



CHINA HAIDA LTD.

(Incorporated in Singapore on 18 August 2004)

Company Registration No. 200410428C

420 North Bridge Road #04-06 North Bridge Centre Singapore 188727

RESPONSE TO FURTHER QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The board of directors (the "**Board**") of China Haida Ltd. (the "**Company**", together with its subsidiary, the "**Group**") refers to the response to queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") released on 17 June 2020 in relation to the Company's Annual Report for the financial year ended 31 December 2019 released on 14 June 2020 and wishes to respond to the further queries raised by SGX-ST as follows:

SGX-ST's Query 1:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations were provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

The Company's response:

The Company has substantially complied with Provision 8.1 save for the non-disclosure of the respective remuneration of each of the five Key Management Personnel (who are not directors or the CEO) ("**KMP**") as identified in the Report on Corporate Governance at page 27 of the Annual Report. The Company has also explained that this slight deviation in disclosure was due to its belief that the disclosure of the remuneration of each the five individual KMP may not be in the best interest of the Group given the highly competitive conditions of the manufacturing industry in China and the prevalent poaching of experienced executives.

The policies and practices adopted by the Company in relation to remuneration, relationships between remuneration, performance and value creation, and procedure for setting remuneration, in relation to the Executive Directors and key management personnel are set out on pages 25 to 27 of the Annual Report.

SGX-ST's Query 2:

Please disclose the date which Ms Adeline Ng Cheah Chen was first appointed as the audit partner-in-charge and whether she has been in charge of more than five consecutive audits.

The Company's response:

Ms Adeline Ng has been appointed as the partner-in-charge of the Company's audit since the financial year ended 31 December 2018 as disclosed in the Company's FY2018 Annual Report. Accordingly, she has not been in charge of more than five consecutive audits.

SGX-ST's Query 3:

Please justify the assurance provided by the CFO (Ms Chan Lai Yoke) in Annual Report that the risk management and internal controls are adequate and effective, given the current situation of the Company where the Company's bank accounts are frozen due to a court order against its principal subsidiary and Group CEO for outstanding borrowing/lending affairs with a third party and that the Group CEO is uncontactable despite multiple attempts by the Company to locate him.

The Company's response:

The CFO had provided a *qualified* assurance that the risk management and internal controls are adequate and effective by prefacing her assurance with some qualifiers which read "Subject to and save for the limitations and constraints noted above, ...". Such limitations and constraints had also been disclosed in the Report on Corporate Governance as set out in page 28 of the FY2019 Annual Report.

SGX-ST's Query 4:

The Company is proposing to renew the shareholders' mandate for interested person transactions with several entities owned by the controlling shareholder and Group CEO Mr Xu Youcai. In light of the enforcement cases filed against Jiangyin Litai which resulted in the freezing of certain bank accounts and the controlling shareholder Mr Xu Youcai being uncontactable as well as the significant impairment made against the debts from Jiangyin Hai Caitu Co., Ltd and Jiangyin East-China Co., Ltd due to delay in deliver of goods and repayment of outstanding amounts for goods and services rendered despite repeated reminders, please provide the Audit Committee's basis for recommending that shareholders should vote in favour of the resolution relating to the renewal of IPT Mandate with these entities at the forthcoming AGM.

The Company's response:

As noted, the Group (through Jiangyin Litai) has been engaging in substantial and recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with some interested persons in its ordinary course of business. Details of such interested person transactions ("IPTs") are set out in page 35 of the Annual Report.

The procurement of a renewed IPT mandate (if approved by the Company's shareholders at the forthcoming AGM) will enhance the ability of the Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need (pursuant to the materiality thresholds imposed under Chapter 9 of the Listing Manual) for the Company to announce such transactions, or, to announce and convene separate general meetings as and when potential transaction with the specified classes of Interested Persons arise to seek shareholders' prior approval for the entry by the relevant company in the Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis considerably, improve administrative efficacy and allow human resources and time to be channelled towards attaining other corporate objectives.

