

**STARLAND HOLDINGS LIMITED**  
Company Registration No.: 201131382E  
(Incorporated in the Republic of Singapore)

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**RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES  
ON THE QUALIFIED OPINION BY AUDITORS ON THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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The Board of Directors ("**Board**") of Starland Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") to the Company on the Company's announcement dated 15 April 2020 (the "**Announcement**") in relation to the qualified opinion by the auditors on the consolidated financial statements of the Group for the financial year ended 31 December 2019 ("**FY2019**").

*Unless otherwise defined in this announcement, all capitalised terms used herein bear the same meanings as in the Announcement.*

**Query 1**

The RMB Funds have resided with its PRC Subsidiaries since 2012. Please elaborate on why the Company decided to perform the transfers in this FY.

**Company's Response**

The Advances were furnished by the founders of the Group (the "**Founders**") to the PRC Subsidiaries to fund the acquisition of land use rights and property development in the PRC prior to the listing of the Company.

As mentioned in the Announcement, the PRC subsidiaries were near the end of sale cycle in respect of their property development projects, and hence, the Company decided to maintain the excess cash resources within Singapore instead of the PRC, for prudence and better control over cash management held by its subsidiaries.

As at 31 December 2019, the Group had sold a substantial portion of its property development projects in the PRC. Currently, the Group has no upcoming property development project in the PRC. On 25 October 2019, the Group obtained shareholders' approval to diversify its business into Financial Solution Business (as defined in its shareholders' circular). With such mandate from the shareholders and having completed satisfactory due diligence work, the Group exercised an option pursuant to the provisions of the convertible loan agreement with Luminor Capital (Malaysia) Sdn Bhd ("**Luminor Malaysia**") to convert certain portion of its convertible loan for 51% interest in Luminor Malaysia, as announced by the Company on 5 February 2020. With this new business opportunity in Malaysia, the Company can have better utilization of its funds for business

expansion, instead of keeping these excess cash resources in the PRC. In addition, the Company can have better control over management and deployment of these cash resources and have direct access to them in Singapore, when funds are placed and maintained in a Singapore bank.

### **Query 2**

Please identify the unrelated PRC entities (as well as their owners, directors and legal representatives) which Starland remitted the monies to, and for what purpose?

#### **Company's Response**

The unrelated PRC entities are as follows:

- Guangxi Aichao Financial Service Co., Ltd (广西爱超金融服务有限公司). Its owner, director and legal representative is Zhu Shaohua (朱少华);
- Guilin Yongpeng Labour Service CO., Ltd (桂林永鹏劳务服务有限公司). Its owner, director and legal representative is Zhong Jinpeng (钟金鹏);
- Wenzhou Aichao Labour Deployment Co., Ltd (温州爱超劳务派遣有限公司). Its owners are Wei Jimin (韦继民) and Li Jiangling (李江玲) while its director and legal representative is Wei Jimin,

(collectively, the “**Unrelated PRC Entities**”).

The Unrelated PRC Entities which received the RMB Funds were nominated by the third party service provider, which is a Singapore remittance agent (“**Remittance Agent**”) licensed by the Monetary Authority of Singapore (“**MAS**”).

As mentioned in the Announcement, the transfer of RMB Funds (RMB68 million) by the PRC Subsidiaries to the Unrelated PRC Entities were arranged by the Remittance Agent, which is a Singapore remittance agent licensed by MAS. The Remittance Agent then arranged for the transfer of SGD Funds (S\$12.9 million being the equivalent of the RMB Funds converted at agreed exchange rates) into Starland Commercial's Singapore bank account.

### **Query 3**

Please state how the RMB Funds were accounted for (i) in the Group's accounts as at pre-IPO given that the Founders have irrevocably renounced their right of repayment in respect of the Advances, and (ii) in the Group's accounts as at FY2019 financial results.

#### **Company's Response**

- (i) Prior to IPO,
  - a. the Advances of RMB132 million were recorded in the PRC Subsidiaries as “Advances” (that is as a Liability account).

- (ii) At the IPO and following the waiver from the Founders,
  - a. by consolidation entries, the Group reclassified 25% of the Advances (RMB33 million) as “Tax Provision”; and the balance 75% of the Advances (RMB99 million) as “Capital Reserve” (that is as an Equity account).
  
