

THE PLACE HOLDINGS LIMITED

(Company Registration No.: 200107762R)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX-ST QUERIES ON THE HALF YEARLY RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

The Board of Directors (the "**Board**") of The Place Holdings Limited (the "**Company**", and together with its subsidiaries, collectively the "**Group**") wishes to provide the following information in response to queries from Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 13 August 2020 with regards to our half yearly results for the financial period ended 30 June 2020 ("**Half Yearly Results**") published and released on 4 August 2020.

Question 1:

It is stated on page 7 of the announced financial results:- "The increase in trade and other receivables mainly pertains to the 5% deposit paid for the acquisition of Realty Centre of \$7.4 million...The decrease in the Group's cash and cash equivalents was mainly attributable to 5% deposit paid for the acquisition of Realty Centre of \$3.8 million...The increase in trade and other payables is mainly due to payables made by the remaining 49% shareholder of New Vision Holding Pte (a 51% owned subsidiary of the Group) for the acquisition of Realty Centre amounting to \$3.6 million."

- a. *Noting that New Vision Holding Pte. Ltd. is a joint venture company which was established for the purpose of the acquisition of Realty Centre, the shares of which are 51% owned by The Place Yuntai Investment Pte. Ltd. ("TYPI"), a wholly-owned subsidiary of the Company, and 49% owned by Sun Card Limited (as disclosed in the Company's July 2019 circular to shareholders in relation to the proposed acquisition of 15 Enggor Street, Realty Centre, Singapore 079716), please clarify the reason(s) why there is an increase in trade and other payables mainly due to payables made by the remaining 49% shareholder of New Vision Holding Pte. Ltd.? We refer to Listing Rule 904(6) and would like the Company to clarify whether this payable is considered an interested person transaction and the bases for your views.*

Company's Response:

The proposed acquisition of Realty Centre (the "**RC Acquisition**") was disclosed in the circular to shareholders dated 22 July 2019 and approved by shareholders at the EGM held on 6 August 2019. To-date, the RC Acquisition is not completed as the final 90% payment is due in November 2020. New Vision Holding Pte. Ltd. ("**JVCo**"), which is 51% held by a subsidiary of the Company, The Place Yuntai Investment Pte. Ltd. ("**TPYI**"), and 49% held by Sun Card Limited ("**SCL**"), was set up to hold Realty Centre.

On 9 June 2020, JVCo paid S\$7.4 million, 5% of the tender price, after receipt of Sales Order from the High Court on 14 May 2020. TPYI and SCL contributed the S\$7.4 million in the proportion of their respective shareholding interests in JVCo (i.e. 51% and 49%, respectively). As the acquisition has yet to be completed, SCL's contribution was recorded as "trade and other payables" in JVCo's books.

As these transactions are part of the RC Acquisition, they are not considered new IPTs as they had been approved at the EGM held on 6 August 2019.

Question 2:

It is stated on page 7 of the announced financial results: - "The increase in trade and other receivables mainly pertains to the 5% deposit paid for the acquisition of Realty Centre of \$7.4 million and a deposit of \$5 million (equivalent of USD3.5 million) placed for acquisition of a potential investment. This deposit is fully secured by a 3rd party and yields a interest rate of 1.5% to 3% per month. The remaining increase is due to interest receivables. The decrease in the Group's cash and cash equivalents was mainly attributable to 5% deposit paid for the acquisition of Realty Centre of \$3.8 million and a deposit of \$5 million (equivalent of USD3.5 million) placed for acquisition of a potential investment."

- a. *Please provide a background and the current status of this potential investment. In addition, we refer to Listing Rule 904(6) and would like the Company to clarify whether or not this potential investment is considered an interested person transaction and the bases for your views.*
- b. *What currency is the deposit of \$5 million?*
- c. *Please clarify the rationale for placing the deposit of \$5 million in relation to the acquisition of a potential investment and what will happen if the potential investment does not proceed. What are the safeguard(s) in place for the \$5 million refundable deposit?*

Company's Response:

- a. In early 2020, management was provided an opportunity to work with Zhongmeng International Co., Limited ("Zhongmeng"), a Hong Kong registered company, on a development project in Laos. It is a dual opportunity project to two integrated resorts. A memorandum of understanding ("MOU") was entered for a 2 months exclusivity period for the Company to conduct its due diligence in February 2020. In April 2020, a 2nd MOU was entered into for another 3 months exclusivity period due to difficulties faced by the Company in conducting its due diligence amidst the Covid-19 environment.

