

STARLAND HOLDINGS LIMITED
(Company Registration Number 201131382E)
(Incorporated in the Republic of Singapore)

**RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
AND SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS**

The Board of Directors of Starland Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refer to the following:

- (a) the annual report of the Company for the financial year ended 31 December 2019 (“**FY2019 AR**”); and
- (b) the notice of the annual general meeting (“**AGM**”) issued on 14 May 2020 informing the shareholders of the Company that the AGM will be convened and held by way of electronic means on 5 June 2020 at 10.30 am.

The Company has received certain questions from the Securities Investors Association (Singapore) (“**SIAS**”) and also certain shareholders in relation to the FY2019 AR, and would like to set out in this announcement its responses to the questions from SIAS, and also the substantial and relevant questions from the shareholders.

The Company would also like to thank shareholders for their co-operation in submitting their queries in accordance to the deadline set out in the notice of AGM.

BY ORDER OF THE BOARD

Peng Peck Yen
Executive Director
3 June 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.

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 65906881.

SECTION A. QUESTIONS FROM SIAS

Q1. Would the board/management provide shareholders with better clarity on the following operational/strategic matters? Specifically:

- (i) **Chinese development properties:** How is the group marketing the remaining units of 18 residential units and 23 commercial units in Singapore Garden? What is the profile of the past buyers? Given that the project was completed in August 2015, what are the management's pro-active plans to find buyers for these units to de-risk the group and to monetize the completed units?

Company's Response

The Singapore Garden development is about 98% sold for residential units with only 18 residential units and 23 commercial units left to be sold, out of total built 1,031 residential units and 28 commercial unit. Sales agents have been appointed to market the remaining units. Based on sales thus far, the buyers are largely local residents of Fuling, Chongqing, buying for own use as their primary residence. Given that Singapore Garden has been largely sold, Management has reduced manpower and operational costs significantly and we presently only have a skeletal team to manage the day-to-day operations in Fuling, Chongqing. Management will continue to proactively work with the sales agents to market the remaining units to individuals or even sell the remaining units en-bloc to investor(s) to completely monetize the units.

- (ii) **Car park lots:** Can management help shareholders understand the carrying value of the carpark lots in the two projects? Would potential buyers of the carpark lots come from the limited pool of residents in the project? As such, is it possible that there is over-supply of carpark lots?

Company's Response

The book value of the carpark lots is as follows:

Singapore Garden: RMB3.5 million

University Town: RMB1.1 million

Yes, the potential buyers of the carpark lots would be from buyers of the development respectively. The ratio of car park lots to residential units for Singapore Garden is 0.24:1, and 0.3:1 for University Town. Based on the ratios, there does not appear to be an over-supply of car park lots.

- (iii) **Fuling land:** On 27 March 2019, the company announced that the Fuling District local authority had issued a repossession notice to the group to acquire the 25,560 sqm land. The group currently has plans to develop it into a residential project. Has management carried out a valuation of the land? The carrying value of the land is RM8.6 million.

Company's Response

As announced on 27th March 2019, the Fuling District Government has issued a repossession notice for the Royal Waterhouse land. Since then, Management and the representatives of the local government have commenced negotiations. Due to COVID-19, the Fuling District Government has now put the negotiation on hold indefinitely. We will continue to work with the local authorities to achieve a fair repossession value and update the shareholders accordingly.

Management had done a valuation of the land in 2016 when GRP Group acquired 82.91% of Starland Group. The Land has a book value of RMB8.9 million as at 31 December 2019.

- Q2 In February 2020, the Group made an acquisition of a 51% interest in Luminor Capital (Malaysia) Sdn Bhd (“Luminor Capital”) via the exercise of the option for the convertible loan agreement (“CLA”) to expand its business activities to include financial solution business.**

It was further stated that option price has been reduced from RM4.0 million as originally set out in the CLA to RM1.96 million (approximately S\$653,344) following further negotiations between the parties.

- (i) Can the independent directors help shareholders understand the basis of the valuation? It appears that the option price was arbitrarily reduced from RM4 million to RM1.96 million. As disclosed, Luminor Malaysia incurred a loss after tax of RM(655,462) and had a net tangible asset of RM230,151 as at 31 December 2019.**

Company's Response

The Option price for the acquisition of the 51% interest in Luminor Malaysia (“LCM”) was RM4 million. This was on the basis that LCM would have completed the acquisition of a targeted Malaysian entity (“FactorCo”), which would have facilitated LCM’s entry into the invoice factoring business. The results of the due diligence conducted on the FactorCo were unsatisfactory, and so the FactorCo acquisition was aborted by LCM. Accordingly, the Option price was then reduced to RM1.96 million after further arms-length negotiations with LCM. The independent directors were fully informed as to the negotiations and the basis for the revised Option pricing.

