Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: GSH Corporation Limited

Stock code: BDX

Meeting details:
Date: 1 June 2020
Time: 10.30 .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.

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Q1. As noted in the financial highlight, the group's hospitality assets grew strongly in the past three years (prior to FY2019) and consolidated its leading position in Kota Kinabalu, Sabah in FY2019, posting revenue of about $77.4 million.

In the message to shareholders, it was stated that the Sutera Harbour Resort in Kota Kinabalu achieved its third straight year of record-breaking performance.

(i) **What are the key operating metrics achieved by the hotels? Please disclose the occupancy rate, average daily room rate and the revenue per available room (RevPAR).**

(ii) **How much of the guest volume is contributed by visitors from China, Singapore and South Korea?**

(iii) **How much of the bookings comes through online travel agencies (OTAs) and how much of it is direct with the hotel?** [Comment: The www.suteramantanani.com website appears to be down at the point of writing.]

Separately, for the group's development project in China, what is the total investment amount earmarked to support the Bishan district, Chongqing project? This is the group's first real estate development project in China**. Can management disclose the identity of its 49% partner?**

Q2. On 29 November 2019, the company announced that it had entered into a conditional sale and purchase agreement on the sale of 171 million shares in Henan Zhongyuan Four Seasons Aquatic Logistic Harbor Co., Ltd.

Henan Zhongyuan is a 30%-owned associate of the group. The associate was acquired in March 2017 to allow the group to diversify and balance its existing property portfolio in Singapore and Malaysia with one of the largest food logistics and warehousing hubs in Zhengzhou in Henan Province.

The aggregate consideration of RMB 278 million (equivalent to S$53.8, million) is higher than the RMB 200 million paid for the sale shares in 2017. However, the proposed transaction is expected to result in an impairment loss of $13.7 million (page 126 – Note 16: Asset held for sale). The carrying cost of the sale share is $67.4 million.

(i) **Would the board/management help shareholders understand the relatively short holding period of the investee? Have the underlying assets matured/stabilised?**

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Even though the proposed sale would be a premium to the historical investment cost, the sale would result in a $13.7 million as the carrying value is higher.

(ii) **What were the circumstances that led the board to accept a price that is 20% lower than the carrying value?**

The "Investment in equity accounted investee – Henan Zhongyuan Group" was a key audit matter in the independent auditors' report for FY2018. The carrying value was boosted by the recognition of negative goodwill in 2017 and the share of total comprehensive income in 2018.

(iii) **What assurance can the audit and risk committee give to shareholders that the group's significant assets (including its development properties and hotels) are fairly valued and are not carried above net realisable value?**

Q3. As noted in the Corporate Governance report, the board comprises seven directors of which three are non-executive independent directors as at the end of the financial year ended 31 December 2019.

On 1 January 2020, Mr Wendell Wong Hin Pkin was appointed to the board. Subject to shareholders' approval at the annual general meeting scheduled to be held on 1 June 2020, Mr Tam Chee Chong will be appointed to the board. With these two appointments, the board will have a majority of independent directors.

The nominating committee ("NC") has stated that it will "seeks potential candidates widely and beyond directors/management recommendations" and is empowered to engage professional search firms to undertake research on or assessment of candidates as it deems necessary.

(i) **Would the NC clarify how it had sourced for potential candidates "widely and beyond directors/management recommendations"?**

(ii) **Would the NC consider making use of a professional search firm as the default practice to enable the board to cast its net wider and further improve the diversity of the candidate pool?**

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^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

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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)