Despite the apparent irregularities noted, the AC feels that without the IPT mandate, it may be extremely time consuming and inefficient and/or disproportionately onerous to review, announce and/or seek shareholders' approvals of every recurrent IPT that has triggered the requisite thresholds should the apparent irregularities be eventually resolved and Jiangyin Litai resume its normal operations (which invariably requires the engagement of the recurrent IPTs as adverted to above).

As detailed previously in the Company's announcement dated 22 April 2020, to the best knowledge and information of the AC, the Group has virtually ceased its provision of spray-painting services and sale of paints to Jiangyin East-China since October 2019. The Group has also been chasing Jiangyin Caitu for the delivery of goods ordered. For good measure, the AC had also instructed the Group to closely monitor all future advances to Jiangyin Caitu by requiring any advances of RMB 1 million or above to be reported to and approved by the Group CFO in Singapore on the condition that there must be timely delivery of goods by Jiangyin Caitu.

SGX-ST's Query 5:

Given that Mr Xu Youcai (Group CEO) is now uncontactable after the revelation of the court's order to freeze the Company's bank accounts and interim court order in connection with legal dispute over lending/borrowing affairs, please explain the Nomination Committee's basis for Mr Xu's re-election.

It is also stated that the Appendix 7.4.1 disclosed in the Annual Report was answered by the Company instead of Mr Xu Youcai as he remains uncontactable and that questions (a) to (k) was not disclosed as the Company has no knowledge of it, please explain how are the shareholders able to make an informed decision whether to vote in favor of Mr Xu's proposed re-election at the forthcoming AGM.

The Company's response:

The Nominating Committee (NC)'s recommendation for Mr Xu's election at the forthcoming AGM of the Company was made pursuant to the new Rule 720(5) of the SGX-ST Mainboard Listing Rules. Rule 720(5) stipulates that "*An issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years.*" As Mr Xu has never been subject to any rotation, retirement, re-appointment or re-election for past years, the Company Secretary has advised the NC that Mr Xu should be submitted for re-election or re-appointment at the forthcoming AGM in compliance with Rule 720(5).

Concomitant to Rule 720(5), the Company would also have to comply with Rule 720(6) in providing the prescribed information (including questions (a) to (k) specified therein) as set out in Appendix 7.4.1 that is required of the candidate that is proposed for re-appointment or re-election. However, as Mr Xu was/ is still uncontactable, it is simply impossible and inappropriate for the Company to address questions (a) to (k) as the answers to which would only be known to Mr Xu himself. Hence, the Company was also constrained to comply with Rule 720(6) by providing such prescribed information that is within its knowledge, possession and belief. Having regard also to the principle of caveat emptor within the disclosure-based regime, such constraints and other pertinent information have been duly disclosed in the FY2019 Annual Report to assist shareholders in making their most appropriate decision in such unfortunate circumstances.

In arriving at such a peculiarly difficult decision, the NC was also cognisant that as of the latest practicable date more than 50% of the Company's shares were in the hands of public. Should these "public" shareholders feel disgruntled at the current state of disclosure pertaining to Mr Xu, they are at liberty to exercise their right to vote against the proposed resolution of re-electing Mr Xu as a director of the Company.

SGX-ST's Query 6:

In the Company's response to SGX queries on 17 June 2020, it was stated that the Singapore Independent Directors attempted to contact the Chinese directors residing in the PRC directly on their mobiles but the calls were not answered. Please clarify if the Non-Executive Chairman (Ms Zhao Guiying) and Independent Director (Mr Wang Liangfa) are uncontactable as well. Otherwise, please elaborate what have been done by the other PRC directors in contacting the missing Group CEO Mr Xu Youcai.

The Company's response:

The Company confirms that despite its efforts in contacting the PRC-based directors (including Ms Zhao and Mr Wang) as described in the Company's announcement dated 17 June 2020, they remain uncontactable. Nevertheless, at the most recent request of the Singapore independent directors and through the painstaking assistance of the former Executive Director, Mr Guo Yun (who has recently returned to China and is currently under quarantine in Shanghai), we understand that Mr Guo has managed to locate Mr Wang and the Singapore independent directors are hoping to have a conference call with Mr Wang soonest possible.

By Order of the Board

Soh Beng Keng
Lead Independent Director
24 June 2020