



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

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 25 January 2022. The queries from the SGX-ST and the Company's responses are set out below.

Query 1:

We refer to the Company's announcement on Board reconstitution announced on 21 January 2022 in relation to the appointment of Chen Wei as an Executive Director responsible in overseeing the day-to-day operations of the Group's subsidiaries in China. In respect to his suitability as an Executive Director of the Company, the Board accepted the NC's recommendation for his appointment after reviewing inter alia, his extensive working experience under the Group's subsidiaries in China. Please elaborate with specific details on the roles and responsibilities of Chen Wei as the Head of Administration of Jiangyin Litai Decoration Materials Co., Ltd., to disclose the internal reporting structure of the subsidiary and how is his experience in administration in line with his role as an Executive Director of the Group.

Company's Response:

Mr Chen Wei's roles and responsibilities as Head of Administration of Jiangyin Litai Decoration Materials Co., Ltd. ("**Litai**") includes, but are not limited to, the following:

- (a) coordinating the work of various departments and dealing with day-to-day operational affairs of Litai;
- (b) being responsible for convening meetings and keeping meeting records;
- (c) being in charge of the human resource department (including, matters relating to recruitment, termination and payroll), Litai's environmental protection obligations (including compliance with applicable laws and regulations), security and logistics matters;
- (d) being responsible for the establishment, operation and improvement of the ISO9001 quality management system, ISO14001 environmental management system, and OHSAS18001 occupational health and safety system;
- (e) being responsible for Litai's external bidding work;
- (f) liaising with the management team in Singapore and reporting directly to the Board on matters relating to Litai;
- (g) being responsible for the collection of trade receivables as well as protecting the assets of Litai; and
- (h) being familiar with the rules, regulations and internal policies of the Group.

Within Litai, the accountant and sales personnel (who are working on collection of receivables) report to Mr Chen Wei. Mr Chen Wei reports directly to the Board on matters relating to Litai.

The Board is of the view that Mr Chen Wei's extensive working experience under Litai (as well as other of the Group's subsidiaries in China) places him in a good position to be appointed as the Executive Director of the Company, as the Group has significant subsidiaries (such as Litai) operating in China. Hence, Mr Chen Wei could bring to the Board institutional knowledge relating to operations of the Group's subsidiaries in China, as well as insights on China's business climate and practices.

Query 2:

Please disclose whether a new CEO has been appointed to replace Mr Xu Youcai who ceased to be the Executive Director and CEO since 9 June 2021. To disclose the identity of the person who has been assuming the role of CEO for the period from 9 June 2021 to-date and whether Chen Wei will be assuming the role of the CEO as well. If so, please explain why was his appointment as the CEO not declared in the Company's announcement.

Company's Response:

The Company has not identified a suitable individual to be formally appointed as the Group's Chief Executive Officer ("**CEO**") to date. Prior to the appointment of Mr Chen Wei, Mr Soh Yeow Hwa ("**Mr Soh**") was the sole Executive Director of the Company who helmed the executive functions of the Company and reported to the Board.

For the avoidance of doubt, Mr Chen Wei had not been appointed by the Board as the CEO. If such an appointment is made, the necessary disclosures will be made by the Company.

Query 3:

Soh Yeow Hwa was redesignated from an Independent Director to an Executive Director with effect from 21 January 2021. Under his management, the Company entered into various agreements including one with K-United Builder Pte. Ltd on 24 May 2021 to supply and install aluminium products for three building projects in Malaysia and Singapore with total contract values amounting to S\$2.43 million. Please provide an update on the status of completion of these contracts and how much of these contracts have been collected to date.

Company's Response:

CHD Engineering and Trading Pte. Ltd. ("**CHD**") had terminated the employment relationship with its then-business development manager, Ms Loh Yew Hwee ("**Ms Loh**") in September 2021 to conserve cashflow following the Company's receipt of a statutory demand from Mr Stanley Lee Kiang Leng ("**Mr Lee**") and the Company's subsequent efforts to repay the loan owed to Mr Lee.

Prior to her termination, preliminary work on the projects were done by Ms Loh as the project manager in-charge from CHD. In making the difficult decision to terminate the services of Ms Loh, CHD had lost a key member of its team, who had the requisite expertise to coordinate and execute the projects intended to be undertaken pursuant to the joint venture agreement dated 24 May 2021 ("**JVA**") entered into with K-United Builder Pte. Ltd. ("**KUB**").

In light of the foregoing, Mr Soh had spent an inordinate amount of time since October 2021 negotiating an amicable termination of the JVA with KUB. As at the date of this announcement and pending execution of the termination agreement(s), both parties have agreed in principle, *inter alia*, that the JVA will be terminated by mutual consent and neither party shall be entitled to claim against the other party for any breaches of the JVA.

For the avoidance of doubt, CHD had not entered into any agreements with other parties (e.g. developers) in relation to the projects originally intended to be carried out pursuant to the JVA, and CHD had not received any deposits from other parties in relation to the aforementioned intended projects.

In view of the matters highlighted above, the Company is of the view that the financial impacts on the Group from terminating the JVA would not be material.

The Company will provide the necessary update(s) to shareholders via SGXNET, as and when there are any material developments in relation to this matter.

Query 4:

During the employment of Soh Yeow Hwa, his cousin, Stanley Lee Kiang Leng extended a loan of \$500,000 to the Company. The Company announced on 3 August 2021 the appointment of FTI Consulting Pte Ltd as the Special Auditor. On 27 August 2021, the Company announced that Stanley Lee Kian Leng had served a statutory demand on the Company for the repayment of his loan and a settlement agreement was announced on 30 September 2021. The Company announced on 12 November 2021, that “due to the urgency required and short timeline given to satisfy its obligations under the Settlement Agreement, the Company had to utilise funds previously allocated for payment of the initial retainer fee required by the Special Auditor (the “Initial Retainer”) as part of its payment towards satisfaction of the Company’s obligations under Settlement Agreement. ... In light of the aforesaid, the Company had to push back payment of the Initial Retainer and the Special Auditor indicated that they will temporarily halt work on the Special Audit pending payment of the Initial Retainer.” Please provide an update as to whether the Company has since paid the Initial Retainer to enable the Special Audit to proceed, in compliance with the Notice of Compliance issued to the Company by SGX Regco. The Company is reminded that failure to comply with the requirements imposed by SGX RegCo shall be deemed a contravention of the Listing Rules under Listing Rule 1405(4). Alternatively, if the Initial Retainer has yet been paid, please set out the Company’s plans with clear milestones on the commencement of the special audit.

Company’s Response:

The Company is currently in the final stages of negotiating with prospective lender(s) to obtain loan facilities for its working capital requirements (which, for the avoidance of doubt, includes but are not limited to funding the Initial Retainer and Special Audit as well as other listing compliance costs). Any repayment of such future loan facilities will be through revenue generated from the Group’s operations or by way of issuance of shares in the capital of the Company, with issuance terms to be negotiated and agreed to in due course, and subject to satisfaction of the necessary regulatory requirements.

The Company’s indicative timeline for the commencement of the Special Audit are as follows:

- (a) on or around 5 February 2022 - finalization and entry into loan facility/(ies);
- (b) on or around 5 February 2022 - disbursement of loan by prospective lender(s);
- (c) on or around 12 February 2022 - payment of Initial Retainer; and
- (d) within 2 weeks from payment of initial retainer - commencement of Special Audit (subject to traveling restrictions within China due to COVID-19).

The Company will provide the necessary update(s) to shareholders via SGXNET, as and when there are any material developments in relation to this matter.

BY ORDER OF THE BOARD

28 January 2022