

Issuer: GRP Limited**Security:** GRP Limited**Meeting details:**

Date: 27 Oct 2016

Time: 10:00AM

Venue: Lounge 1883, Level 1 of Singapore Recreation Club, B Connaught Drive, Singapore 179682

Company Description

GRP Limited, an investment holding company, primarily designs, manufactures, and sells hose and marine products for the onshore, offshore, marine, oil, pharmaceutical, and petrochemical markets. The company operates through four divisions: Hose and Marine, Measuring Instruments/Metrology, uPVC Pipes and Fittings, and Property. The Hose and Marine division supplies and services industrial/marine hoses, fittings, marine safety equipment, onshore/marine loading hoses, industrial/chemical hoses, marine engineering products and services, and hose fittings. This division also offers products for use in the safe applications to protect loading and unloading systems from damage and downtime; and consultation, engineering works, and inspection and testing services. The Measuring Instruments/Metrology division trades in and distributes precision measuring instruments and equipment; and dimensional measuring instruments, optics/inspection and measurement, analytical/environmental, electrical/electronics, and torque meter products. The uPVC Pipes and Fittings division fabricates and trades in plastic molds and plastic products comprising uPVC pipes; and fittings in the electrical, pressure, DWV, and rubber/sewer sectors under the Arrow and STAR brand names. The Property division is involved in the rental of properties. The company has operations in Singapore, Malaysia, Myanmar, Indonesia, other ASEAN countries, the Middle Eastern countries, the People's Republic of China, other Asian countries, and internationally. GRP Limited was founded in 1977 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BLU)

Q1. Since the diversification into the real estate business in October 2013, the group carried out a private placement and a rights and warrants issue in 2014 that raised a total of \$35.9 million. Although an additional \$33.4 million could have been raised upon the exercise of the remaining warrants, \$9 million was eventually raised as 112 million out of the 418 million warrants were exercised. In 2016, the group spent \$34 million to acquire 99.56% of Starland Group for its two property development projects in Chongqing PRC. The group had also successfully tendered for land to develop an integrated mixed development project in Tangshan City, PRC, paying a tender price of RMB57.17 million and an advance of RMB85 million to the Kaiping Government.

In addition, the group will be undertaking a renounceable non-underwritten rights cum warrants issue of up to 67,760,022 new ordinary shares with an exercise price of \$0.25 for each rights share with up to 69,760,022 free detachable warrants.

Property development is capital intensive and has a long gestation period. The group has already invested most of its capital into the real estate segment with no concrete value-creation to date. The profit reported in this financial year is due to the non-cash accounting-based premium arising on from the Starland acquisition. As disclosed in note 32 (page 103 - Acquisition of subsidiary), the group included in the profit statement for the year a loss of \$3,996,000 attributable to the additional business generated by Starland.

- a) As shareholders are asked to vote on the proposed rights cum warrants issue, what assurance can the board give to shareholders that the current strategy of the group will create value for all shareholders?
- b) Can the company explain its strategy of focusing on the Chinese cities of Chongqing and Tangshan?

The real estate business is capital intensive and has a long gestation period. So far, shareholders have not seen any value creation.

- c) What are the resources or expertise the group can leverage on in the real estate business? Can the management team and the executive directors help shareholders understand the strength of the team in the real estate business? Please include any real estate development experience and past successes in doing business in China.

Q2. The original business segments of "Hose and marine" and "Measuring instruments/metrology" are good core businesses that still generate profits even in this tough environment. The two combined reported profit of close to \$3 million (page 106 – Segment information) and generated even more cash flow.

- a) What is the long term strategy future of these two businesses in the group given that the new initiatives are all property-related?
- b) Is sufficient time/focus given by the board and management to support and drive the growth of these two business segments?
- c) Capital expenditure for these two segments was just \$0.1 million for 2015 and 2016 combined while the depreciation and amortisation expense amounted to \$1.7 million. Is the group under-investing in these two business segments?

Q3. Guideline 9.4 of the Code of Corporate Governance issued by the Monetary Authority of Singapore in 2012 states that:

For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000. The company need only show the applicable bands.

Mr. Kwan Chee Hong is the brother of Mr. Kwan Chee Seng, who is the executive director and substantial shareholder of the company. Mr. Kwan Chee Hong was the General Manager of the Property Division and currently is the General Manager of Starland Holdings Limited.

It was further disclosed that Ms. Kwan Yu Wen, the daughter of Mr. Kwan Chee Seng, joined the company in September 2015 as a Management Associate.

Please disclose the remuneration packages of Mr. Kwan Chee Hong and Ms. Kwan Yu Wen in accordance to Guideline 9.4, which states that the disclosure of remuneration should be in incremental bands of \$50,000. If the remuneration of Ms. Kwan Yu Wen is below the disclosure requirements for immediate family members, please disclose as such.