Considering that it is in the early stage of assessment, no announcement was made. Subsequently, due to the uncertainties faced in this Covid-19 situation, no further action was taken after the MOU lapsed in July 2020. The Company did not proceed with this potential investment. The deposit interest of USD 210,000 under 1st MOU was returned to the Company on 24 April 2020 and the USD 3.5 million deposit was returned to the Company on 7 August 2020. The Company is following up on the remaining interest portion amounting to USD 157,500 from the 2nd MOU. Considering the uncertainties in this Covid-19 situation, the Company adopts a prudence approach and provides full provision on the remaining deposit interest.

The Company and its subsidiaries, its chief executive officer, directors or controlling shareholders do not have interests in Zhongmeng or the Lao's entities at risk. With reference to Listing Rule 904(6), this is not considered an interested person transaction.

- b. The currency of the deposit is United States Dollars.
- c. The placement of the USD 3.5 million deposit is for the exclusivity period for the Company to conduct its due diligence and the rights to acquire up to 10% shareholdings of the Target Company at preferential rate. The USD 3.5 million deposit was secured by a personal guarantee from Mr Leow Yi Chang, the introducer of this project. The USD 3.5 million deposit had been returned to the Company on 7 August 2020.

Question 3:

It is stated on page 8 of announced financial results:- "On the progress of the acquisition of Tianjie Yuntai Wanrun (Xiuwu) Property Development Co., Ltd ("Tianjie Yuntai Wanrun"), the Group had placed a RMB 100 million refundable deposit to show its commitment on this proposed acquisition and for the application to the relevant regulatory authorities of People's Republic of China ("PRC") authority for the change in zoning of the Target Company's Land from commercial to residential. Management is currently in the midst of preparing for subscription into Tianjie Yuntai Wanrun and will make the necessary announcements in a timely manner."

a. *In this regard, it is also noted that the Company's SGXNet announcement of 8 January 2020 titled:- "Update on proposed subscription of equity interest in Tianjie Yuntai Wanrun (Xiuwu) Property Development Co., Ltd." stated:- "To-date, the Company has not completed the Proposed Subscription as the Company is still awaiting approvals from the relevant regulatory authorities of the People's Republic of China ("PRC") (as announced in the Company's third quarter results announcement for the financial period 30 September 2019)...."*

(i) *Please clarify what are these approvals from the relevant regulatory authorities of the PRC in relation to? Is it relating to the "application to the relevant regulatory authorities of People's Republic of China ("PRC") authority for the change in zoning of the Target Company's Land from commercial to residential" as per page 8 of the announced financial results?*

Company's Response:

The approvals (as announced in the Company's third quarter results announcement for the financial period 30 September 2019) pertains to revisions of certain planning documents in relation to the application for the change in zoning of the Target Company's Land from commercial to residential submitted to Natural Resources and Planning Bureau in late December 2019.

Question 4:

It is stated on page 6 of the announced financial results:-

"Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) updates on the efforts taken to resolve each outstanding audit issue; and (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

An except-for qualified opinion was issued in the latest financial statements for the financial year ended 31 December 2019. The qualified opinion was issued on recoverability of RMB 100 million (S\$19.32 million equivalent) refundable deposit ("the Refundable Deposit") paid to Tianjie Yuntai Wanrun (Xiuwu) Property Development Co., Ltd. ("Wanrun"). The Board and the Management of the Company hold a different opinion from the Independent Auditors on the recoverability of the Refundable Deposit paid to Wanrun. Please refer to Clarification Announcement made on 14 June 2020. (emphasis added)

The Board confirms that the impact from all outstanding audit issues on the financial statements have been disclosed."

a. *It is also stated in the Company's 8 January 2020 announcement:- "Under the terms of the Supplemental Agreement, TPYI is required to place a RMB 100 million refundable deposit (equivalent to approximately S\$19.3 million) (the "Deposit") with JTYI within 7 working days from the date of execution of the Supplemental Agreement, to show its commitment for the Proposed Subscription in view of the delay in the completion, as well as for the application to the relevant PRC authority for the change in zoning of the Target Company's Land from commercial to residential." (emphasis added). In addition, it is stated in the Company's 14 June 2020 announcement: - "The Board and the Management of the Company hold a different opinion from the Independent Auditors on the RMB100 million refundable deposit (the "Refundable Deposit") placed with Tianjie Yuntai Wanrun (Xiuwu) Property Development Co., Ltd ("Tianjie Yuntai")." (emphasis added).*

