



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

Capitalised terms in this announcement shall have the same meanings as ascribed to them in the Previous Announcement (as defined below) unless otherwise defined.

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 31 August 2021 in relation to the Company’s announcement released on 27 August 2021 (the “**Previous Announcement**”) regarding the receipt of a statutory demand from Mr Lee Kiang Leng Stanley. The queries from the SGX-ST and the Company’s responses are set out below.

Query:

The Company disclosed on 27 August that Mr Lee Kiang Leng Stanley is seeking payment from the Company amounting to S\$515,079.05 pursuant to a loan agreement dated 28 February 2021. Under the terms of loan agreement disclosed on 4 February 2021, the loan may be drawn down in three tranches in the sums of S\$200,000, \$200,000 and \$100,000 within six months from the date of the loan agreement and that the Company shall repay in three repayments on the respective business day falling six months from each drawdown date.

- (a) Please specify each drawdown date and payment dates of the \$500,000 loan. To provide specific details on which bank account(s) and entities were each of the respective tranches made by Mr Lee Kiang Leng Stanley.

Company’s Response:

Details of the respective drawdown date and payment dates of the tranches of funds received by the Company from Mr Lee Kiang Leng Stanley (“**Mr Stanley**”) and deposited into the Company’s bank account maintained with United Overseas Bank Limited are as follows:

<u>Date of drawdown</u>	<u>Expected date of repayment</u>	<u>Amount (S\$)</u>
5 Feb 2021	4 Aug 2021	200,000
19 Apr 2021	18 Oct 2021	200,000
21 May 2021	20 Nov 2021	100,000
	Total	500,000

It was stated under clause 3.1 of the loan agreement that the Company shall repay Mr Stanley the amounts due and the interest accrued within 6 months of each drawdown date in cash or in shares in of the Company. Notwithstanding the above, it was stated under clause 5.1 of the loan agreement that it shall be an event of default if the Company fails to pay any amount due under the loan agreement and the total amount due shall become due and payable immediately. As the Company failed to pay Mr Stanley on 4 August 2021 for the 1st tranche of \$200,000 due and payable, pursuant to clause 5.1 of the loan agreement, the 2nd tranche of S\$200,000 and 3rd tranche of S\$100,000 and the interest accrued thereon became due and payable immediately.

- (b) To also provide a breakdown of the interest accrued for each tranche which totaled to S\$15,079.05. In the Company's response to SGX on 24 August 2021, the Company provided a breakdown of its use of proceeds from the \$500,000 loan from Mr Lee Kiang Leng Stanley. To disclose the dates of payments of the amounts listed to each of the items listed (i.e. Investment in subsidiaries (CHD and Xinwan); Legal and professional fees; Auditors' fees; Listing and compliance costs; Directors' fees, remuneration and staff cost).

Company's Response:

Pursuant to the statutory demand served on the Company, Mr Stanley is seeking payment of a sum amounting to S\$515,079.05. Breakdown of the S\$15,079.05 interest accrued in total for each tranche and legal costs and disbursements as tabled per the statutory demand is as follows:

S/N	Description	Amount (S\$)
1.	1 st tranche (disbursed on 7 January 2021)	200,000.00
2.	Interest accrued on the 1 st tranche (from 7 January 2021 to 28 August 2021 – 234 days)	7,693.15 (234 / 365 days x 6% p.a. x 200,000)
3.	2 nd tranche (disbursed on 29 March 2021)	200,000.00
4.	Interest accrued on the 2 nd tranche (from 29 March 2021 to 28 August 2021 – 153 days)	5,030.13 (153 / 365 days x 6% p.a. x 200,000)
5.	3 rd tranche (disbursed on 20 May 2021)	100,000.00
6.	Interest accrued on the 3 rd tranche (from 20 May 2021 to 28 August 2021 – 101 days)	1,660.27 (101 / 365 days x 6% p.a. x 100,000)
7.	Legal costs and disbursements (inclusive of GST) (pursuant to clause 6 of the loan agreement)	695.50
Total outstanding		515,079.05
Total interest and legal costs and disbursements		15,079.05

