



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Vibrant Group Limited

Security: Vibrant Group Limited

Meeting details:

Date: 28 December 2018

Time: 9.30 a.m.

Venue: 51 Penjuru Road #04-00, Freight Links Express Logisticentre, Singapore 609143

Company Description

Vibrant Group Limited provides logistics, real estate, and financial services worldwide. The company provides international freight forwarding services, including less than container load consolidation, container freight station, ocean and air freight forwarding, consolidation and de-consolidation, transshipment, project cargo, documentation, and customs clearance and transportation services; and project logistics services for oil and gas, infrastructure development, power plant, and factory relocation. It also offers professional project logistics services from small-scale to large-scale industrial projects; chemical logistic solutions, such as hazardous and non-hazardous chemical, bulk storage, container haulage, packaged goods transportation, emergency response, freight, and documentation services, as well as chemical transportation in bulk tankers and ISO-tanks containers; and contract logistics solutions, which include warehousing, transportation, distribution, track and trace, customs brokerage, inventory management, and other value-added services. In addition, the company provides record management services comprising identifying, classifying, securing, storing, or final secured disposing of records. Further, it offers fund management and financial leasing, real estate fund management, and asset and trust management services; and invests in, develops, and manages real estate properties, as well as leases industrial buildings. The company was formerly known as Freight Links Express Holdings Limited and changed its name to Vibrant Group Limited in November 2013. The company was founded in 1981 and is headquartered in Singapore. Vibrant Group Limited is a subsidiary of Vibrant Capital Pte Ltd.

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

1. On 12 December 2018, the company announced that the independent auditors in its Independent Auditor's Report ("Auditor's Report") has issued a Disclaimer of Opinion on the financial statements for the financial year ended 30 April 2018 ("FY 2018") due to the significance of the matters as described in the 'Basis for disclaimer of opinion' section of the Auditor's Report.

In the basis for disclaimer of opinion, the auditors have highlighted the following matters:

- Irregularities and discrepancies in relation to certain invoices and receipts during the audit of Blackgold Group; accounting records destroyed in a fire incident in August 2018; ongoing special audit; unable to determine the extent of adjustments necessary in respect of the group's consolidated financial statements for the year ended 30 April 2018
- Unable to obtain sufficient and appropriate supporting information with respect to the recoverability of the redeemable cumulative convertible preference shares (RCCPS) in China GSD Logistics Pte. Ltd., amounting to \$11,632,000 as at 30 April 2018. This is due to difficulties in accessing information pertaining to the overseas associate

In the message to shareholders, the chairman has also provided an overview of the key events relating to Blackgold.

- (i) Given that the special audit is underway, can the board help shareholders understand the scope of the special audit? When will the special audit be completed? Given that the accounting records have been destroyed in a fire, what does the company/board hope to achieve with the special audit? What is the experience of the board in overseeing a special audit?**
- (ii) What was the level of the due diligence carried out by the group prior to the Blackgold acquisition?**
- (iii) What roles did the independent directors play in the Blackgold acquisition?**

In the corporate governance report, the board has stated that it is satisfied that "*adequate internal controls have been maintained on information technology and risk management system, and internal controls, including financial, operational, compliance and information technology controls, and risk management systems are effective*" (page 40).

- (iv) Can the board, especially the audit committee, help shareholders understand the basis of their opinion on the adequacy and effectiveness of internal controls (especially given the incidents relating to Blackgold)?**

In relation to the accounting treatment of the RCCPS in China GSD Logistics Pte. Ltd. amounting to \$11.6 million, the external auditors have stated that they were "unable to obtain sufficient and appropriate supporting information with respect to the recoverability of these RCCPS".

- (v) **Can the audit committee explain its role in assisting the external auditors to obtain sufficient and appropriate supporting information relating to the RCCPS?**

2. On 4 October 2018, the company announced that as part of the consent solicitation in connection with the Series 003 \$66 million 7.5% Notes due 2020, it was allowed to sell for cash all of the shares that it owns in Sabana Investment Partners Pte. Ltd.. The group is also looking at the sale and leaseback of a property located at 121 Banyan Drive on Jurong Island with a view to better manage its gearing. On 19 December 2018, the group announced the disposal of a subsidiary, which held a 60% interest in Master Development (Jiangyin) Co., Ltd, for RMB 50 million.

The chairman has also stated that the group is now “*re-examining and restructuring our business strategy to see how the Group can return to delivering continued growth.* (page 6)”

- (i) **Can the board help shareholders understand if a comprehensive strategic review is currently being carried out by the board? If so, when would the board be ready to update shareholders on the group’s new business strategy?**
- (ii) **Would it be opportune for the board to review the group’s capital management framework?** The group has set a maximum net debt-to-equity ratio of 1.5x (page 94).
- (iii) **Would the board be reviewing the core competencies of the group and its senior management team?**

In Note 26 (page 104 – Loss for the year), the group has disclosed the following impairment charges recognised in the past two financial years:

	Note	Group	
		2018 \$'000	2017 \$'000
Impairment loss on available-for-sale financial assets		5,353	7,495
Impairment loss on investment in an associate		5,864	-
Impairment loss on receivables, net		12,169	8,703
Investment in Blackgold Group written off		41,352	-
Receivables from Blackgold Group written off		21,847	-

(Source: Company annual report)

- (iv) **Would management provide better clarity on the impairment losses listed above? What were the particular reasons for the large impairment losses? Please also provide an update on the group’s China financial leasing business.** The group has recognised \$12.1 million in impairment loss on receivables in FY2018 (2017: \$8.7 million).

- (v) Has the board evaluated the long term returns achieved by the group's non-logistics business, namely the real estate segment and the financial services segment?**
- (vi) Would it be prudent for the board to consider the group's diversification strategy and review if it should focus on its core business of logistics?**

3. The board of directors currently comprises 5 directors, with two independent directors namely Mr Sebastian Tan Cher Liang and Mr Derek Loh Eu Tse.

Mr Tan and Mr Loh were both appointed to the board on 5 November 2003. As such, the independent directors have served on the board for more than 15 years each.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which will come into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iii) What is the search and nominating process for directors, especially independent directors?**

A copy of the questions for the Annual Report for the financial year ended 30 April 2017 and 30 April 2016 could be found here:

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

The company's response could be found here:

2017:

2016:

https://sias.org.sg/media/qareport/1476169833_Vibrant_Response_to_Questions_raised_by_SIAS.pdf