

GRP LIMITED

(Company Registration No: 197701449C)
(Incorporated in the Republic of Singapore)

PROPOSED DISTRIBUTION *IN SPECIE* OF SHARES IN LUMINOR FINANCIAL HOLDINGS LIMITED TO SHAREHOLDERS OF THE COMPANY BY WAY OF CAPITAL REDUCTION

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**” or “**Directors**”) of GRP Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is proposing to distribute its interests in Luminor Financial Holdings Limited (“**LFHL**”) to the shareholders of the Company (the “**Shareholders**”) via a distribution *in specie* (the “**Proposed Distribution**”) by way of a capital reduction pursuant to Section 78A and Section 78C of the Companies Act, Chapter 50 (the “**Companies Act**”) (the “**Capital Reduction**”). As at the date of this announcement, the Company holds 120,376,155 ordinary shares in the capital of LFHL (the “**LFHL Shares**”) through its indirect wholly-owned subsidiary, GRP Chongqing Land Pte. Ltd., representing approximately 83.17% of the total number of issued shares of LFHL.
- 1.2 The Company intends to undertake the Proposed Distribution by way of Capital Reduction by returning to Entitled Shareholders (as defined below) surplus capital of the Company in excess of its needs by way of a distribution *in specie* of the LFHL Shares to the Entitled Shareholders in proportion to their respective shareholdings in the Company, on the basis of two (2) LFHL Shares for every three (3) ordinary shares in the Company (the “**Shares**”) as at the record date to be determined by the Directors for the purpose of determining the entitlement of Shareholders (the “**Record Date**”), fractional entitlements (where applicable) to be disregarded. As set out in paragraph 7 below, only Shareholders with Singapore addresses as at the Record Date will be entitled to the Proposed Distribution (the “**Entitled Shareholders**”).
- 1.3 Shareholders will receive the LFHL Shares pursuant to the Proposed Distribution. No payment and no other form of consideration will be required from the Entitled Shareholders for the Proposed Distribution. The LFHL Shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is effected, to be determined by the Directors and announced by the Company, being the date the LFHL Shares are distributed to Entitled Shareholders.
- 1.4 The Proposed Distribution by way of Capital Reduction is subject to Shareholders’ approval and the satisfaction of the conditions set out in paragraph 5 below.

2. INFORMATION ON LFHL

- 2.1 LFHL is a public company incorporated in Singapore on 20 October 2011 and is listed on the Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) since 27 April 2012. As at the date of this announcement, LFHL has a total number of issued shares of 144,733,000 and a market capitalisation of approximately S\$14.8 million.
- 2.2 LFHL and its subsidiaries (the “**LFHL Group**”) were principally involved in the business of property development in China. In 25 October 2019, the shareholders of LFHL approved the proposed diversification of the LFHL Group’s business into financial solutions related businesses, which involve: (i) SME lending and factoring services, merchant funding services and consumer lending services; (ii) corporate finance advisory services; (iii) asset management and other financial solutions services.

- 2.3 LFHL has been transiting from a property development company to a Non-Bank Financial Institution following the receipt of its shareholders' approval for the business diversification. The LFHL Group does not intend to participate in any new property development projects and has 11 residential units, 25 commercial units and 73 carpark lots in China left as at 31 December 2020.
- 2.4 Based on the latest audited consolidated financial statements of the LFHL Group for the financial year ended 31 December 2020:
- (i) the revenue and loss before tax of the LFHL Group are approximately RMB37.377 million (or approximately S\$7.564 million) and RMB4.160 million (or approximately S\$0.842 million) respectively; and
 - (ii) the net asset value of the LFHL Group is approximately RMB116.127 million (or approximately S\$23.499 million) as at 31 December 2020.

3. RATIONALE FOR THE PROPOSED DISTRIBUTION

The Group intends to undertake the Proposed Distribution as the Directors believe that it will benefit the Company and Shareholders for the reasons outlined below.

(i) More reflective valuation

The financial solutions business is distinctly different from the existing core businesses (hose and marine, measuring instruments and property development business) of the Group and the market applies very different valuation metrics based on the relevant industry. The Proposed Distribution would allow Shareholders and potential investors to value the business independently based on their respective performances and growth potential.

(ii) Unlocks value for Shareholders

The Company is of the view that the Proposed Distribution will unlock Shareholder value by providing Shareholders with direct ownership of the LFHL Shares. The Proposed Distribution will also allow Shareholders the flexibility to deal with the LFHL Shares independently of their Shares, and benefit from the direct holdings of two distinct entities, which are both listed on the SGX-ST, without any additional cash outlay. Shareholders will have the discretion and flexibility to separately decide on their holdings of the Company and LFHL in accordance with their individual investment objectives. They will have the option to either sell the LFHL Shares on the open market after completion of the Proposed Distribution or retain the distributed LFHL Shares and receive potential future dividends from LFHL.

