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Independent auditors' report

Members of the Company
The Place Holdings Limited

Report on the audit of the financial statements

Qualified Opinion

We have audited the financial statements of The Place Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS46.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the consolidated financial position of the Group and financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

As stated in Note 6 and Note 19(b) – *Subscription of capital in Tianjie Yuntai*, the Group disbursed \$19,320,000 (RMB 100,000,000) to Tianjie Yuntai Wanrun (Xiuwu) Property Development Co., Ltd. (“Tianjie Yuntai”) in connection with the supplemental subscription agreement dated 24 December 2019. As at 31 December 2019, the amount disbursed is classified as deposit and accounted for as financial asset measured at amortised cost under SFRS(I) 9 *Financial Instruments*.

This disbursed amount may be converted into and treated as part of the subscription amount for the 80% enlarged registered capital of Tianjie Yuntai by 31 December 2020 (the “proposed subscription”). In the event the proposed subscription is not completed by 31 December 2020, the amount disbursed will be fully refunded to the Group. As at 31 December 2019, the amount disbursed is unsecured.

We were not provided with relevant financial or other information of Tianjie Yuntai and its shareholders. We were also unable to obtain relevant and reliable sources of information on the business activities and the financial position of Tianjie Yuntai through alternative means.



As a result, we were unable to obtain sufficient and appropriate audit evidence over the recoverability of disbursed amount and the appropriateness of the recognition and measurement of the disbursed amount as at 31 December 2019.

Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the deposit balance as at 31 December 2019 or the financial performance of the Group for the year then ended.

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the ‘*Auditors’ responsibilities for the audit of the financial statements*’ section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Valuation of non-trade receivables

(Refer to Note 6 to the financial statements)

Risk:

As at 31 December 2019, the Group holds certain non-trade receivables of \$15,435,000 relating to:

- \$3,600,000 comprising a loan to a third party.
- \$11,835,000 deposit disbursed to an escrow account held by an independent legal firm in Singapore related to the Group’s acquisition of a commercial property at 15 Enggor Street, Realty Centre, Singapore.

SFRS(I) 9 *Financial Instruments* requires the Group to evaluate the credit risk of its financial assets and to determine the appropriate level of expected credit loss to be recognised. The non-trade receivables as at 31 December 2019 were extended to third parties for different purposes and carried varying levels of credit risks. Significant judgements were made by management in their evaluation of the expected credit losses required for these non-trade receivables.



On this basis, we identified valuation of these non-trade receivables as a key audit matter.

Response:

To address the key audit matter, we performed, amongst others, the following procedures:

- obtained an understanding of purpose and contractual arrangements of the non-trade receivables by reviewing agreements and supporting documents;
- obtained Group's assessment of the credit risks over these balances to understand the bases and assumptions used by the Group to determine the expected credit loss allowance required at 31 December 2019;
- challenged management's judgement and assumptions used to estimate the expected credit loss allowances for these non-trade receivables, taking into account financial information of counterparties, available credit data, historical payment patterns, security collaterals received; and
- followed-up on post year end developments to determine if there are events that may affect the Group's expected credit loss assessment for the non-trade receivables at 31 December 2019.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient and appropriate audit evidence over the recoverability of the amount disbursed to Tianjie Yuntai and the appropriateness of its accounting as at 31 December 2019. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.



Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of this report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



The engagement partner on the audit resulting in this independent auditors' report is Loo Kwok Chiang, Adrian.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
14 June 2020

6 Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade receivables	6	7	—	—
Loan to a third party	3,600	3,600	3,600	3,600
Interest receivables	307	34	28	23
Other receivables	5	—	—	—
Deposits	31,503	73	143	73
	35,421	3,714	3,771	3,696
Prepayments	56	26	56	26
	35,477	3,740	3,827	3,722

Trade receivables as at year end is neither past due nor impaired.

Loan to a third party is secured by corporate guarantee from a company, which certain directors of the Company has substantial equity interests, bears interest at 8% (2018: 8%) per annum and is repayable within the next 12 months. During the year, the Group extended the repayment term of the loan to third party till 20 December 2020.

As at 31 December 2019, deposits include:

- \$11,835,000 deposit was disbursed to an escrow account for the purpose of the Group's acquisition of the Realty Centre; and
- \$19,320,000 deposit disbursed in advance into a bank account of Tianjie Yuntai for the purpose of the Group's planned subscription of Tianjie Yuntai's registered capital (refer to Note 19(b) *Subscription of capital in Tianjie Yuntai*).

These deposits are unsecured and interest-free. Please see Note 19 for further information on the Group's committed transactions related to these deposits.

The Group and the Company's exposure to credit and market risks are disclosed in Note 18.

7 Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	14,256	4,814	449	1,572
Fixed deposits with financial institutions	48,846	85,069	26,471	27,936
Cash and cash equivalents in the statements of financial position and statement of cash flows	63,102	89,883	26,920	29,508

19 Commitment

(a) Lease rental payable

The commitments of the Group for future minimum lease payments under non-cancellable leases are as follows:

	2019 \$'000	2018 \$'000
Within 1 year	2	259
After 1 year but within 5 years	–	149
	2	408

In the year, the Group had exercised the practical expedient not to recognise the leases as right-of-use assets as they are leases of low value assets.

(b) Commitments

Acquisition of Realty Centre

On 22 April 2019, the Group was awarded the tender for the acquisition of a property located in Singapore, Realty Centre, at the purchase price of \$148,000,000 by the Collective Sale Committee of the property, of which the Group has incurred 5% deposit and stamp duty of approximately \$11,835,000. As full acceptance was not received from all vendors of Realty Centre, the Group submitted an application to the High Court for the award of the sales order in July 2019.

On 14 May 2020, the High Court granted the award of the collective sale order to the Group, and the acquisition of Realty Centre is expected to be completed within 6 months from the date of the sale order, i.e. November 2020.

Subscription of capital in Tianjie Yuntai

With reference to the Circular dated 21 September 2018, the Group had entered into a subscription agreement with Jingneng Tianjie Yuntaishan Investment Co., Ltd. (“JTYI”), an entity which certain directors of the Company holds substantial equity interests, to subscribe for 80% of the enlarged registered capital of Tianjie Yuntai at the subscription amount of \$27,716,000 (equivalent to RMB135,292,700) (the “Tianjie Yuntai Acquisition”). The proposed subscription transaction between JTYI and the Group is an interested party transaction under SGX Rules.

On 24 December 2019, the Group entered into a supplemental subscription agreement to extend the completion date for the Tianjie Yuntai Acquisition till 31 December 2020 and a refundable deposit of \$19,320,000 was directly disbursed to Tianjie Yuntai, a condition imposed by JTYI for the extension of the completion date.

In the event the proposed subscription is not completed by 31 December 2020, the amount disbursed will be fully refunded to the Group. As at 31 December 2019, the amount disbursed is unsecured and interest-free.

At the date of authorisation of these financial statements, the subscription of Tianjie Yuntai has not been completed as regulatory approvals in China for the subscription of Tianjie Yuntai’s registered capital and the change to the land usage zone of the Tianjie Yuntai’s land use rights have not been obtained.