



**SUNRISE SHARES HOLDINGS LTD.**  
(Incorporated in the Republic of Singapore)  
(Company Registration Number: 198201457Z)

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**RESPONSE TO SGX QUERIES ON THE AUDITOR'S COMMENTS OF ACCOUNTS AND THE AUDITORS NOT SEEKING FOR RE-APPOINTMENT**

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The board of directors (the “**Board**” or “**Directors**”) of Sunrise Shares Holdings Ltd. (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refers to its announcement released on 21 May 2022 in relation to (i) Disclaimer of Opinion by the Independent Auditors on the Audited Financial Statements for the Financial Year Ended 31 December 2021 and (ii) Auditor Not Seeking for Re-Appointment (“**Announcements**”).

The Board would like to respond to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 23 May 2022 (“**SGX Query**”) which annexed to this announcement as **Appendix A**.

**BY ORDER OF THE BOARD**

Wong Siu Fai  
Executive Director and Chairman  
6 June 2022

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*This announcement has been reviewed by the Company's Sponsor, Asian Corporate Advisors Pte. Ltd. (the “**Sponsor**”). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “**Exchange**”) and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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## Appendix A

### SGX QUERY

We refer to the two announcements by Sunrise Shares Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) on 21 May 2022, in relation to the Auditor’s comments of accounts and the Auditors not seeking for re-appointment.

1. We note that there are five issues being identified that resulted in the auditors issuing a Disclaimer of Opinion, as follows:
  - i. Consultancy management services to New Zealand Nan Fang Investment Limited
  - ii. Sales brokerage commission
  - iii. Property consultancy and management fee
  - iv. Loan to corporation
  - v. Loan to Nan Fang (Singapore) Investment Fund Management Pte. Ltd.

(The “**5 issues**”)

### COMPANY’S RESPONSE

- a. Please provide an elaboration on what each of these issues and unresolved matters are.
- Consultancy management services to New Zealand Nan Fang Investment Limited:

On 28 October 2021, Sunrise Industrial (Singapore) Pte. Ltd. (“**SISPL**”) entered into an agreement with New Zealand Nan Fang Investment Limited (“**NZ Nan Fang**”) to provide consultancy management services to NZ Nan Fang and its associate companies. The fees charged amounted to SGD120,000 per quarter, starting from 1 November 2021. The agreement is effective until 30 October 2022. On 9 November 2021, SISPL received an amount of SGD120,000 from New Zealand Luck Star Investment Limited (“**NZ Luck Star**”).

The Auditor performed a company search on NZ Nan Fang and noted the numerous changes in its shareholders, including several transfers mainly among the following 3 individuals and a corporation during the financial year:

- a) Zhang Zhi Liang, who was the Chief Executive Office (“**CEO**”) of the Company from 9 September 2016 to 1 October 2019 and from 23 July 2020 to 3 August 2021;
- b) Yip Chung Yuk who has been the appointed directors for several of Mr Wong Siu Fai’s private companies;
- c) Vincent Chew, whom was the Non-executive Director of Sunrise Shares from 9 September 2016 to 1 February 2019;
- d) H Wealth Management Co Limited (“**H Wealth Management**”), which was owned by Mr Wong Siu Fai, as disclosed in the Company’s FY2017 to FY2020 annual reports. The Auditor performed a company search on H Wealth Management and noted numerous changes in its shareholders during the financial year. Post 16 August 2021, H Wealth Management’s shares are mainly held by Yip Chung Yuk, Zhang Zhi Liang and Vincent Chew.