The independent directors were also updated on the negotiations, and a due diligence report was provided to the Board prior to the exercise of the Option. The Board was also informed that due to the losses recorded by LCM, the Management had pursued that LCM shareholders raise additional RM899,968 capital prior to the exercise of the Option.

LCM is a relatively new company, incorporated on 23 July 2018, with plans to enter into the Financial Solutions Business (“FSB”). A pre-requisite for entry and growth in the FSB is to have the relevant licenses. As at 4 February 2020, it is notable that LCM has a Money Lending license (licensee is Luminor Credit Sdn Bhd), and LCM exercises

control over Fiscalab Capital Markets Sdn Bhd, which holds a Capital Markets and Services license. Further LCM founders and key employees are largely ex-bankers with experience in the FSB in Malaysia.

The Management/Directors believe that it is in the best interest of the shareholders to exercise the Option to convert RM1.96 million of total convertible loan for 51% interest in the enlarged share capital of LCM as LCM already has the requisite licenses to enter into the FSB in Malaysia. By acquiring the 51% interest in LCM, and already having the requisite licenses, the Group can immediately carry out its plans to commence FSB operations in Malaysia, which involves exploring and pursuing avenues to identify, develop and roll-out new FSB products and services, targeting the underserved SMEs and individuals in Malaysia.

In addition, the RM1.96 million (approximately RMB3.6 million) conversion price is about 2.9% of the total cash and bank balances of the Group and 1.9% of the total assets value of the Group as at 31 December 2019.

- (ii) **In addition, the deemed interest held by both Mr Kwan Chee Seng (“KCS”) and his daughter (through Luminor Capital Pte Ltd (“LCPL”) in Luminor Malaysia is 19.99%.**

This is below the 20% threshold which would make Luminor Malaysia is an associate of KCS. Accordingly, the company considers Luminor Malaysia not an interested person under Chapter 9 of the Catalist Rules. Therefore, the exercise of the option to convert part of the convertible loan to 51% equity interest in Luminor Malaysia does not constitute an Interested Person Transaction.

Can the independent directors elaborate further on the roles they played in the decision to convert and in the negotiation of the conversion price? Specially, did they consider that this transaction could be regarded as an interested person transaction as it might appear that the 19.99% holdings by LCPL was kept below 20% since that would be the threshold making the transaction an interested person transaction?

Company's Response

The Company has obtained legal opinion to confirm that transaction is not an Interested Person Transaction, and Management had from time to time updated independent directors on the negotiation of the deal. Management and directors reviewed the accounts of the LCM, the premium of the 51% controlling stake and considered the value of the licenses that LCM has as well as the experiences of the founders and key management of LCM before agreeing to the adjusted conversion price of RM1.96 million. The adjustment is a substantial downward adjustment from the initial price of RM4 million.

- (iii) **What was the role played by Mr Kwan Chee Seng in the company's deliberation to exercise the CLA option and in the price negotiation?**

Company's Response

Mr Kwan Chee Seng abstained from all decision-making pertaining to the exercise of the CLA option and in the price negotiation.

- (iv) **What was the view of the sponsor in whether the transaction could be considered as an interested person transaction?**

Company's Response

The sponsor wishes to clarify that the 'threshold' for associate under the Catalyst Rules is 30% and not 20%. Under the Catalyst Rules, Luminor Malaysia is not an Interested Person and the sponsor also notes that the Company had obtained a legal opinion to confirm that the transaction is not an interested person transaction.

- Q3 The independent auditor has given a qualified opinion in the Report on the audit of the financial statements for the financial year ended 31 December 2019.**

The basis for the qualified opinion was as follows:

During the financial year, certain of the Group's subsidiaries in the People's Republic of China ("PRC") made various fund transfers aggregating RMB68.0 million to unrelated third-party PRC entities. A Singapore subsidiary of the Company had also received fund transfers aggregating S\$12.9 million from a Singapore Licensed remittance agent during the financial year. Management has represented that the receipt of the funds in Singapore is related to the transfer made by the Group's PRC subsidiaries to the unrelated third-party PRC entities. 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. It is not practicable to estimate the potential financial impact, if any, to the Group in the event of any breach of applicable laws and regulations.

The audit committee comprises Mr Foong Daw Ching (chairman), Mr Tan Chade Phang and Mr Lim See Yong. In particular, Mr Foong is an experienced audit partner as it was stated that he has more than 30 years of audit experience and was the managing partner of Baker Tilly TFW LLP and the Regional Chairman of Baker Tilly International Asia Pacific Region.

- (i) **Can the audit committee help shareholders understand the audit evidence required by the independent auditors? Why was the group unable to provide the independent auditors with the appropriate and sufficient audit evidence?**

Company's Response

The independent auditor required a legal opinion providing legal advice on the fund transfers concerning both Singapore and PRC laws.

