



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: GCCP Resources Limited

Stock code: 41T

Meeting details:

Date: 27 August 2020

Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. The company was listed on the Catalist of the Singapore Exchange Securities Trading Limited on 30 April 2015. For the financial year ended 31 December **2016**, the then-auditors included an emphasis of matter to draw attention to the material uncertainty related to going concern in its independent auditor's report for the financial statements of the group

For the financial year ended 31 December **2017**, the then-auditors issued a qualified opinion and a material uncertainty related to going concern in their audited report for the group.

For the **past two financial years**, the auditors had issued a disclaimer of opinion in each year on the company's audited financial statements. The basis for disclaimer of opinion included:

- Going concern/Appropriateness of going concern assumption
- Impairment assessment of property, plant and equipment
- Impairment of investments in subsidiaries and amounts due from subsidiaries

Following shareholders' approval in an EGM held on 22 May 2020, the company had also changed its auditors from Ernst & Young LLP to Baker Tilly TFW LLP as the former auditors did not seek to be re-appointed after the FY2018 audit.

As stated in the directors' statement, in the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 61 to 112 of the annual report are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended in accordance with International Financial Reporting Standards (page 54).

- (i) **Would the directors, especially the independent directors who are also audit committee members, help shareholders understand the basis of their opinion (as shown above) given the significance of the matters described by the independent auditors in the Disclaimer of Opinion?**

In particular, in the impairment assessment of property, plant and equipment, the independent auditors were unable to obtain sufficient appropriate audit evidence to assess the reasonableness of the key assumptions used in the determination of the recoverable amounts of the group's property, plant and equipment.

- (ii) **Can management and the audit committee help shareholders understand the level of cooperation given to the independent auditors? What appropriate audit evidence was requested by the independent auditors?**

- (iii) **Going forward, what are the efforts by the board, especially the audit committee, to help the external auditors resolve the issues as described in the Disclaimer of Opinion? Is the board going to lead a review to assess the reasonableness of the key assumptions used in the determination of the recoverable amounts of the group's property, plant and equipment?**
- (iv) **What improvements will the board/audit committee be making to the group's audit plans, internal controls and reporting functions?**

Q2. For the financial year ended 31 December 2019, the group's net loss attributable to shareholders was MYR9.2 million, compared to MYR8.5 million in FY2018.

Production at the Hyper Act Quarries has been suspended since early 2019 due to extensive repair works to the access roads at the quarries. At the group's other quarry - Gridland Quarry, the production and sale of precipitated calcium carbonate crushed stones ("PCC stones") decreased amid the slowdown in the global economy.

As at 31 December 2019, the group's current liabilities exceeded its current assets by RM20,915,382 (2018: RM14,306,356).

The auditors have highlighted the existence of material uncertainties which may cast significant doubt about the ability of the group and the company to continue as going concerns.

In the announcement dated 11 August 2020, the company has stated that Mr Loo An Swee, the executive director and chief executive officer, had signed an undertaking letter dated 3 September 2019 to provide interest-free financial support to the group, as and when required.

As such, the Board of Directors is of the opinion that the group and the company are able to operate as going concerns and able to meet their obligations as they fall due and the Group's and the Company's working capital are sufficient to meet their present requirements at least for the next twelve months.

- (i) **Can the director/board disclose the level of financial support made available to the group by the executive director in his undertaking? What is the form and the extent of the support and how readily available is the financial support from the executive director?**
- (ii) **To help shareholders better understand the financial position of the group, including the appropriateness of the going concern assumption in the preparation of the financial statements, can management elaborate further on the group's ability to generate cash flow so as to meet its obligations as and when they fall due?**

- (iii) Please disclose more operational and financial details of the group's activities, including key performance metrics, such as volume of production, average selling price, operating cost per MT, trend of global prices for ground calcium carbonates and precipitated calcium carbonate.
- (iv) What success has the group had in securing long-term contracts with customers with good credit standing?

Q3. As shown in the Corporate governance report, there have been several changes in the board in the financial year.

CORPORATE GOVERNANCE REPORT

	Board	AC	NC	RC
Number of meetings held in FY2019	4	4	1	1
Name of Directors	Number of meetings attended in FY2019			
Loo An Swee	4	-	-	-
Pang Kim Chon (resigned on 30 November 2019)	4	1*	-	-
Loo Wooi Hong (appointed on 28 May 2019)	2	-	-	-
Kelvin Yau Kirk Min (resigned on 28 May 2019)	2	2	1	1
Teng Chang Yeow (resigned 1 October 2019)	3	3	1	1
Pay Cher Wee	4	4	1	1
Yang Zheng	3	3	1	1

(Source: company annual report)

- (i) Would the board or the nominating committee consider it opportune to review the high turnover of the directors in the board?
- (ii) Is there sufficient stability on the board to provide steady leadership to the group especially as the group faces operational and financial issues?
- (iii) The board consists of several directors who are first-time directors of a listed company in Singapore, including Mr Pay Cher Wee who was first appointed to the board in 2016 as a first-time director. Mr Shi Junhui, Mr Loo Wooi Hong and Mr Yang Zheng are all first-time directors who were appointed to the board recently. **Is the board well equipped with the necessary experience and expertise to lead the group in this challenging period?**

[^]Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)