In this regard, please clarify who the RMB 100 million Refundable Deposit was paid to? In this regard, it is noted from the 8 January 2020 announcement that Tianjie Yuntai Wanrun (Xiuwu) Property Development Co., Ltd is the target company.

b. *Per Paragraph 3A of Appendix 7.2 Financial Statements and Dividend Announcement, what are the efforts taken to resolve the outstanding audit issue on the recoverability of RMB 100 million Refundable Deposit?*

c. *It states in the Company's announcement of 14 June 2020:-*

"With regard to the recoverability of the Refundable Deposit, this has already been expressly provided for in the Supplemental Agreement. In addition, as witnessed by lawyers, Tianjie Yuntai has delivered the original land title deed (the "Title Deed") relating to the Tianjie Yuntai Land to us for safekeeping. At the same time, Tianjie Yuntai has already appointed various professional service providers to commence work on the Proposed Subscription. Hence, the Board and the Management are of the view that the risk to the Refundable Deposit is minimal.

.... As mentioned in the Statement, TPYI, JTYI and Tianjie Yuntai have agreed that TPYI shall have physical possession of the Title Deed. The Title Deed shall be released by TPYI to Tianjie Yuntai once the Refundable Deposit is refunded or converted into and treated as part of the Subscription Amount. Tianjie Yuntai has also undertaken not to create any security over the Tianjie Yuntai Land in the meantime. The parties also agreed that if Tianjie Yuntai refuses to refund the Refundable Deposit in accordance with the terms of the Supplemental Agreement, TPYI shall have the right to take action against Tianjie Yuntai's assets, including but not limited to the Tianjie Yuntai Land, in accordance with relevant laws. The aforesaid arrangements have been confirmed by TPYI's PRC lawyers to be binding and enforceable obligations under PRC law. As at the date of this announcement, the Title Deed is held by TPYI."

i. *Please clarify the significance of the Title Deed relating to the Tianjie Yuntai Land being delivered to the Company for safekeeping? How does safekeeping the Title Deed relating to the Tianjie Yuntai Land provide a safeguard for the RMB 100 million Refundable Deposit?*

ii. *Please clarify the name of TPYI's PRC lawyers.*

iii. *It is stated:- "The parties also agreed that if Tianjie Yuntai refuses to refund the Refundable Deposit in accordance with the terms of the Supplemental Agreement, TPYI shall have the right to take action against Tianjie Yuntai's assets, including but not limited to the Tianjie Yuntai Land, in accordance with relevant laws."*

- In this regard, please elaborate as to what action TPYI may take against Tianjie Yuntai's assets?

- It is also mentioned above that the action against Tianjie Yuntai's assets includes and is not limited to the Tianjie Yuntai Land. Please clarify whether this means that the RMB 100 million Refundable Deposit is secured by Tianjie Yuntai's assets including and not limited to the Tianjie Yuntai Land? If so, please clarify whether or not these assets of Tianjie Yuntai are also providing security for purposes other than the RMB 100 million Refundable Deposit? Please also elaborate as to what are these assets of Tianjie Yuntai?

iv. *Please provide the Board's assessment on the recoverability of the RMB 100 million Refundable Deposit and the bases for its view.*

d. *It is stated in the Company's announcement of 14 June 2020:-*

"On 15 May 2020, TPYI's PRC lawyers and Tianjie Yuntai had each sent an authorised representative to attend at the bank where the Tianjie Yuntai's authorised representative proved, to the satisfaction of TPYI's PRC lawyer's authorised representative, that the Refundable Deposit remains deposited in full in Tianjie Yuntai's designated bank account. TPYI's PRC lawyers directly sent a certified true copy of the bank advice, reflecting that the Refundable Deposit monies was in account, to the Independent Auditor."

i. *Please clarify the name of the bank and TPYI's PRC lawyers.*

e. It is stated in the Company's announcement of 14 June 2020:-

"In the Independent Auditor's Report, the Independent Auditor stated that it was "unable to obtain sufficient and appropriate audit evidence over the recoverability of the Refundable Deposit and the appropriateness of the recognition and measurement of the disbursed amount as at 31 December 2019" because it was "not provided with relevant financial or other information of Tianjie Yuntai and its shareholders. The Independent Auditors 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". In response, the Company would like to state that it did not refuse to submit relevant documents relating to Tianjie Yuntai. Instead, the Company had informed the Independent Auditor that the Company encountered legal and other practical difficulties in its efforts to obtain the relevant financial and other business documents from Tianjie Yuntai."

