

Issuer: GRP Limited

Security: GRP Limited

Meeting details:

Date: 26 October 2017

Time: 10.00 a.m.

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

Company Description

GRP Limited, an investment holding company, engages in the measuring instruments/metrology, hose and marine, and property businesses in Singapore, Malaysia, Myanmar, Indonesia, other ASEAN countries, the Middle Eastern countries, the People's Republic of China, other Asian countries, and internationally. The company's Measuring Instruments/Metrology division distributes measuring instruments and scientific apparatus. Its Hose and Marine division designs, manufactures, sells, and services industrial/marine hoses, fittings, marine safety equipment, and related products for the onshore, offshore, marine, pharmaceutical, and petrochemical markets. The company's Property division acquires, holds, and trades in properties. GRP Limited also engages in the wholesale, import, and export of chemical products, office furniture, and clothing; sale of construction materials, decoration materials, and low voltage electronic apparatus; and provision of consultancy services on the enterprise management and business information. 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. Shareholders would like the company to provide better visibility of the performance of its property business. Specifically:

- Revenue recognition: The group recognised a revenue of \$17.5 million in 2017 as “Income from sale of properties”, as disclosed in Note 25 (page 107 – Revenue).
- a) **Please provide a breakdown of the revenue according to the projects.**
- Impairment losses: The group continues to recognise impairment losses on properties held for sale. The impairment losses were \$6.5 million in 2016 and \$3.2 million in 2017. In Note 13 (page 87 – Properties held for sale), it was stated that properties held for sale are stated net of allowance of \$1,831,000.
- b) **Can management help shareholders reconcile the impairment amounts of \$3.2 million (page 55) and the \$1.8 million (page 87)?**
- c) **For better clarity, please state the impairment losses attributable to University Town and to Singapore Garden?**
- Properties held for sale: The Chongqing project has been completed and a balance of 145 units remain to be sold as at 30 June 2017, out of the total of 1,031 residential units built.
- d) **How does management intend to maximise the value of the balance of the 145 units left in the Singapore Garden project? What are management’s plans for the University Town? How much of University Town has been sold?**
- Note 14 (page 88 – Development properties) shows the group’s three development properties. The group had recognised impairment loss on development properties was \$0.74 million in 2016.

Location	Carrying amount (\$'000)		Gross floor area (sq. meters)	Group's effective interest
	2017	2016		
Dianyi-Residential Committee Fuling District, Chingqing PRC	6,772	6,994	25,560	83.17%
8 Jalan Nipah, Singapore ⁽¹⁾	5,818	5,800	700	83.17%
Xin Hua Dong Dao, Tangshan Shi, Hebei Sheng PRC ⁽²⁾	11,607	11,624	110,000	100%

(Source: Company annual report)

- Development properties (Chongqing): No clear plans have been announced for the developmental land bank in Dianyi, Chongqing.
- e) **Please provide shareholders with an update.**
- Development properties (Singapore): Similarly, the group made no mention of its development plans for 8 Jalan Nipah, Singapore.
- f) **What is the status of the 8 Jalan Nipah? Is it currently being rented out? Please update shareholders on the plans of 8 Jalan Nipah.**

- Development properties (Tangshan): It was disclosed that the group had disbursed RMB28.5 million as part of the RMB85 million advance to the Kaiping Government.
- g) **Can shareholders confirm that the Kaiping Government has not handed over the land in Tangshan to the group? If so, when does the group expect to Kaiping Government to do so? What safeguards are there in place for the group's advance of RMB28.5 million to the Kaiping Government?**

Q2. The group has recognised a \$3.1 million allowance on amounts due from ayondo. In addition, the group has incurred \$1.5 million of expenses in connection with the acquisition.

In the Interested Person Transactions section (page 35), the breakdown of the transactions with ayondo is shown, as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000/-)
Luminor Capital Pte Ltd – Rental expenses	229,267	-
ayondo Holding AG ("ayondo") – Interest income	36,822	-
– Amount due from ayondo	992,138	-
– Short term loan receivable from ayondo	2,100,000	-
– Less: Allowance for amount and loan receivable from ayondo	(3,092,138)	-
	-	-

(Source: Company annual report)

It was also stated that the Audit Committee (AC) has reviewed the terms of the above transactions and is of the view that the transactions were conducted fairly and on an arm's length basis.