The Company obtained a 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. The Company did not obtain a Singapore legal opinion as Singapore 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, to arrange for the remittances and the transfer of RMB funds from PRC to Singapore, Starland Commercial Trading Pte Ltd (“**Starland Commercial**”), a wholly owned subsidiary of the Company, contracted with a Remittance Agent. The Remittance Agent has a valid license from MAS to conduct the business of cross-border money transfer between the PRC and Singapore, and the remittances were all according to the manner and procedure that the Remittance Agent directs.*

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”.

Prior to the transaction, the Company and Starland Commercial also complied with the Remittance Agent’s due diligence processes, including KYC (“Know Your Customer”) and AML (“Anti-Money Laundering”) checks they performed under the guidelines of MAS, before the transaction was accepted by them.

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. The Remittance Agent who has handled the funds transfer for Starland Commercial is well known/established in the marketplace to have been operating cross-border money transfer between the PRC and Singapore for several years.

Further to the above, the audit committee had also taken into account the fact that 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 with 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.

- (ii) **In the company's announcement dated 15 April 2020, the company has stated that it had obtained a legal opinion from "a firm of PRC legal counsel" to confirm that such transfers did not contravene any PRC laws or regulations. Can the company explain why a legal opinion was sought?**

Company's Response

The legal opinion was sought so as to address the independent auditors' concerns over the fund transfers concerning PRC laws.

- (iii) **How familiar is management with the PRC's capital outflow control laws and regulations?**

Company's Response

Management is not in the business of doing cross border fund transfers as such the Company contracted with a MAS licensed Remittance Agent to arrange for the fund transfers.

- (iv) **Would the company post the legal opinion on SGXNet? Please also identify the PRC legal counsel?**

Company's Response

Due to a confidentiality clause on the engagement letter with the PRC legal counsel. As such we are not able to post the legal opinion on SGXNet nor identify the PRC legal counsel.

- (v) Did the company provide the independent auditor with the legal opinion? If so, why was it not accepted by the independent auditors?

Company's Response

The company had provided the independent auditors with the legal opinion, which however did not address their concerns as they had concerns over both PRC and Singapore regulations, whilst the PRC legal advice only addressed PRC regulations as law firms generally only provide legal advice concerning their respective home country laws, but not on laws or legal procedures concerning an overseas jurisdiction. The reasons for not obtaining a Singapore opinion then is set out in the response to Q3(i) above.

SECTION B. QUESTIONS FROM SHAREHOLDERS

- Q1. Currently the Company is sitting on a huge pile of cash. This is the 2nd year running, Board is proposing a S\$0.03 dividend. Moving forward, is there any dividend policy or is there plans to continue with the dividend of S\$0.03?

Company's Response

The Company does not have a dividend policy. The Board proposes the Dividend after considering the Group performance, existing and potential projects as well as the global business and economic environment. The Board and management primarily work towards maximizing shareholders' value.

- Q2. The Company has been on the lookout for new business and it has obtained the mandate from shareholders on 25 October 2019 to diversify the business into Financial Solution Business. Besides the convertible loan agreement with Luminor Capital (Malaysia) Sdn Bhd, are there other offers on the table? What kind of returns are we looking at for this Financial Solution Business?

Company's Response

The Group has exercised the Option under the convertible loan agreement with Luminor Malaysia to convert RM1.96 million of the loan for 51% interest in Luminor Malaysia as announced by the Company on 5 February 2020.

As announced by the Company on 21 May 2020, the newly acquired Financial Solution Business ("FSB") has been negatively impacted by the COVID-19 outbreak. The Malaysian government had implemented a movement control order ("MCO") on 18 March 2020. Malaysia has relaxed its MCO regulations and implemented a conditional MCO on 4 May 2020, with the effective end date extended to 9 June 2020. The FSB is a customized business where face-to-face discussion with business partners, government agencies, customers and potential customers is required. As at today,

some of the business partners, government agencies, customers and potential customers are still not fully operational. Please also refer to management presentation slides for detailed update of the FSB business to be announced on 4 June 2020.

The Group is always on a lookout for new business and announcements will be made as and when appropriate.

- Q3. The liquidity of Starland shares is really poor. Are there are plans to increase the liquidity? such as Script dividend, bonus shares, rights offering.**

Company's Response

Starland is 83.17% owned by GRP Chongqing Land Pte Ltd, a wholly owned subsidiary of GRP Limited. Starland will review and will undertake a corporate exercise on a need-to basis when an opportunity arises.

- Q4 What are the prospects for this year in view of Covid 19?**

Company's Response

COVID-19 has negatively impacted the Group's operations. Please refer to the Company's announcement on 21 May 2020 on Potential Impact of COVID-19 Outbreak on the Group for more details.