- (iii) As the repayment of the Advances had been waived by the Founders and the Advances were assigned and transferred to Starland Commercial, in FY2019 the Advances were recorded as follows:
  - a. Amount of Capital Reserves (RMB99 million) recorded in the Group accounts, as stated in paragraph (ii)(a) above, was reversed to “Retained Earnings”. Kindly refer to “Statements of Changes in Equity” on Page 73 and Note 18 on Page 112 of the Company’s Annual Report for FY2019 relevant to the matter.
  - b. The SGD equivalent amount of the RMB99 million was recorded in Starland Commercial as debit “Receivables” and credit “Other Income”.
  
- (iv) When the PRC Subsidiaries effected settlements of the “Advances”,
  - a. The settlements of RMB68 million, which was part of the RMB132 million Advances, were recorded by the PRC Subsidiaries as debit “Advances” and credit “Bank” account.
  - b. Starland Commercial, upon receipt of the SGD Funds (S\$12.9 million), recorded the receipts as debit “Bank” and credit “Receivables”.

**Query 4**

When the Company, being the ultimate holding company of the PRC Subsidiaries, subsequently assigned and transferred the Advances to another wholly-owned subsidiary, Starland Commercial – how was the transfer recorded in the accounts of (i) the Company, and in (ii) Starland Commercial?

**Company’s Response**

No entries were put through at the Company level as the Advances were assigned and transferred to another wholly-owned subsidiary, being Starland Commercial. At Starland Commercial level, the recorded entries are as stated in response to Query 3 above.

**Query 5**

Please confirm if the Company had repaid the Founders (directly or indirectly) for the Advances in any way, whether in cash or otherwise, and elaborate.

**Company’s Response**

The Company confirms that it has not repaid the Founders in cash for the Advances.

At IPO the Company had issued 120 million shares to the Founders for value S\$100. The Advances waived by the Founders was RMB132 million, and this is equivalent to S\$0.22 per share, same price as the IPO placement of 22,200,000 shares at S\$0.22 per share. Effectively, the Founders had received value, in the form of 120 million shares, for the Advances.

In addition, the Company wishes to inform that in January 2016, the Founders had disposed all their interest in shares of the Company to GRP Chongqing Land Pte Ltd, a wholly owned subsidiary of GRP Limited.

#### **Query 6**

Are the said remittance agent/3<sup>rd</sup> party service provider who received the RMB Funds from the PRC Subsidiaries and the said 3<sup>rd</sup> party service provider who transferred the SGD Funds to Starland Commercial's bank account in Singapore the same agent or affiliated or part of the same group of entities providing such service?

#### **Company's Response**

The Unrelated PRC Entities, as summarized in response to Query 2 above, who received the RMB Funds (RMB68 million) from the PRC Subsidiaries, were nominated by the Remittance Agent. The SGD Funds (S\$12.9 million) were remitted and transferred by the Remittance Agent directly to Starland Commercial's bank account in Singapore. The Unrelated PRC Entities are counterparties of the Remittance Agent.

Starland Commercial only engaged the remittance services of the Remittance Agent in Singapore for the remittance of the RMB Funds to Singapore in SGD Funds. The Unrelated PRC Entities were arranged and nominated by the Singapore Remittance Agent.

#### **Query 7**

It was stated that the Company had obtained legal opinion from a firm of PRC legal counsel to confirm that the transfer of RMB Funds from the PRC Subsidiaries to certain unrelated PRC entities did not contravene any PRC laws or regulations. Will the Company be seeking Singapore legal counsel opinion on the same, in respect of whether there are any contraventions of PRC or Singapore laws or regulations? If not, why not?

#### **Company's Response**

The business of the Singapore Remittance Agent includes telegraphic transfer and remittance of funds, and money exchange.

The Remittance Agent has contracted with the Company to arrange for the remittance and transfer of RMB Funds from the PRC to Singapore, according to the manner and procedure it directs as it has a valid license from MAS to conduct the business of cross-border money transfer between the PRC and Singapore.