The dates of payments of the amounts listed to each of the items listed per the breakdown of the Company's usage of proceeds from the \$500,000 loan from Mr Stanley are as follows:

Table 1

Date	Payee/Lender	Amount (S\$)
<u>Receipt</u>		
5-Feb-2021	Funds from lender - Stanley Lee	200,000
19-Apr-2021	Funds from lender - Stanley Lee	200,000
28-May-2021	Funds from lender - Stanley Lee	100,000
Total inflow of funds		500,000
Less: Usage of funds		
<u>Investment in subsidiaries</u>		
2-Mar-2021	Share capital contribution of the Company's newly incorporated subsidiary in Singapore, CHD Engineering Pte Ltd ("CHD")	(100,000)
20-Apr-2021	Share capital contribution of CHD	(100,000)
6-Jul-2021	Share capital contribution of the Company's newly incorporated subsidiary in China, Jiangyin Xinwan International Trade Limited ("Xinwan")	(35,000)
		(235,000)

<u>Legal and professional fees</u>		
5-Feb-2021	Shanghai Veritas Law Corporation for legal review work in China	(1,590)
8-Mar-2021	ChrisChong & CT Ho LLP for legal counsel advice in Singapore	(15,000)
4-Mar-2021	GFE Law Office for legal proceedings findings search in China	(2,081)
17-May-2021	GFE Law Office for legal proceedings findings search in China	(2,096)
		(20,767)
<u>Auditors' fees</u>		
25-Mar-2021	Crowe Horwath First Trust LLP-Audit fees for FY2020	(45,582)
7-Jun-2021	Mazars LLP- Internal audit fee for FY2020	(16,692)
		(62,274)
<u>Listing and compliance costs</u>		
30-Jul-2021	Singapore Exchange Securities Trading Ltd- listing fees	(18,725)
1-Feb-2021	Boardroom Corporate & Advisory Services Pte Ltd-Share registrar fees	(9,763)
31-Mar-2021	Central Depository Pte Ltd- depository charges	(98)
30-Jun-2021	Central Depository Pte Ltd- depository charges	(35)
		(28,621)
<u>Directors' fees, remuneration and staff cost</u>		
1) Executive director's remuneration of the Company		
Various months	Mr Soh Yeow Hwa's net salaries from February to June 2021	(24,000)
Various months	CPF board-Mr Soh Yeow Hwa's total CPF contributions from February to June 2021	(11,100)
2) Staff salaries of the Company		
Various months	Finance and administrative staff salaries from February to June 2021 and the related CPF contributions	(67,065)
Various months	3) Staff salaries of Xinwan	(16,173)
4) Independent Directors' fees of the Company		
19-Jul-2021	Mr Tang Chun Meng's ID fee for FY2021-partially paid	(17,500)
19-Jul-2021	Mr Zhu Peng's ID fee for FY2021-partially paid	(15,000)
21-Jul-2021	Mr Soh Yeow Hwa's ID fees for FY2021-partially paid	(2,500)
		(153,338)
	Total outflow of funds	(500,000)
Unutilised balance as at 31 August 2021		-

- (c) The Company disclosed it had fully utilized the S\$500,000 loan proceeds, out of which S\$153,338 relates to Directors' fees, remuneration and staff cost. The lender Mr Lee Kiang Leng Stanley is the cousin of Mr Soh Yeow Hwa, the Company's CEO and Executive Director. Please provide a breakdown of the directors' fees paid to each director and how much of the staff cost was paid to Mr Lee Kiang Leng Stanley or his relatives and associates.

Company's Response:

Please refer to the breakdown under "Directors' fees, remuneration and staff cost" under payment details per table 1 under the Company's response to query (b).