The Auditor performed a company search on NZ Luck Star and noted the changes in its shareholders as follows:

- a) the shares of NZ Luck Star are held by New Zealand Sunrise Development Limited (“**NZ Sunrise**”) since 2019;

- b) management informed the Auditor that Mr Wong Siu Fai holds 100% shares of NZ Sunrise;
- c) Cheung Chi Hung (“**Mr Cheung**”), whom is disclosed as a substantial shareholder of the Company in its FY2020’s annual report, held NZ Luck Star’s share for a period from 3 October 2021 to 7 December 2021;
- d) from 7 December 2021 onwards, the shares of NZ Luck Star are again held by NZ Sunrise;
- e) on 24 February 2022, management informed the Auditor that NZ Luck Star’s beneficial owner is Mr. Wong Siu Fai, and is his family’s company:
- f) On 8 December 2021, Mr Cheung’s interest in All Powerful, which his shares in the Company are held through, was transferred to NZ Sunrise and he ceased to be a substantial shareholder of Sunrise Shares.

After going through the due process and after due consideration, the Board’s opinion and views on the above-mentioned issue is that they are not related party transaction. Management explained that: payment received from NZ Luck Star was for settlement of amount owing by NZ Nan Fang under the consultancy management service and NZ Luck Star helped NZ Nan Fang to make the payment as NZ Nan Fang does not have any bank account. Board further explained that the short time period of Mr Cheung holding the shares of NZ Luck Star was due to his business plan and group restructuring, as the process of change of business registration is very simple and easy.

The Auditor interviewed Mr Vincent Chew on 15 and 29 March 2022 and he explained that:

- a) Vincent Chew's career has predominantly been in banking and not in property development business;
- b) NZ Nan Fang is a dormant company since its incorporation and has no operating subsidiaries until 22 February 2022;
- c) Vincent Chew is the ultimate beneficial owner of the shares in NZ Nan Fang since its incorporation and that all the parties who held the shares in NZ Nan Fang were holding the shares on his behalf;
- d) the reason for the various transactions of NZ Nan Fang’s shares was due to Covid travel restrictions and that Vincent Chew needed the various parties to hold his shares on his behalf for business purposes, including attending to regulatory requirements in China;
- e) Vincent Chew is the ultimate beneficial owner of H Wealth Management and any shares of H Wealth Management held by Yip Chung Yuk and Zhang Zhi Liang were held on behalf of Vincent Chew.

The Auditor interviewed Mr Wong Siu Fai on 30 March 2022 and his explanations are as follows:

- a) H Wealth Management holds certain assets in PRC. The reason for the various transfer of H Wealth’s shares to and from NZ Nan Fang from 3 June 2021 to 16 August 2021 was because he had wanted the titles to these assets be transferred to a foreign entity. However, the deal did not materialize, which was why the H Wealth Management’s shares were transferred back to him;
- b) H Wealth Management’s shares were eventually transferred to Zhang Zhi Liang and Vincent Chew for business restructuring purpose.

The Auditor interviewed Mr Zhang Zhi Liang on 29 March 2022 and his explanation are as follows:

- a) He acted based on Vincent Chew's instructions;
- b) He has held the shares of NZ Nan Fang and H Wealth Management on behalf of Vincent Chew.

- Sales brokerage commission

Shenzhen Kimshek Consultancy Management Limited ("**SKCML**") is a subsidiary of the Company. One of SKCML revenue stream was generated from Zhejiang Anji Tonglin Real Estate Development Limited ("**Zhejiang Anji**") through a sales brokerage commission agreement from 17 August 2020 to 2 February 2021.

The Auditor performed a company search on Zhejiang Anji and noted that at the start of the contract period, Zhejiang Anji's intermediate holding company was Great Shine 88 Limited ("**Great Shine 88**"). Based on the company search performed on Great Shine 88, the Auditor noted that:

- a) Great Shine was owned by Faithful Success Investments Limited Corporation;
- b) On 6 November 2020, Great Shine was acquired by Premier Success Investment Pte Ltd ("**Premier Success**") which is in turn owned by NZ Nan Fang.

The Auditor performed a company search on Premier Success and noted its shareholders included Vincent Chew, Yip Chung Yuk, Zhang Zhi Liang and from 13 August 2020, NZ Nan Fang.