(iii) Enable management's focus on core businesses

The Proposed Distribution will segregate the principal activities, business strategies and future plans of the LFHL Group from the rest of the Group and will enable the management of each group to fully concentrate on their respective core business, and oversee their strategies and operations more effectively. In addition, the management of the Group will be able to fully direct their efforts into growing and developing the core business of the Group comprising hose and marine, measuring instruments and property development businesses.

In addition, the Company would not need to put aside capital for LFHL's expansion program. The new shareholders base of LFHL would increase flexibility for LFHL to raise capital for its expansion program.

(iv) Potential Cost Savings

The Proposed Distribution has potential cost saving benefits. This is especially so for the Group's audit as the financial results of the LFHL Group, which has a different financial year end from the Group, would no longer be required for consolidation purposes.

4. DETAILS OF THE PROPOSED DISTRIBUTION

4.1 The Company will announce the Record Date as soon as practicable after the conditions in paragraph 5 below have been satisfied.

4.2 The following illustrates the position of a Shareholder who holds 100 fully paid-up Shares as at the Record Date:

<u>Position before the Proposed Distribution</u>	
Number of Shares currently held	100
<u>Position immediately after the Proposed Distribution</u>	
Number of LFHL Shares received per 100 Shares held	66
Number of Shares held after the Proposed Distribution	100

In summary, Shareholders will receive 66 LFHL Shares for every 100 Shares (or 2 LFHL Shares for 3 Shares) held as at the Record Date. Shareholders holding lots other than board lots of 100 Shares will likewise receive 2 LFHL Shares for 3 Shares held by them or on their behalf as at the Record Date. **Shareholders should note that as fractional entitlements (where applicable) shall be disregarded, any Shareholder who holds less than one (1) Share will NOT receive any LFHL Share, and shall not be entitled to make any claim whatsoever against the Company or any other person in connection therewith.**

4.3 As the Company has insufficient reserves to effect a dividend distribution *in specie* of the LFHL Shares to Entitled Shareholders, the Board has decided to effect the Proposed Distribution by way of Capital Reduction by reducing the issued and paid-up share capital of the Company by S\$28.41 million, taking into account the net book value of LFHL Shares as at 31 December 2020. **There will not be any cancellation of the Shares or reduction in the number of issued Shares. Accordingly, the number of Shares held by each Shareholder will remain the same before and immediately after the Capital Reduction.**

4.4 On completion of the Proposed Distribution, the Group will have distributed a part of its LFHL Shares, and Shareholders will hold listed shares in both the Company and LFHL. The Proposed Distribution will not result in any change in the number of Shares in issue of the Company or to the number of Shares held by a Shareholder.

4.5 Upon completion of the Proposed Distribution, LFHL will cease to be a subsidiary of the Group.

5. CONDITIONS PRECEDENT TO THE PROPOSED DISTRIBUTION

Completion of the Proposed Distribution is conditional on, *inter alia*, the following.

- (i) the Directors making solvency statements in compliance with Section 78C of the Companies Act in relation to the reduction of the share capital of the Company and compliance with other relevant solvency requirements as prescribed by the Companies Act;
- (ii) the approval of Shareholders, by way of a special resolution, for the Proposed Distribution by way of Capital Reduction (the "**Capital Reduction Resolution**") being obtained at an extraordinary general meeting ("**EGM**") to be convened;

- (iii) compliance with the relevant publicity requirements as prescribed in the Companies Act;
- (iv) no application being made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the timeframe prescribed in the Companies Act or, if such application was made, the withdrawal of such application or dismissal thereof by the judicial authorities;
- (v) such other approvals, authorisations, consents and confirmations from the regulatory authorities as may be required or advisable and the same remaining in force, including without limitation such approvals from the SGX-ST and other third parties being obtained for or in connection with the Proposed Distribution by way of Capital Reduction, and if such approvals are given subject to any conditions, such conditions being acceptable to the Company; and
- (vi) the Company complying with the requirements under the Companies Act.

6. FINANCIAL EFFECTS OF THE PROPOSED DISTRIBUTION

The tables illustrating the financial effects of the Proposed Distribution on (i) the net tangible assets (“**NTA**”) per Share of the Group (assuming the Proposed Distribution had been completed at the end of that financial year); (ii) the loss per Share (“**LPS**”) of the Group (assuming that the Proposed Distribution had been completed at the beginning of that financial year); and (iii) the Shareholders’ equity of the Company and of the Group (assuming the Proposed Distribution had been completed at the end of that financial year), based on the latest audited consolidated financial statements of the Group for the financial year ended 30 June 2020 (“**FY2020**”) are set out below.

For the avoidance of doubt, the financial effects of the Proposed Distribution on the Company and/or the Group are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Company and/or the Group after the completion of the Proposed Distribution. These financial effects do not take into account any other corporate actions announced and undertaken by the Group on or after 1 July 2019 and any fees and expenses to be incurred in relation to the Proposed Distribution.

