



Securities Investors Association (Singapore)

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Issuer: GRP Limited

Stock code: BLU

Meeting details:

Date: 26 October 2021

Time: 10.30 a.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. As noted in the corporate profile, it has been 8 years (since October 2013) that the group ventured into property development after obtaining shareholders' approval for the diversification. The group's performance in the property segment has been mixed, at best.

The group's investment in Kaiping District, Tangshan City, PRC since 2015 has not proceeded as planned and the land has been repossessed by the PRC government in 2019. In 2016, the group acquired then-Starland Holdings which was principally engaged in the development of integrated residential and commercial properties in the PRC and since morphed into Luminor Financial Holdings Limited. In 2017, the group invested in Multiple Lodge Sdn Bhd (Mlodge) and subscribed for RM7.75 million in redeemable convertible preference shares issued by Energiser Enterprise Sdn Bhd (EESB) which has since defaulted. In 2020, the group ventured into affordable housing project in Perak, Malaysia in December 2020.

- (i) Can management (re)state its track record and expertise in real estate developments in the PRC and in Malaysia? What is the group's competitive advantage in the projects that it has invested in (other than being a capital provider)?**
- (ii) Please help shareholders understand the deal sourcing framework for the group's property projects and clearly state how management creates value in these projects to capture sustainable, long-term value for shareholders.**
- (iii) To help shareholders better understand the group's performance in property-related investments since 2013, would management disclose the total amount invested, the dividends/capital received by the company (if any) and the current fair values relating to its investments in:**
 - a. the Kaiping project**
 - b. then-Starland (now known as Luminor Financial Holdings Limited)**
 - c. Mlodge and EESB (Note: The material contracts involving Mlodge and EESB can be seen on pages 46 and 47 of the annual report.)**
- (iv) Has the board reviewed the group's performance in property development (i.e. management's performance) and is it satisfied with the results achieved by the group in the property segment in the past 8 years?**
- (v) Specifically, what changes can be made/has been made by the board regarding the board approval process (for its real estate investments) and the level of (operational, legal, financial, commercial etc) due diligence carried out prior to investing given how things have turned out (e.g. Kaiping and EESB)?**

Q2. On 11 October 2021, the company announced that the independent auditors have included in their independent auditor's report an "except for" qualified opinion in respect of the consolidated financial statements of the group for the financial year ended 30 June 2021.

The bases for the "except for" qualified opinion can be found in the Auditor's Report (pages 76 to 79 of the annual report). The bases are:

- Bank accounts and fund transfers relating to certain subsidiaries in the PRC
 - Non-current advance payment recoverable from the PRC authority
 - Disposal group assets and liabilities classified as held for distribution
 - Receivables from certain subsidiaries
 - Opening balances
- (i) **Can management disclose the documents requested by the officer-in-charge (OIC) of the investigations relating to the frozen bank accounts of the PRC subsidiaries? Who is following up with the OIC to confirm the conclusion of the investigations? Can the audit committee (AC) elaborate further on the "sufficient appropriate audit evidence" requested by the independent auditors to ascertain if the fund transfers are in compliance with applicable laws and regulations in the PRC and Singapore and what was the level of assistance given by the AC to the auditors in the audit? If the company has already obtained a legal opinion from a PRC legal counsel that the transfers did not contravene any PRC laws or regulations, is there still outstanding ambiguity over the said transfers? In addition, other than obtaining a legal opinion in Singapore that the Singapore licensed remittance agent had a valid license up to 31 December 2019, did the company seek legal opinion that the transfer did not contravene any applicable laws and regulations in Singapore? Was the license of the remittance agent subsequently revoked since the company has stated that the agent's license was only valid up to 31 December 2019?**
- (ii) **What is the basis of management's confidence in the recovery of the value of the land parcel in Fuling? As at 30 June 2021, the non-current advance payment recoverable from the PRC government has a carrying value of \$4.57 million (page 131). Similarly, what "sufficient appropriate audit evidence" was requested by the independent auditor?**

- (iii) The carrying value of the disposal group held for distribution is required, by accounting standards, to be stated at the lower of carrying amount and fair value less costs to distribute (page 77). However, the quoted value of the disposal group is lower at \$15.8 million, compared to the carrying amount of \$19.4 million (page 83 – Statements of financial position). **Can the AC elaborate further on the justifications not to impair the carrying value of the disposal group? In particular, given the material uncertainties highlighted in Note 3 (page 113), can the AC clarify if there is a high risk that the group's financial position may be overstated? What is the range of the possible carrying value of the disposal group based on different possible outcomes?**
- (iv) On 8 October 2021, the company announced that there are material differences between its unaudited full year results announcement for the financial year ended 30 June 2021 ("FY2021") first announced on 17 August 2021 and the audited financial statements following the finalisation of audit by the independent auditors. The explanations of the variances could be found in the company's announcement dated 8 October 2021. Some of the reasons include: recognition of additional impairment loss on development properties, recognition of additional right-of-use assets and the corresponding lease liabilities of one factory. **Can the AC explain how it is possible for the group to have excluded the additional right-of-use assets in its unaudited financial statements?** The company also announced discrepancies between its unaudited and audited accounts for the financial years ended 30 June 2020 and 30 June 2017, i.e. three times in the last five financial years. **Is the group (including its officers) familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))?** How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards? Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?

Q3. At the annual general meeting scheduled to be held on 26 October 2021, the retiring directors, namely Mr Teo Tong How, Mr Goh Lik Kok and Mr Mahtani Bhagwandas, would be seeking their re-election as directors (resolutions 3-5). In addition, given that the directors would have served on the board for more than 9 years in 2022, the directors would be seeking a two-tier vote from shareholders for their continued appointment as independent directors.

Additional information on directors seeking their re-election can be found on pages 49 to 57 of the annual report.

The nominating committee comprises Mr Mahtani Bhagwandas (chairman), Mr Goh Lik Kok, Mr Peter Moe and Mr Kwan Chee Seng.

- (i) **Would the retiring directors help shareholders understand their individual contribution to the group since their appointment? How effective were the directors at providing entrepreneurial leadership and setting corporate strategies that led to sustainable, long-term value creation for shareholders, especially minority shareholders?**
- (ii) The three retiring directors and the fourth independent director have been on the board for more than 7 years each. In total, the independent directors have more than 32 years of cumulative experience on the board. The executive director, who is also the controlling shareholder, was appointed to the board in 2013. The non-executive director, being the daughter of the executive director, joined the board in February 2019. **How are the board directors able to avoid groupthink given their long years of association with one another in the board?**
- (iii) **What deliberations did the NC have on the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)?**
- (iv) Separately, on page 57, it was disclosed that Mr Mahtani Bhagwandas was the subject of disciplinary proceedings by the Disciplinary Tribunal and the Court of 3 Judges had ruled that the said director be suspended from law practice for two years from 14 June 2021. The misconduct charges were in relation to conflict of interests and the making of timely disclosure. **As the incumbent chairman of the nominating committee, would Mr Mahtani Bhagwandas think that it would be in the best interest of the company that he steps down as the NC chairman given that his perceived independence and effectiveness as a NC chairman is impaired? In addition, given that the Court of 3 Judges have suspended him for two years as a lawyer given the misconduct charges, what assurance do shareholders have that the said director will be able to act in the best interests of the company in situations of conflicts of interests and ensure the timely disclosure of material information?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)