Directors and the Management are of the opinion and confirm that Zhejiang Anji is not a related party of the Group. Zhejiang Anji's shareholder was Shenzhen Zhongtong Asset Management Limited, and its shareholder was Great Shine 88 Limited at the entry of the contract.

- Property consultancy and management fee:

One of SKCML revenue stream was generated from Hainan Sun City Shares Limited ("**Hainan Sun City**") through a property consultancy and management fee ("**Property Consultancy**") agreement commencing from 28 May 2020 which was subsequently terminated with effective on 31 December 2021. The Auditor performed a company search on Hainan Sun City, and noted that between 12 July 2021 to 31 December 2021, Hainan Sun City's intermediate and ultimate corporation were Premier Success Investment Pte Ltd and New Zealand Nan Fang Investment Limited respectively.

From the company search performed on NZ Nan Fang, the Auditor noted that its shareholders during 12 July 2021 to 31 December 2021 include Vincent Chew, Zhang Zhi Liang and H Wealth Management.

During period 31 May 2021 to 9 Jun 2021 and 5 Jul 2021 to 3 Oct 2021, Zhang Zhi Liang (who was then Executive Director and Chief Executive Officer of the Company before he resigned in Aug 2021) owned 91% of NZ Nan Fang. The Board's views are that despite during the period that Mr Zhang Zhiliang was the ED and CEO of the Company, he has no conflicts of interest or lead to other illegal situations, he had held NZ Nan Fang's shares on behalf of Mr Li Panfeng, which Mr Li had confirmed as well.

Directors and the Management are of the opinion and confirm that Hainan Suncity is not a related party of the Company and the Group on the entry of the agreement and also during, and at the end of the agreement, and the agreement was entered into on normal commercial terms. There is no conflicts of interest or lead to other illegal

situations. The Company and Director will seek SGX's clarification pursuant to SGX Rules on whether the transaction is IPT or RPT, and how to resolve the matter.

- Loan to corporation:

On 27 December 2021, SKCML provided a loan of RMB13,000,000 to Shenzhen Xudao Real Estate Development Limited ("Shenzhen Xudao"). The loan period is 2 months. The loan was fully repaid in 19 and 21 January 2022. Shenzhen Xudao's ultimate owner from 27 December 2021 to 31 December 2021 is H Wealth Management.

From the company search performed on H Wealth Management, the shareholders during 27 December 2021 to 31 December 2021 include Yip Chung Yuk, Vincent Chew and Zhang Zhi Liang.

Directors and the Management are of the opinion and confirm that Shenzhen Xudao is not a related party of the Company and the Group. Despite Zhang Zhiliang is the shareholder at the entry of the loan agreement, but Zhang Zhiliang had resigned as the Chief Executive Officer from 3 August 2021. The agreement was entered into on normal commercial terms.

- Loan to Nan Fang (Singapore) Investment Fund Management Pte. Ltd. ("**Nan Fang Singapore**"):

On 8 December 2021, Sunrise Shares provided a loan of SGD1,300,000 to Nan Fang Singapore. The loan period is 1 month and bears interest of SGD30,000 receivable at end of loan period. The loan was fully repaid on 14 January 2022. From the date the loan agreement was entered into and until the date the loan was fully repaid, the shareholder of Nan Fang Singapore had changed from Chew Vincent and Zhang Rendong, to Yip Chung Yuk and Zhang Rendong.

The Auditor performed a company search on Nan Fang Singapore and noted that its shareholders from incorporation date till 26 January 2022 included Premier Success, Hong Kong Zhong Tong Wealth Management Limited, Vincent Chew and Yip Chung Yuk. The Auditor interviewed Mr Vincent Chew on 15 March 2022, and Mr Chew explained that:

- a) Vincent Chew is the ultimate beneficial owner of Nan Fang Singapore and that all the parties who held the shares in Nan Fang Singapore were holding the shares on behalf of Vincent Chew. The same was confirmed by Yip Chung Yuk.
- b) Nan Fang Singapore does not have any operations and was dormant from 2012 until October 2021 where it commenced equities and forex investments;
- c) Nan Fang Singapore acquired Shenzhen Zhongyi Investment Consultancy Limited ("**Shenzhen Zhongyi**") in February 2022 to commence property development business.

