

**HU AN CABLE HOLDINGS LTD.**  
(Incorporated in Singapore)  
(Company Registration Number: 200810320N)

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**RESPONSE TO QUERIES FROM THE SINGAPORE STOCK EXCHANGE SECURITIES TRADING LIMITED (“SGXST”) ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (“FY2015”)**

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*Unless otherwise defined herein, all capitalised terms used in this announcement shall bear the same meanings ascribed to them in the Company’s announcements dated 26 June 2021 and 29 June 2021 (“29 June Announcement”).*

Hu An Cable Holdings Ltd. (the “**Company**” and its subsidiaries, the “**Group**”) has, further to the 29 June Announcement in which the Company has responded to the SGX Queries, received further SGX Queries in relation to the 29 June Announcement.

The board of Directors (the “**Board**”) of the Company has provided the following response to the SGX Queries.

**SGX’s Further Query in Respect of SGX Query 2 Under the 29 June Announcement**

**“The following were the internal control weaknesses identified by the IA in its June 2015 report on Hu An Electric (Singapore) Pte Ltd”**

**SGX: What has been done to address all the weaknesses (a) to (f)?**

Company’s Response

In respect of the internal control weaknesses identified by the IA in its June 2015 report on Hu An Electric (Singapore) Pte Ltd (“**HAE IA Report**”) (“**HAE**”), it was set out in the IA by the management of HAE (“**HAE Management**”) that:

- (a) In relation to the number of sales invoices and credit notes, the HAE Management indicated in the HAE IA Report that its views are that the advantages of such system outweighed its disadvantages;
- (b) In relation to the credit limits granted to customers, the HAE Management clarified in the HAE IA Report that the credit limits were mistakenly entered into the system, and the errors had since been corrected, and the correct authority to sign off had done so;
- (c) In relation to the stocktaking policy, the HAE Management highlighted in the HAE IA Report that the frequency of stock count and personnel responsible are already set out and established as policies in HAE, but indicated their agreement with the other recommendations in relation to have procedures for the percentage of stock take to be covered for certain types of stock counts, as well as the sampling approach to be taken during monthly stocktake. Accordingly, the HAE Management indicated that the policy had been amended to “*Selective stocktaking shall be conducted by Storekeeper and PE on a monthly basis. Selection shall cover at least: i) 10% of stock items in terms of number and ii) top 10 stock items in terms of unit cost as at the end of previous month.*”;

- (d) In relation to the review by the finance manager of the monthly stock count, and stock variance detected were not investigated, the HAE Management indicated in the HAE IA Report their agreement with the recommendation that the finance management and the storekeeper shall initial on the stock take documents as evidence of review and involvement of the stock counts, and explained that the lack of investigation in relation to the stock variance was due to a lack of manpower to do so, and that the finance manager had updated the general manager on the same, to urge the general manager to allocate resources to do so, but that there was no action by the HAE Management eventually;
- (e) In relation to systems of periodic checks of petty cash, the HAE Management clarified in the HAE IA Report that the cash in excess of the petty cash limit was because such cash was withdrawn from the bank for the general manager on his overseas trip, but as the trip was delayed, such cash was accordingly deposited as petty cash, and indicated that this had been rectified, to be compliant with HAE's finance management procedures of a limit of S\$2,000.

In relation to the upper limit on certain authority limits for cash payment, and such authority limits being in excess of operational requirements, the HAE Management further clarified that this had been rectified to cap such limits, at a lower quantum.

In relation to prior approval not having been obtained for certain cash expenses, the HAE Management clarified that these expenses were incurred in relation to ad-hoc repairs and maintenances. Accordingly, it was not practicable to obtain prior approvals for such expenses, and the HAE Management indicated that the policy of HAE had been amended to not require prior approval for such expenses.

- (f) In relation to the purchase and payment controls not having included procedures for partial payment or the approval authorities, the HAE Management indicated in the HAE IA Report its agreement to enhance such procedures and that the partial payment procedures had been update under HAE's purchase and payment management procedures, and that the approval authorities and the limits to be set out.

In relation to the lack of requirement for purchase orders for certain types of purchases, the HAE Management indicated that the policy had been amended to require that these types of purchases shall require signed contracts or quotations if the value of such purchases exceeds S\$1,000.

In relation to that certain purchase orders were not approved in accordance with the required authority limits, the HAE Management did not provide any comment in the HAE IA Report.

In relation to certain payments to suppliers not being approved in accordance with the authority limits, the HAE Management indicated that such payments shall be approved by the general management and the chief financial officer of HAE.

### **SGX's Further Query in Respect of SGX Query 3 Under the 29 June Announcement**

**“(f) In order to fulfill the requirements for Shenhuan Cable Technology Co., Ltd. (“Shenhuan Cable”) to issue debt securities via private placement in the first half of 2012, Dai directed the accountants to falsify Shenhuan Cable’s balance sheet as of May 2012 and the profit and loss statement for January 2012 to May 2012 to show a profit when Shenhuan Cable was in fact suffering a loss, and Shenhuan Cable has in September 2012 issued an information memorandum containing material mis-statements in connection with its private placement debt securities and successfully raised RMB80,000,000”**

**SGX: Elaborate on the details of this issue of debt securities.**

#### Company's Response

As previously set out by the Company in the Auditors' Report, the Company's annual report for FY2015, and the 29 June Announcement, the server hosting the financial records of transactions of the PRC Subsidiaries had been destroyed. The Company is accordingly unable to retrieve such records and is unable to provide further details in relation to this issue of debt securities.

By Order of the Board

Gao Hong  
Executive Chairman  
6 July 2021