- i. Please clarify what are these legal and other practical difficulties encountered by the Company in its efforts to obtain the relevant financial and other business documents from Tianjie Yuntai?

Company's Response:

- a. The RMB 100 million Refundable Deposit was paid to Tianjie Yuntai Wanrun (Xiuwu) Property Development Co., Ltd, the target company.
- b. Management has been in talks with relevant parties, including Xiuwu Development, to expedite the subscription process. In July 2020, the Company had obtained verbal approval from the local authority on the subscription of the 80% enlarged share capital by The Place Yuntai Investment Pte Ltd ("TPYI"), a wholly-owned subsidiary of the Company. Management is expecting the written approval from the local authority. Due to the current Covid-19 situation, the written approval is expected to be received by October 2020. The Company will make the relevant announcements upon subscription into Tianjie Yuntai.
- c. (i) The safekeeping of Tianjie Yuntai Land's Title Deed should be considered together with the Supplemental Agreement entered into by TPYI, JTYI and Tianjie Yuntai on 9 June 2020. This Supplemental Agreement was entered into to provide security to TPYI in relation to the RMB 100 million Refundable Deposit. In addition to physical possession of Tianjie Yuntai Land's Title Deed, this supplemental agreement states:
- Tianjie Yuntai's Land is free from pledge and mortgage,
 - Tianjie Yuntai will not place any form of pledge and mortgage onto this Land till the date of Subscription by TPYI or return of the Refundable Deposit, whichever earlier, and
 - If case of default, TPYI will have the first right of claim to Tianjie Yuntai's assets including and not limited to the Tianjie Yuntai's Land.

The Supplemental Agreement had been confirmed by Zhonglun W&D Law Firm to be binding and enforceable obligations under PRC law. The Company had also assessed the value of Tianjie Yuntai's Land to be significantly higher than RMB 100 million. In addition, Tianjie Yuntai is a dormant company with no other liabilities, except a piece of land waiting for development. Considering all of the above, the Company is in view that with the physical possession of Land Title Deeds and the Supplemental Agreement the risk to the Refundable Deposit is minimal.

- c. (ii) The name of the law firm is Zhonglun W&D Law Firm, located at 19/F, Golden Tower, 1 Xibahe South Road, Chaoyang District Beijing 100028, China 100028.
- c. (iii) If Tianjie Yuntai fails to return the Refundable Deposit, according to the terms of the Supplemental Agreement, TPYI may seize and liquidate all of Tianjie Yuntai's assets. Tianjie Yuntai's assets primarily the piece of Land. The total value of other assets in Tianjie Yuntai is less than RMB 10,000.
- c. (iv) In accordance with Company's response under b and c(i), the Board are of the view that the risk to the recoverability of Refundable Deposit is minimal.
- d. The bank is Agricultural Bank of China and the law firm is 河南善博律师事务所.

- e. On 17 April 2020, Independent Auditor requested for the audited financial statements of Tianjie Yuntai's holding company as at 31 December 2019. The Company had then informed the Independent Auditor then that it is not within the Company's control and ability to provide the audited financial statements of the holding companies of Tianjie Yuntai and suggested for alternatives testing on recoverability on Refundable Deposit.

About a week before the Company's financial statements were to be issued, the Independent Auditor requested for the audited financial statements of Tianjie Yuntai as at 31 December 2019 and the Company was unable to obtain these documents under these time constraints. Therefore, the documents were not available in time for the issuance of audit report. Management adopts a prudent approach and will re-assess the financial position of the Tianjie Yuntai prior to subscription.

Question 5:

It is stated on page 8 of the announced financial results that:-

"Based on the revised SGX reporting framework, the Group is not required to perform quarterly reporting. The Group wishes to inform shareholders that the Group will cease quarterly reporting with immediate effect and will instead perform half-yearly reporting. Notwithstanding the adoption of this new reporting framework, the Group remains committed in announcing material business development on a timely manner to keep the market informed of the Group's state of affairs."

We refer to the Company's latest audited financial statements for the financial year ended 31 December 2019 which received a qualified opinion. Please clarify how will the Company be applying Listing Rule 705(2).

Company's Response:

Under Listing Rule 705(2), the Company will have a grace period of one year to comply with the requirement, such grace period commencing on the date on which the condition in Rule 705(2) is met. In the event where qualified opinion remains for the audited financial statements for the year ended 31 December 2020, the Company will be required to perform quarterly reporting from third quarter of 2021 onwards.

BY ORDER OF THE BOARD

Ji Zenghe
Executive Chairman

17 August 2020