?
(d) The Group is loss-making and is not generating cashflow from operations. How does the Company intend to improve its business fundamentals?
(e) Why are the resolutions for the Rights Issue and transfer to Catalist inter-conditional? Why does the Company not need to raise funds if it remains on the Mainboard?
(f) To detail the use of proceeds from the Rights Issue.

The Company's response:

a) The Company intends to appoint CIMB Bank Berhad, Singapore Branch ("**CIMB**") as the Sponsor, upon completion of CIMB's know-your-client due diligence enquiries into the Company and subject to CIMB's internal approval. The Sponsor will either have to be satisfied of the Company's plans to turn around its business, or that with the strengthened balance sheet, the Company is in a better position to pursue other business opportunities, and that the transfer to Catalist is necessary for the Company to address its funding needs and execute its plans.

b) The Company had expected improvements to the Company as a result of i) the introduction of new panels of varied types, colours, features to enhance our existing range to cater to customers' demands and specifications, and ii) the new development and launch of fireproof aluminium panels. However, ongoing trade tension and tax tariffs between China and the United States, and the slowdown and uncertainty in both the domestic and global markets continue to adversely affect the demand of the Company's aluminium panels. Based on the foregoing and the Company's track record of 2 years of losses and its negative cashflow from operations, the Company is at risk of being placed on the financial watchlist.

c) Upon the completion of the Proposed Rights Issue and the transfer to the Catalist Board, the Investor intends to nominate new members onto the Board of Directors of the Company, and to carry out regular strategic and operational review of the business operations of the Group. The objective of the review is to first gain a better understanding into the Group's existing business operations before determining the appropriate actions to be taken. In addition, the Investor also intends to procure the Company to actively search for a new business to revitalise the Group and to steer the Group to profitability. Currently, the Investor has not identified any specific business and/or opportunities. Where any of the divestment of existing businesses or acquisition of new businesses constitutes a major transaction, Shareholders' approval will be obtained at a separate extraordinary general meeting of the Company. It is also the intention of the Investor to preserve the listing status of the Company and the Investor has no intention to delist the Company. The intentions of the Investor for the Company as set out above are based on current views and assumptions of the Investor and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Investor. There is no assurance that the current intentions of the Investor will be carried into effect.

By transferring to the Catalist Board, the Board believes that it will relieve the Company from the delisting time pressure to rejuvenate the Company. In addition, the Catalist Board, as opposed to the Main Board, offers additional flexibility in effecting corporate action relating to acquisitions, disposals, and fund-raising. It is also important that the Company remain listed, as fund-raising options will be key in pursuing growth opportunities for the Company.

d) The Company had expected improvements to the Company as a result of i) the introduction of new panels of varied types, colours, features to enhance our existing range to cater to customers' demands and specifications, and ii) the new development and launch of fireproof aluminium panels. In addition, on completion of the Corporate Actions the Company also intends to strategically review its core business and explore other business opportunities to provide additional streams of income for the Company and potentially enhance its business performance and sustainability, specifically through investment opportunities to be introduced to the Company by the Investor.

e) Please refer to the responses to query 1 above.

f) The Company currently intends to utilise the Net Proceeds for general working capital purposes, with the aim of strengthening the Company's financial position. Any funds raised above the Minimum Scenario may be put towards new business opportunities, as and when such opportunities arise. Pending the deployment of the net proceeds for the purposes set out above, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities, as the Directors may deem appropriate in the interests of the Company.

SGX-ST's Query 5:

Please elaborate on the Board's views how the Company will thrive better by transferring to the Catalist.

The Company's response:

Please refer to the responses to query 4c above.

SGX-ST's Query 6:

What other options have the Board considered to enable the Company to exit from the MTP Watchlist?

The Company's response:

The Board has considered various options and steps to enable the Company to exit from the MTP Watchlist, including a share placement and share consolidation, and believes that proceeding with the proposed Corporate Actions is the best option for the Company and its shareholders.

In order to satisfy the MTP Exit Criteria in accordance with Rule 1314(2) of the Listing Manual of SGX-ST, the Company has to record a volume-weighted average price of at least S$0.20 and an average daily market capitalisation of S$40 million or more over the last 6 months.

As the Company's market capitalization was S$1.78 million as at 28 June 2019, substantive corporate actions will be required to achieve an average daily market capitalisation of S$40 million or more. In addition, as the share price of the Company was S$0.007 as at 28 June 2019, which is significantly below the S$0.20 MTP exit criteria, a share consolidation will require a substantially high share consolidation ratio of at least 30 to 1. The Board is concerned that a high proportion of the Company's existing shareholders will be adversely affected as such a share consolidation will result in them holding non-tradeable lots.

For illustrative purposes, the Board believes that a share placement to raise similar net proceeds of S$1.6 million to S$3.8 million will be significantly dilutive to the existing shareholders of the Company, as the Company's market capitalization was S$1.78 million as at 28 June 2019. The Rights Issue provides all existing shareholders with an opportunity to maintain their equity participation in the Company, and is not seen as a dilutive corporate action.

SGX-ST's Query 7:

We also note that the controlling shareholder will not be taking up his rights entitlement "due to regulatory and other constraints" and will be selling these to Sean Chong Soo Hoon ("**Sean Chong**"). Arising from the renunciation of Rights to Sean Chong, he will end up with between 41.5% to 78.9% of the Company's shares depending on the level of subscription by other shareholders. Please disclose:

(a) Specific details on the background of Sean Chong and his track record;
(b) How Sean Chong was introduced to the controlling shareholders and plans regarding his investment in the Company;
(c) What are the "regulatory and other constraints" faced by the controlling shareholders with regards to his entitlement under the Rights Issue.

The Company's response:

a) Sean Chong is a private investor with more than 19 years of experience in investment banking, corporate advisory and direct investment. He was actively involved in a broad range of corporate finance transactions for listed and private entities throughout the Asia-Pacific region, including initial public offers, mergers and acquisitions, rights issues and other corporate advisory work. Sean Chong is currently the managing director of Anda Capital Solutions Private Limited, an independent business advisory and investment firm, and he currently sits on the board of one Main Board-listed company and one Catalist-listed company.

b) Sean Chong is an investor introduced by CIMB, to the Company and its controlling shareholders. Please refer to the responses to query 4c above in relation to plans regarding his investment in the Company.

c) China Delta and the China Delta Shareholders, being the current controlling shareholders of the Company, will not be participating in the Rights Issue as they do not have the financial resources to do so, and in the case of the China Delta Shareholders, being PRC nationals, they are additionally constrained by PRC regulations restricting the remittance of funds offshore.

By Order of the Board

Guo Yun
Executive Director
3 July 2019