Mr Soh Yeow Hwa ("**Mr Soh**") has received his net salaries from February to June 2021. However, he has stopped taking his director's remuneration in cash from July 2021 to date due to the low cash balance at the Company.

Please refer to item (4) Independent Directors' fees of the Company under "Directors' fees, remuneration and staff cost" under payment details per table 1 under the Company's response to query (b) for the breakdown of the directors' fees paid to each director.

Apart from the director's remuneration paid to Mr Soh (who is Mr Stanley's cousin), the Company confirms that there is no other staff cost paid to Mr Stanley or his relatives and associates.

- (d) Please provide a breakdown of the legal, professionals and auditors who had been paid the \$20,767 and \$62,274 respectively and the services provided. Please identify these professionals and their respective firms.

Company's Response:

Please refer to the breakdown under "legal and professional fees" and "auditors' fees" under the payment details per table 1 under the Company's response to query (b) for the fees paid to the respective professionals and their respective firms.

- (e) The Company reported RMB3.12 million (approximately S\$650,000) cash on hand as at 30 June 2021, the amount included the S\$500,000 loan from Mr Lee Kiang Leng Stanley which has been fully utilized. Please disclose the actual cash balance remaining in the Company and explain how is the Company intends to comply with the requirements of Notice of Compliance and to commence the special audit by FTI Consulting Pte Ltd.

Company's Response:

The actual cash balance of the Company, China Haida Ltd, as at 31 August 2021 is approximately S\$14,000.

The Company is currently trying to reach out to new potential lenders and investors to obtain funding for the Company. In addition, the New Litai Management has been making collections from Litai's trade receivables. Funding obtained from both exercises will be used to commence the special audit by FTI Consulting Pte Ltd soonest practically possible and to fund the Company's operations. The Company will update shareholders via SGXNET on any material developments on the status of the special audit.

- (f) On 24 August 2021, the Company disclosed that "FTI Consulting Pte Ltd ("FTI") has since reached out to the New Litai Management to obtain information and documents for the purposes of the special audit and the New Litai Management is working to fulfil the information and document requests from FTI." Please disclose the role of the CEO in facilitating the special audit and the status of the special audit to-date.

Company's Response:

The Company wishes to clarify that the Company does not have a CEO following the removal of the former CEO, Mr Xu Youcai, on 9 June 2021. The discussions with FTI in relation to the special audit

is led by the Executive Director based in Singapore, Mr Soh. The role of Mr Soh in the special audit is to, among others, work with Management based in Singapore to monitor the New Litai Management and ensure that the New Litai Management cooperates with FTI in providing the required information to FTI. FTI has conducted initial discussions with the New Litai Management, coordinated and obtained certain requested documents from the New Litai Management, and commenced limited special audit work. Work on the special audit has temporarily halted as a result of the outstanding initial retainer fee payable to FTI.

- (g) It was disclosed that significant amount of the \$500,000 loan proceeds (S\$235,000) from Mr Lee Kiang Leng Stanley had been invested into CHD and Xinwan by the new management team led by Mr Soh Yeow Hwa, despite the disclosure on 4 February 2021 that the loan was to be used for working capital purposes for the Company. Given that the Company is required to repay the loan within 6 months of borrowing, please explain how the management team will be able to obtain the refund from CHD and Xinwan for the repayment of these significant remittances to these entities within a short span of time. Please explain whether the Company will have insufficient funds for the repayment of the loan to Mr Lee Kiang Leng Stanley and for its working capital purposes.

Company's Response:

The Company notes that it is an investment holding company and accordingly, views that investments into subsidiaries and/or funding the operations of subsidiaries are in its ordinary course of business. As such, the Board respectfully submits that its investments into CHD and Xinwan still fell within the Company's understanding of working capital purposes.