Directors and the Management are of the opinion and confirm that Nan Fang Singapore is not a related party of the Company and the Group. The actual controller of NZ Nan Fang is Mr. Li Panfeng. Premier Success, Nan Fang Singapore and its Hong Kong and Chinese domestic companies held by NZ Nan Fang are all under the name of NZ Nan Fang. There are no relationships relating to the Company and the Group.

As for the audit issues mentioned above, the Board's opinion and view on all the 5 issues is that they are not related party transaction. The basis is that the Company have explained them in time and provided relevant information to support the explanation and justification. The business of the company is to provide consultation services for the other party. The company needs to have a certain understanding of

the client company, but there is no related party transaction or any previous association of the directors. The Board believes that if the company does not know the client company at all, there might be a risk of affecting the benefit of the Company and its shareholders, further the trust between the two parties will be affected, which may affect the progress of cooperation between the two parties. There are no related party transactions except those already announced as related party transactions. The 2 business between the Company and Mr. Li Panfeng is mutually beneficial and legal, and all the cooperation has achieved the company's goals and profits. Mr. Li Panfeng and his company have never requested from the Company with any breach of contract or loss or constituted a breach of contract. The frequent change of shareholding was the actual controller, Mr Li Panfeng's personal actions and his normal business operations, especially during the special COVID-19 period. Mr Li has also declared that the business entered with the Company or its subsidiaries are neither related nor interested party transactions.

## **COMPANY'S RESPONSE**

b. Please provide an elaboration of the auditor's concerns for **each of the 5 issues** identified.

- Consultancy management services to New Zealand Nan Fang Investment Limited:

The Auditor is unable to obtain satisfactory explanations in relation to commercial rationale and substance for the frequent transfers of NZ Nan Fang's shares among various parties, just before SISPL entered into the consultancy agreement with NZ Nan Fang. Yip Chung Yuk, Vincent Chew and Zhang Zhi Liang have all, at various periods, been nominated as directors or key management staff on Mr Wong Siu Fai's private companies and Sunrise Shares. The Auditor is unable to obtain satisfactory explanations on the circumstances which resulted in all of them being involved with NZ Nan Fang, a customer of SISPL.

The transfers of NZ Nan Fang's shares made to and from Zhang Zhi Liang included the interval periods of 31 May 2021 to 9 June 2021 and 5 July 2021 to 3 August 2021 overlapped the period when Zhang Zhi Liang was CEO of Sunrise Holdings. The Auditor is unable to obtain appropriate explanations and audit evidences to satisfy themselves in relation to the commercial reasons and substance for Zhang Zhi Liang's purported holding NZ Nan Fang's shares on behalf of Vincent Chew.

The Auditor is unable to obtain sufficient appropriate audit evidence regarding responses from management, Vincent Chew and Zhang Zhi Liang that Vincent Chew has been the purported beneficial owner of NZ Nan Fang since incorporation. From the Auditor's understanding of Vincent Chew's background and the interviews with him, the Auditor is unable to obtain satisfactory explanation in relation to the circumstances which resulted in him being the purported controlling shareholder (via H Wealth Management) of a group of companies in property development and related business in PRC.

H Wealth Management was a Company through which Mr Wong Siu Fai held his beneficial interest in Sunrise Shares Holdings Limited (through Sunrise Wealth Management Pte Ltd and LC International Holdings Pte Ltd). The Auditor is unable to obtain sufficient appropriate audit evidence regarding Mr Wong Siu Fai's frequent transfers of the shares in H Wealth Management to and from NZ Nan Fang. H Wealth Management's shares were subsequently transferred to Zhang Zhi Liang and eventually to Vincent Chew. The Auditor is unable to obtain sufficient appropriate audit evidence regarding the commercial reasons and substance of the business restructuring which involved the transfer of Mr Wong Siu Fai's private company, H Wealth Management, to Yip Chung Yuk, Zhang Zhi Liang and Vincent Chew just before SISPL entered into the consultancy agreement with NZ Nan Fang.

