

GRP LIMITED

(Company Registration No: 197701449C)

(Incorporated in the Republic of Singapore)

**RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2017**

The Board of Directors (the "Board") of GRP Limited (the "Company" and together with its subsidiaries, the "Group") refers to the Company's Annual Report for the financial year ended 30 June 2017. The Board would like to address the queries raised by Securities Investors Association (Singapore) ("SIAS"), as appended in the following annexure.

BY ORDER OF THE BOARD

Kwan Chee Seng
Executive Director
6 November 2017

ANNEXURE

Q1) Please provide a breakdown of the property business revenue accordingly to the projects.

The breakdown of property revenue according to projects are as follows:

Projects	S\$'000
Singapore Garden	15,936
University Town	1,257
Property service	320
Total	17,513

Q2) Can management help shareholders reconcile the impairment amounts of \$3.2 million (page 55 of Annual Report) and the \$1.8 million (page 87 of Annual Report)?

Reconciliation of impairment losses:

Descriptions	S\$'000
Impairment amount as per Page 55 of Annual Report	3,209
Net impairment amount as per Page 87 of Annual Report	1,831
Difference	(1,378)

The difference of S\$1.378 million related to tax impact on the impairment provision. S\$3.209 million is the gross amount of impairment provision on properties held for sale, whereas S\$1.831 million is the net of tax amount of impairment provision.

Q3) For better clarity, please state the impairment losses attributable to University Town and to Singapore Garden?

The breakdown of impairment losses expensed off in the FY2017 account is as follows:

Projects	S\$'000
Singapore Garden	1,141
University Town	2,068
Total impairment amount	3,209

- Q4) 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?**

Singapore Garden

The Sales team is active and will continue to sell the remaining 145 residential units, as well as the remaining car park lots and shop units.

University Town

Whilst we continue to sell the remaining car park lots and shop units, as an interim measure, all the shop units have been rented out.

- Q5) Please provide shareholders with an update on the land bank in Chongqing.**

The Chongqing local government is reviewing their urban planning for the area. Accordingly, we are waiting for clear guidance from the local government on their urban development plan.

- Q6) 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.**

Starland Group, our indirectly owned subsidiary group, had signed a Joint Development Agreement to construct a pair of semi-detached dwelling on 8 Jalan Nipah. The construction commenced in July 2017 and the construction is anticipated to complete in third quarter of 2018.

- Q7) 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?**

We had obtained the industrial title deed for this piece of land. We have started the repossession process of this industrial land where an official request was submitted to the relevant authorities in early January 2017. The repossession process is to convert the land from industrial use to residential use. The company will update the shareholders on the development of this repossession process from time to time via announcement on the SGXnet.

As for the group's advance of Rmb28.5 million to the Kaiping Government, this is part of the Rmb85 million advance ("**Advance**") to be given by the Company to Kaiping Government so as to facilitate the land clearance and other processes in order to enable the lands to be ready for public tender. In consideration of the Advance, Kaiping Government will grant the Group the first right of refusal to participate in an integrated mixed development project and will render the

necessary assistance to the Group in connection thereto should it become a successful tenderer of the lands. In the event that the Group is not successful in its tender for the lands, Kaiping Government will be responsible and facilitate the repayment of the Advance to the Group.

Q8) 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?

The short term loan was requested by ayondo on basis of their operating cash requirements. The loan was meant to be repaid from the proceeds of the capital raising exercise. The Audit Committee (“AC”) deliberated the request and eventually supported it as the Sale and Purchase Agreement signed between the parties forbid ayondo to raise monies without the consent of Starland Holdings Limited.

To safeguard the interests of the group, the Management was empowered to negotiate for the recovery of the amount. As a result, the Company had entered into a settlement agreement with ayondo on 27 October 2017. Under the agreement, the S\$2.1 million loan plus accrued interest of S\$0.0796 million will be converted into a redeemable convertible loan (“RCL”).

As ayondo is currently planning to list on Catalist board of the Singapore Exchange Securities Trading Limited (“IPO”). At the IPO the Company has the option to elect to convert the RCL into new ordinary shares of ayondo at an agreed conversion price. The conversion price is 33% discount to the IPO price. In the event that the RCL is not converted into new ordinary shares, ayondo will repay the RCL and all accrued and unpaid interest in cash. Otherwise on the maturity date of the RCL that is 30 September 2018 or such later date to be mutually agreed between the two parties the amount will be repaid in cash.