The Company has checked the MAS website and noted that the Remittance Agent is reflected as a "Major Payment Institution" under "License Type", which is permitted to conduct cross-border money transfer service. Under the MAS website, it states that Major Payment Institutions can provide any combination of regulated payment services, regardless of transactional volume, and are subject to more comprehensive regulation than standard payment institutions as the scale of their operations pose greater risks.

The Company has not obtained a Singapore legal opinion as Singaporean law firms generally only provide legal advice concerning Singapore laws, but not on laws or legal procedures concerning an overseas jurisdiction, such as the PRC. In addition, the Remittance Agent is a Singapore incorporated company conducting business in Singapore, and its remittance of funds to Starland Commercial (the Company's subsidiary) would be regulated by the MAS.

#### **Query 8**

Please provide AC's views as to the materiality of the RMB Funds to the Group, and the basis for these views.

#### **Company's Response**

The Group had a total cash and bank balances of RMB125.2 million as at 31 December 2019, the RMB Funds involved is RMB68 million, which is 54.31% of the total cash and bank balances as at 31 December 2019. Through the remittance arrangement handled by the Remittance Agent, the sum of RMB68 million previously held by the PRC Subsidiaries, is now held by Starland Commercial's bank account in Singapore. From the Group's perspective, its total cash and bank balances remains the same.

RMB68 million is material to the Group as it constituted 54.31% of the total cash and bank balances as at 31 December 2019. The objective of the fund remittance is to exercise prudence and to safeguard and control the Group's assets, as it is in the interest of the Group to maintain the excess bank balances in Singapore.

#### **Query 9**

Please provide AC's views as to whether the interests of the Company is safeguarded if there is no such legal opinion obtained from a Singapore legal counsel, especially since the auditors have stated in its opinion that "Due to insufficient audit evidence available to us, we are unable to conclude whether these transactions are in compliance with applicable laws and regulations in the PRC and Singapore."

#### **Company's Response**

Prior to the transaction, the Company and Starland Commercial have complied with the Remittance Agent's due diligence processes, including KYC and AML checks under the guidelines of MAS before the transaction was accepted by them.

In view that:

- (i) The SGD Funds were only remitted and transferred into Starland Commercial's bank account in Singapore after the Remittance Agent had received the RMB Funds paid by the PRC Subsidiaries. As such, the source of the SGD Funds is from the RMB Funds;
- (ii) The Remittance Agent who has handled the funds transfer for Starland Commercial (the Company's subsidiary) is known in the marketplace to have been operating cross-border money transfer between the PRC and Singapore for several years; and

- (iii) The Remittance Agent has a valid licence to conduct cross-border money transfer and is regulated by MAS,

The AC is of the view that the interest of the Company is safeguarded considering that the objective of the remittance of funds was to arrange for the cash resources to be in a Singapore bank account of Starland Commercial instead of being held by the PRC Subsidiaries.

#### **Query 10**

Please provide the AC's views as to whether there are any AML risks in respect of the transfers, and the basis for these views.

#### **Company's Response**

The AC is of the view that the AML risks in respect of the transfer of the RMB Funds to the Singapore bank account of Starland Commercial in SGD Funds, are addressed as follows:

- (i) The source of the SGD Funds was from the RMB Funds, as the SGD Funds were only remitted and transferred into Starland Commercial's Singapore bank account after the Remittance Agent had received the RMB Funds paid by the PRC Subsidiaries;
- (ii) The PRC Subsidiaries and Starland Commercial are all wholly-owned subsidiaries of the Company;
- (iii) The SGD Funds received by Starland Commercial in its Singapore bank account were directly from the Remittance Agent, which has transferred and remitted the SGD Funds directly to Starland Commercial;
- (iv) The SGD Funds represented an equivalent sum of money (at an exchange rate agreed with the Remittance Agent) that were paid by the PRC Subsidiaries at the direction of the Remittance Agent;
- (v) The aforesaid fund transfer was conducted via the Remittance Agent, which is a Singapore licensed Remittance Agent regulated by MAS and is licensed to conduct cross-border money transfer; and
- (vi) The Remittance Agent also conducted its own AML checks before accepting the fund remittance business from Starland Commercial.

#### **BY ORDER OF THE BOARD**

Peng Peck Yen  
Executive Director  
20 April 2020

*This announcement has been prepared by Starland Holdings Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities*

*Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.*

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