The Auditor noted inconsistencies in the reasons for the transfer of the ownership in H Wealth Management from Mr Wong Siu Fai to eventually Vincent Chew. Wong Siu

Fai has explained that his reason for transferring H Wealth Management is so as to restructure its assets in PRC to be held by a foreign entity. This is not consistent with Vincent Chew's explanation that he acquired H Wealth Management as a dormant company at no consideration.

The representations provided by Yip Chung Yuk, Zhang Zhi Liang and Vincent Chew indicated circumstances where the individuals whose names are recorded on NZ Nan Fang's and H Wealth Management's registers of shareholders were purportedly holding the shares on behalf of other individuals.

Zhang Zhi Liang has been working for Mr Wong Siu Fai as the CEO of Sunrise Holdings since 2016. The Auditor is unable to obtain satisfactory explanations from Zhang Zhi Liang in relation to his representation that he acted based on Vincent Chew's instruction for him to hold shares of NZ Nan Fang and H Wealth Management at the various periods on behalf of Vincent Chew.

The Auditor is unable to obtain a consistent assessment on whether the receipt of SGD120,000 from NZ Luck Star is a related party transaction. While the Auditor noted that management has considered that Mr Cheung was the shareholder of NZ Luck Star on 9 November 2021, the Auditor is unable to obtain satisfactory explanations on the commercial rationale for Mr Cheung's temporary holding of NZ Luck Star's shares and Management's conclusion that NZ Luck Star is not a related party.

Consequently, the Auditor is unable to satisfactorily assess and conclude whether provision of the consultancy service to NZ Nan Fang and the receipt from NZ Luck Star are related party transactions, and whether the consultancy service contract is entered into on normal commercial terms.

- Sales brokerage commission:

The Auditor is unable to obtain satisfactory explanation regarding the commercial rationale and substance for the numerous changes in the shareholders of the Premier Success, the intermediate holding company of Zhejiang Anji.

Vincent Chew represented the following:

- (a) the reason for his acquisition of Premier Success is to use this entity to venture into property development and related businesses in PRC.
- (b) the beneficial owner of Premier Success is Fan Ling Xiang, and that the various parties who held the shares of Premier Success are all holding the shares on behalf of Fan Ling Xiang.

However, Mr Yip Chung Yuk represented that from November 2020, Premier Success is "controlled" by Vincent Chew.

The representations provided by Vincent Chew and Yip Chung Yuk indicated circumstances where the individuals whose names are recorded on the register of Premier Success were purportedly holding the shares on behalf of other individuals.

The Auditor noted inconsistencies in the responses that are:

- (a) Vincent Chew explained that he has no expertise and was not in the property development business until February 2022. However, Vincent Chew also represented that he is the beneficial owner of NZ Nan Fang since its incorporation. The Auditor noted that from 6 November 2020, NZ Nan Fang is the holding company of Premier Success, Great Shine 88 and a group of PRC companies in property development and related business;
- (b) Vincent Chew's explanation that Fan Ling Xiang is the beneficial owner of Premier Success is contradictory to his reason for acquiring Premier Success and his representation that he is the beneficial owner of NZ Nan Fang. This also

contradicts Yip Chung Yuk's representation that Vincent Chew "controlled" Premier Success from November 2020.

Due to the conflicting representations on the ownership of Premier Success, the Auditor is unable to satisfactorily assess and conclude whether the provision of sale brokerage services is a related party transaction and whether the sale brokerage contract is entered into on normal commercial basis. Consequently, the Auditor is unable to conclude if further disclosures are required in the prior years and current year's financial statements.