The 2 subsidiaries need to maintain a minimum level of cash balances to fund its trading operations and the payment of the staff salaries and operational expenses for the next few months. After the anticipated collections of trade accounts receivables in CHD and Xinwan and setting aside the funds required for the trading operations and operational costs, the 2 subsidiaries should be able to remit some cash back to the Company. However, the amounts remitted back to the Company may not be a substantial and material amount. As such, as mentioned in the Company's response to query (e), the Company will still be trying hard to reach out to new potential lenders and investors to obtain funding for the Company. This new loans from new potential lenders and investors will be instrumental in the repayment of the loan to Mr Stanley and for its working capital purposes for the next 12 months. When the loan agreement was entered with Mr Stanley in January 2021, the Company's intention then was to repay the loan due to Mr Stanley within 6 months by conversion of the loan into shares of the Company. But with the continual suspension of the Company's shares, Mr Stanley issued statutory demand requesting payment in cash.

- (h) To provide details of the source of funds by the Company to repay the \$500,000 loan as and when it falls due.

Company's Response:

As of to-date, the Company is in advanced stage of discussions with a prospective lender to obtain a new loan to repay Mr Stanley. It is the Board's intention to repay Mr Stanley in full in cash, dependent on whether the Company is able to obtain new loans from new lenders. If in the event the Company is unable to obtain new loans from the new lenders, per clause 3.1 under repayment per the loan agreement entered, repayment is either in **cash** under clause 3.1(a) or in **shares** under clause 3.1(b). If the Company decides to exercise the repayment in shares option, the allotment of ordinary shares in the capital of the Company is to be at the price to be agreed between the Company and Mr Stanley for the value equivalent to the amounts due and payable and the interest accrued thereon. At current juncture, the Board is still fairly optimistic of an amicable settlement with Mr Stanley. The Company will update shareholders via SGXNET on any material developments on the statutory demand received from Mr Stanley.

- (i) To disclose the directors' plan for the Company going forward.

Company's Response:

The Board's focus for the next few months will be to strengthen the cash position of the Group and to shore up the Company's financial position. The Board intends to achieve this by sourcing for new loans from new lenders and investors and from the anticipated increase in cashflows from the improvement in the profits from its trading operations. For the new loans to be obtained, the Board will seek to structure them into longer repayment tenure of more than a year, so as to alleviate the pressures on its cashflows for the next 12 months. Upon repayment of the amounts due to Mr Stanley, the Company will not have significant liabilities to be repaid in the next 12 months. Currently, the Company does not have any bank borrowings to be repaid or extend any corporate guarantee to any of its subsidiaries. Meanwhile, the Company will keep a tight rein on its operating costs with a lean management team and cost structure.

On the business prospects of the Group going forward, the Board is cautiously optimistic of the business prospects of Xinwan. As of to-date, the order book of Xinwan is approximately RMB6 million. The manufacturing of the aluminium panel will be carried out by Litai for Xinwan. If Xinwan is able to fulfill the customer's RMB6 million order satisfactorily, Xinwan may be able to secure additional new orders from this repeated customer. The Board will make the necessary voluntary business updates upon securing material orders.

In addition, the Board will also work on the trading resumption of the Company's shares, which has been suspended for more than a year. The Board is cognizant of the imperative need to revitalize the Group and to turnaround the Company. The Board anticipates Xinwan will play a pivotal role in the turnaround of the Group's existing business. The Company will strive to improve the performance of its trading operations in Singapore and China.

The Board is committed to build growth platforms for a sustainable future for the Group. As such, the Board will seek to engage in active discussions with new investors on acquisitions of profitable assets with strong track records to diversify into new business for the long-term growth and prospects of the Group. The Company endeavours to expand and diversify its revenue streams while still continuing to engage in the manufacturing and trading of aluminium products. The Company will update shareholders via SGXNET on any material developments on any major acquisitions in accordance with Chapter 10 of the listing rules.

BY ORDER OF THE BOARD

5 September 2021