Q9) What due diligence was carried out by the AC and the board as the group embarked on the reverse takeover with ayondo?

Starland Holdings Limited, the indirect subsidiary of GRP Limited, had appointed Ernst & Young LLP as reporting accountant to review internal control and accounting records of ayondo. In additional, financial adviser, lawyers and other professionals were appointed to ensure full compliance of all aspects of the reverse takeover of ayondo.

Q10) 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 has recused himself from all board discussions and abstained from voting related to the reverse takeover?

Mr Kwan Chee Seng is the shareholder and a convertible bond holder of ayondo. He had recused himself from all board discussions and abstained from voting related to the reverse takeover.

Q11) 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 of Annual Report). Can the board explain how the subscription of share in Energiser Enterprise Sdn Bhd (EESB) fits into the group's strategy?

Energiser Enterprise Sdn Bhd ("**EESB**") is in property and construction business in Malaysia. The subscription of the redeemable convertible preference shares in EESB is in line with the overall group's strategy of pursuing for opportunities to either invest, acquire or develop property projects in Myanmar, Malaysia and China.

The Company had announced on 10 October 2017 that GRP Developments Sdn Bhd, a wholly-owned subsidiary of GRP Land Pte Ltd, which is in turn is a wholly-owned subsidiary of the Company, has entered into a shareholders' agreement with Mr Chong Ao Bin, Mr Chong Lai Phing, Mr Lau Chee Kai and Dr Foo Fatt Kah ("**SHA**") in respect of the proposed subscription of GRP Developments of 510,000 ordinary shares representing 51% of the enlarged issued and paid-up share capital of Multiple Lodge Sdn Bhd ("**MLodge**"), for an aggregate subscription price of RM510,000.

Pursuant to the SHA, MLodge will appoint EESB as the project manager for the development.

Q12) What was the level of due diligence carried out by the board on EESB?

The management of GRP and also the lead fund manager had conducted the legal and financial due diligence inspection on EESB. Management reported to the Board on the results of the due diligence and in addition furnished the following agreements for Board consideration before decision was made to go ahead with the investment:

- 1) Put option agreement signed between Chang Kok Kheong ("**CKK**"), the existing shareholder of EESB, and the Company together with Luminor Pacific Fund 2 Ltd and Luminor Harbour Fund 1 Pte Ltd ("**Subscribers**"). Under the put option agreement, the subscribers shall be granted an option to require CKK to purchase the redeemable convertible preference shares ("**RCPS**") from the subscribers upon the terms and conditions as stated therein.

- 2) CKK had also entered into a deed of guarantee with the subscribers.
- 3) The existing shareholders and all the shareholders of Energiser Properties Sdn Bhd (“EPSB”), a subsidiary of EESB, had executed a letter of undertaking in which they shall undertake to liquidate the assets of EESB and EPSB, in the event that EESB is unable to redeem the RCPS.

Q13) 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? 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?

Luminor Capital Pte Ltd (“LCPL”) generally charge 2% yearly fee to Luminor Harbour Fund plus 20% on its return. However, after negotiation, LCPL will only charge a one-time 2% fee on investment and 20% on its return. This rate is better than what it charges to other investors. The AC and the Board had reviewed the merits of the agreement and is of the view that the rate is comparable to the market practice and is also a fair deal that is not prejudicial to the interests of the company and its minority shareholders.

Q14) 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?

The variable bonus component of the executive director was determined based on his comprehensive efforts put in and also the company’s overall performance. The Remuneration Committee and the Board had reviewed appropriately prior to the approval of the bonus paid out to the executive director.

Q15) 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?

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?

The amount paid out to the executive director as shown on the FY2017 Annual Report related to payment made in FY2017 which was based on FY2016 results. The Remuneration Committee and the Board had carefully assessed the performance of the executive director prior to the approval of the bonus paid out to the executive director.

Q16) 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.

The group has complied with Guideline 9.4 of the CG Code on disclosure of the remuneration of Mr Kelvin Kwan Chee Hong in bands of \$50,000.

Q17) 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.

Remuneration of Ms Kwan Yu Wen is below the S\$50,000 threshold, hence no further disclosure is required.