- Property consultancy and management fee:

Based on the Auditor's findings described above on NZ Nan Fang and Premier Success, the Auditor is not able to satisfy themselves with respect to the commercial rationale and substance of these numerous changes in shareholdings of NZ Nan Fang and Premier Success, prior to the acquisition of Hainan Sun City.

There are inconsistencies in the representations received in the course of the Auditor's audit, thus the Auditor is unable to satisfactorily assess and conclude whether the provision of Property Consultancy services to Hainan Sun City is a related party transaction. Consequently, the Auditor is unable to conclude if any further disclosures are required on the current year's financial statements with respect to the Property Consultancy contract.

- Loan to corporation:

Based on the Auditor's findings described above on H Wealth Management, the Auditor is not able to satisfy themselves with respect to the commercial rationale and substance of these numerous changes in the shareholders of H Wealth Management, prior to and during the loan period which the Group extended the loan to Shenzhen Xudao.

There are inconsistencies in the representations received in the course of the Auditor's audit, and as such, the Auditor is unable to satisfactorily assess and conclude whether the loan to Shenzhen Xudao is a related party transaction and whether the loan agreement is entered into on normal commercial terms. Consequently, the Auditor is unable to conclude if further disclosures are required on the current year's financial statements with respect to the loan to Shenzhen Xudao.

- Loan to Nan Fang (Singapore) Investment Fund Management Pte. Ltd.:

The Auditor is also unable to obtain sufficient satisfactory audit evidence regarding the commercial rationale and substance for the numerous transfers of Nan Fang Singapore's shares among various parties which included Yip Chung Yuk, Vincent Chew and Hong Kong Zhongtong Wealth Management Limited (a company previously owned by Mr Wong Siu Fai).

The representations provided by Yip Chung Yuk and Vincent Chew indicated circumstances where the individuals whose names are recorded on Nan Fang Singapore's register of shareholders were purportedly holding the shares on behalf of other individuals.

The Auditor noted that the explanation from Vincent Chew that he is the beneficial owner of Nan Fang Singapore is contradicting his representation that the beneficial owner of Premier Success is Fan Lingxiang.

The Auditor is unable to satisfactorily assess and conclude whether the loan to Nan Fang Singapore is a related party transaction and whether the loan agreement is entered into on normal commercial terms. Consequently, the Auditor is unable to conclude if any adjustments and whether further disclosures are required in the financial statements.



## **COMPANY'S RESPONSE**

c. Please provide the impact of each of the 5 issues on the Company.

The transactions were entered into and recorded under normal commercial terms and not prejudicial to the interest of the Company and its minority shareholders, and the company has entered into this agreement which is beneficial to the Company and will support the company's business development and current operations. The Board's opinion and view is that the 5 issues on the Company is not related party transactions as the Company's Director, Chief Executive officer, or Controlling Shareholder are not related to the counter parties.

Furthermore, the Company has also received declarations from the controlling shareholder, Mr Li Panfeng, that Chew Vincent, Zhang Rendong, Yip Chung Yuk and Zhang Zhiliang were holding the shares of the overseas company on his behalf. The transactions have brought positive impact to the Company.

The contracts and investments or loans for customers stated in the audit issue 2-5 had been either terminated or fully repaid.

After termination of the contracts for NZ Nan Fang and Nan Fang Singapore, the Company will have no more contracts save for any new contracts that it may enter into.

The impact of all the 5 issues mentioned above is relatively large compared to the Group's either total revenue, net tangible assets or net asset value.

There is positive impact as the contracts have brought contribution to the revenue. The figures are detailed in the next paragraph.

## **COMPANY'S RESPONSE**

d. Please provide a breakdown on the quantum and materiality of the 5 issues on the Company.