6.1 NTA of the Group

On the basis that the Proposed Distribution had been completed on 30 June 2020:

	Before the Proposed Distribution	After the Proposed Distribution
NTA attributable to owners of the Company (S\$'000)	58,657	43,591
NTA per Share (cents)	32.50	24.16

6.2 LPS of the Group

On the basis that the Proposed Distribution had been completed on 1 July 2019:

	Before the Proposed Distribution	After the Proposed Distribution
Net loss attributable to owners of the Company (S\$'000)	4,787	4,168
LPS (cents)	2.56	2.22

6.3 Shareholders' Equity

On the basis that the Proposed Distribution had been completed on 30 June 2020:

	<u>Group</u>		<u>Company</u>	
	Before the Proposed Distribution	After the Proposed Distribution	Before the Proposed Distribution	After the Proposed Distribution
Share capital (S\$'000)	72,502	44,093	72,502	44,093
Treasury shares (S\$'000)	(2,343)	(2,343)	(2,343)	(2,343)
Reserves (S\$'000)	(1,629)	1,967	-	-
Accumulated profits / (losses) (S\$'000)	(9,873)	(126)	2,768	2,768
Equity attributable to owners of the Company (S\$'000)	58,657	43,591	72,927	44,518

7. OVERSEAS SHAREHOLDERS

- 7.1 The distribution of LFHL Shares to Entitled Shareholders whose registered addresses (as recorded in the Register of Members of the Company or in the Depository Register maintained by The Central Depository (Pte) Limited (“**CDP**”)) are outside Singapore (the “**Overseas Shareholders**”) may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Overseas Shareholders are required to inform themselves of, and to observe, any such prohibition or restriction at their own expense and without liability to the Company.
- 7.2 For practical reasons and in order to avoid violating applicable securities laws outside Singapore, the LFHL Shares will not be distributed to Overseas Shareholders who have not at least three (3) market days prior to the Record Date provided the Company’s share registrar (Tricor Barbinder Share Registration Services at 80 Robinson Road #02-00 Singapore 068898) or CDP, as the case may be, with addresses in Singapore for the service of notices or documents in accordance with the foregoing (the “**Relevant Overseas Shareholders**”). For the avoidance of doubt, even if an Overseas Shareholder has provided a Singapore address as aforesaid, any distribution of LFHL Shares to him will be subject to compliance with applicable securities laws outside Singapore to the extent reasonably practicable.
- 7.3 The Company plans to make arrangements for the LFHL Shares which would otherwise have been distributed to the Relevant Overseas Shareholders to be distributed to such person(s) as the Directors may appoint, who shall sell these LFHL Shares at prices prevalent at the time of sale and thereafter distribute the aggregate amount of the net proceeds, after deducting all dealing and other expenses in connection therewith, proportionately among such Relevant Overseas Shareholders according to their respective entitlements to the LFHL Shares as at the Record Date in full satisfaction of their rights to the LFHL Shares. Where the net proceeds to which any particular Relevant Overseas Shareholder is entitled is less than S\$10.00, such net proceeds shall be retained for the benefit of the Company, and no Relevant Overseas Shareholder shall have any claim whatsoever against the Company or CDP in connection therewith.

7.4 Shareholders should note that the special arrangements described in paragraphs 7.2 and 7.3 above will, if made by the Company, only apply to the Relevant Overseas Shareholders.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

8.1 Mr Kwan Chee Seng, an executive Director and controlling shareholder of the Company, is the father of Ms Kwan Yu Wen who is an executive Director of LFHL. Mr Kwan Chee Seng is also a deemed controlling shareholder of LFHL through his direct interest of 4.78% and indirect interest of 83.17% in LFHL.

8.2 Ms Kwan Yu Wen, a non-executive Director of the Company, is an executive Director of LFHL.

8.3 Mr Teo Tong How, an independent non-executive Director and Chairman of the Company, has an indirect interest of 0.69% in LFHL.

8.4 Mr Mahtani Bhagwandas, an independent non-executive Director of the Company, has an indirect interest of 0.03% in LFHL.

8.5 Save as set out in paragraphs 8.1 to 8.4 above, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Distribution, other than through their respective direct or indirect shareholdings (if any) in the Company.

9. EGM AND CIRCULAR

9.1 The Company will be convening an EGM to seek the approval of the Shareholders for the Proposed Distribution by way of Capital Reduction. A circular containing, *inter alia*, the notice of the EGM and details of the Proposed Distribution by way of Capital Reduction (the “**Circular**”) will be despatched to the Shareholders in due course.

9.2 In the meantime, Shareholders are advised to refrain from taking any action in relation to their Shares which may be prejudicial to their interests until they or their advisers have considered the information in the Circular, as well as the recommendations to be set out in the Circular.

BY ORDER OF THE BOARD

Kwan Chee Seng
Executive Director
4 June 2021