- a) **Could you allow shareholders to understand the rationale of providing short term loans to ayondo in relations to the reverse takeover by ayondo. Can the AC justify why the loan of \$2.1 million was given to ayondo and what were the safeguards that were put in place to protect the interests of the group?**
- b) **What due diligence was carried out by the AC and the board as the group embarked on the reverse takeover with ayondo?**
- c) **As the reverse takeover of ayondo involves a director who is a shareholder and a convertible bond holder of the target, can the board explain if the interested director had recused himself from all board discussions and abstained from voting related to the reverse takeover?**

Separately, it was announced on 1 August 2017, that the company will subscribe for approximately \$2.5 million in the redeemable convertible preference shares ("RCPS") of Energiser Enterprise Sdn Bhd (EESB) (page 35).

- d) **Can the board explain how the subscription of share in EESB fits into the group's strategy?**

- e) What was the level of due diligence carried out by the board on EESB?
- f) Can the AC explain why as Luminor Capital Pte. Ltd. ("LCPL"), as the lead fund manager for the Proposed Subscription, will be charging the group 2% on its investment and 20% on its returns? What is the role of a "lead fund manager" following the initial investment?
- g) Can the AC explain how it has evaluated the investment and the arrangement and conclude that these are in line with market practice and are not prejudicial to the interests of the company and its minority shareholders?

Q3. On page 13 (Corporate Governance Report), the board of director commits to achieving the highest standards of corporate governance and states that it "places importance on continuous improvement of its corporate governance processes and systems so as to ensure greater transparency, accountability and maximization of long-term shareholder value".

Questions on remuneration and its disclosure were sent to the company following the issuance of the 2016 Annual Report. As the group has not replied and the disclosure has not changed in the 2017 Annual Report, the questions on remuneration and disclosure are raised again as shareholders would like to gain clarity on these remuneration issues.

As shown below, Mr Kwan Chee Seng has received annual remuneration packages of \$500,000 to \$750,000 in 2017. The bonus component of his annual remuneration has been 24% in 2017, 23% in 2016 and 24% in 2015.

For FY2017, the fees for the non-executive directors amounted to \$150,000. The fee structure is detailed in the table below:

Name	Salary (%)	Bonus (%)	Other Benefits (%)	Directors Fees (%)	Total (%)
\$500,000 to below \$750,000					
Mr Kwan Chee Seng	70	24	6	-	100

(Source: Company annual report 2017)

- a) The Remuneration Committee (RC) has stated that, for executive directors, the variable component of the remuneration package consists cash incentives, such as variable bonus. **Can the RC explain in detail how the bonus component of the executive directors was determined? What are the performance indicators used?**
- b) **Can the RC elaborate further on why the bonus component of the said executive director has remained constant at 23-24% across the years even though the company's performance has fluctuated?**
- c) In a year where the loss attributable to owners of the company was \$(9.6) million, the executive director's remuneration went up to the \$500,000 to \$750,000 band, and the ED continues to receive a 24% bonus. **Can the RC explain if it has reviewed if the current remuneration practices link remuneration to the corporate and individual's performance and whether it is effective in motivating executives? Also, how does the current remuneration practice align the interest of executive directors and key management personnel with those of shareholders?**

In addition, Guideline 9.4 of the 2012 Code of Corporate Governance (CG Code) 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 Kelvin Kwan Chee Hong is the brother of the executive director. The remuneration of Mr Kelvin Kwan Chee Hong is disclosed as “Below \$250,000”.

Ms Kwan Yu Wen is the daughter of the executive director and was employed as a Management Associate of the company until 31 December 2016 and thereafter as a consultant. The company has made no disclosure on the remuneration of Ms Kwan Yu Wen.

- d) **To comply with Guideline 9.4 of the CG Code, please disclose the remuneration of Mr Kelvin Kwan Chee Hong in bands of \$50,000.**
- e) **Please state if the remuneration of Ms Kwan Yu Wen exceeded \$50,000 in the year. If so, to comply with Guideline 9.4 of the CG Code, please disclose the remuneration of Ms Kwan Yu Wen in bands of \$50,000.**

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=GRP%20Ltd>

The company’s response could be found here: -----