- Consultancy management services to New Zealand Nan Fang Investment Limited:

The execution of this agreement is not expected to have any material impact on the Group's net tangible assets per share and earnings per share for the current financial year ending 31 December 2021. This consultancy management service contract with NZ Nan Fang is one of the 2 contracts with contributions to revenue of SSSL. The basic consultation fee is SGD480,000, payment will be made quarterly, each quarter amounting SGD120,000. The size of the contract is significant, the Group's NTA as at 31 December 2021 is SGD5,691,268, which this contract is 8.43% compared to the Group's NTA as at 31 December 2021. Sunrise Industrial had received the consultancy fee of SGD120,000 on 9 November 2021 but only S\$80,000 has been recorded as revenue in FY2021 and, this contributed to 13.86% of the reported revenue for FY2021.

- Sales brokerage commission from Zhejiang Anji:

The contribution from Zhejiang Anji in FY2020 and FY2021 is SGD885,000 and SGD77,400 respectively, and compares to the total revenue in FY2020 and FY2021 are 76.82% and 13.41% respectively. The total contract size over net asset value for FY2020 is 494% and FY2021 is 470%. The contract had terminated earlier hence the revenue recognized is smaller than the contracted sum.

- Property consultancy and management fee from Hainan Sun City:

The company's other income increased by 201% or S\$616,000 from S\$306,000 in FY2020 to S\$922,000 in FY2021, mainly due to interest income of S\$484,000

received on a project investment loan to Hainan Sun City, after the termination of the contract, the company recovered the project investment loan of RMB18 million.

The consultation contribution from Hainan Sun City in FY2020 and FY2021 is SGD248,000 and 274,000 respectively, and compares to the total revenue in FY2020 and FY2021 are 21.53% and 47.49% respectively. The total contract size over net asset value for FY2020 is 10.64% and FY2021 is 10.11%.

The total investment amount (RMB18 million) and interest for FY2020 and FY2021 of SGD497,000, are 75.73% and 71.99% respectively as compared to the NTA for FY2020 and FY2021. The interest income as compared to the profit before tax for FY2020 and FY2021 is 67.75% and 43.67%.

- Loan to corporation:

As of 26 December 2021, the Group has provided short-term investment loans totaling RMB13million to third parties with a monthly interest rate of 3.0% for FY2021 with a term of two months (repayable on demand). The loan is secured against the client's property income and is repaid in full on 24 January 2022. The principal amount of the short-term loan (RMB13million) and interest of SGD78,000 is 47.05% as compared to the NTA for 2021. The interest income as compared to the profit before tax for FY2021 is 16.46%.

- Loan to Nan Fang (Singapore) Investment Fund Management Pte. Ltd.:

As at 8 December 2021, the group's short-term investment funds to third parties totaled S\$1.3million, with monthly fixed investment returns of S\$30,000. The investment funds are secured by the client's property and repaid on 17 January 2022. The company's other income increased by 201% or S\$616,000 from S\$306,000 in FY2020 to S\$922,000 in FY2021, mainly due to the Investment fund's S\$24,000 to Nan Fang Singapore.

The size of the contract is significant, the investment returns is 23.37% compared to the Group's NTA as at 31 December 2021. The percentage on return on investment is 2.31%. The principal amount of the short-term loan (SGD1.3million) and interest is SGD30,000. Total investment amount and interest is SGD1,330,000, and 23.37% as compared to the NTA for 2021. The interest income as compared to the profit before tax for FY2021 is 6.33%

## **COMPANY'S RESPONSE**

2. Please provide the Board's opinion on whether trading can continue in light of the above announcements and the bases for the opinion.

After going through the due process and after due consideration, the Board's opinion and view it that the 5 issues on the Company is not related party transactions and not IPT. The board has reason to believe that the company's shares can continue to trade. The Board confirms that, to the best of its knowledge and belief, sufficient information has been disclosed in accordance with the above explanation to enable orderly trading of the Company's shares to continue. There is clarity of state of affairs of the Group. For the reasons set forth in this announcement and this response, the Board is of the opinion that the agreements entered into by the Company do not constitute related party transactions, have not harmed the interests of shareholders and have been repaid in an orderly manner by third parties. The Company has never received any either complaints or negative feedback from the shareholders in regards to the above announcements and the Company has been continuing monitoring the changes of its share price.

## **COMPANY'S RESPONSE**

3. Please provide the AC's and Board's assessment on the adequacy and effectiveness of the Company's finance function and the bases for such an assessment.

For FY2021, the Board has received assurances from the Audit Committee and Key Management, been the Chief Executive Officer that (a) the financial records are properly maintained and that the financial statements give a true and fair view of the Group's operations and financial position; (b) given the current business environment, the Group's risk management and internal control systems are functioning effectively in all significant respects. In addition, management will review the circumstances leading to the inability of the auditor to express an opinion on the financial statements for FY2021. If there are deficiencies in internal control procedures, management will make recommendations on these issues and submit them to the Audit Committee for consideration before implementation. Based on the work carried out by the Group in establishing and maintaining internal controls and the review carried out by management, the Audit Committee is of the opinion that the Group's internal controls on finance, operations, compliance and information technology controls and risk management systems are effective and meet the needs of the Group in the current business environment. In concern of the 5 issues which Auditor has raised, the Board has conducted sufficient background search following the Group's IPT policy. The Audit Committee has been working with relevant externals to continuously improve the Company's internal control systems, including related party transactions. The Company is engaging with Internal Auditor to review on the related party transactions. In the event that there are material findings arising from internal controls reviews on related party transactions, the Company will make further announcement. For the financial year under review, the Board and the Audit Committee have received positive assurance from the Executive Director/Chairman and Key Management, whom being the Chief Executive Officer of the Company that (i) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) the Group has in place adequate and effective risk management and internal control systems. The Board will take further action to monitor the causes that led to the External Auditor's disclaimer of opinion. Upon receipt of the IA report, Board will re-assess the views and opinions on the 5 issues.

The Audit Committee is guided by its terms of reference which provides explicit authority to review any related party transactions within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director and executive officer to attend its meetings, and reasonable resources to enable it to discharge the review on related party transactions properly.

The Board is also seeking a new Chief Financial Officer, the Company intends to appoint the CFO together with the new External Auditor. The Company has an outsourced accountant with In. Corp Global Pte. Ltd., and the accounting matters are handled by the Group's team of accountants in the PRC and overseen by the Chairman of the Company.

The Board, after going through the due process and after due consideration, and Company once again are in the view that the 5 transactions are not IPTs or RPTs. The Board and the AC is of the view that the present level of internal control is appropriate and will continue to review such internal control systems at least on half an annual basis. As of the date of the announcement, all material information has been disclosed and there is clarity in the state of affairs of the Company. The Board is also of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner; and confirmed that all material disclosures have been provided for the trading of the Company's shares to continue.

#### **COMPANY'S RESPONSE**

4. It is stated in the announcement that the Company will be conducting a management review on the issues raised by the auditors.

a. Who in the Company is overseeing the review?

The management, that is the CEO, Mr Liang Yongdong, will conduct a review.

b. What is the scope of review?

Scope: to cover the 5 issues raised by the Auditors; internal control lapses with regards to related party transactions; investment and trading business; Identify any potential breach of Singapore listing rules, regulations or laws; Review transactions and procedures of related parties or stakeholders;

c. What is the timeline for the review?

The Company will monitor the Management to complete the review, which will be completed within 3 months from the date disclaimer of opinion from External Auditor. In the event there are material findings arising from internal controls reviews on related party transactions, the Company will make further announcement.

#### **COMPANY'S RESPONSE**

5. What is the status of the Company's search for new auditors?

The company is currently in contact with several audit firms with a view to completing the appointment and making an announcement 3 month from the date of AGM. and held an EGM to seek shareholder's approval.

#### **COMPANY'S RESPONSE**

6. Please provide the Board's confirmation that there is no other material information that shareholders should be aware of.

To the best of their knowledge, the Directors confirm that all material information, disclosures, facts and information (including but not limited to disclosures pertaining to material operations and business of the Group, the issues in the disclaimer of opinion have been disclosed and announced and no other material information that shareholders should be aware of.