GRP LIMITED
(Company Registration Number 197701449C)
(Incorporated in the Republic of Singapore)

REPLY TO SGX-ST'S QUERIES ON THE FINANCIAL STATEMENT ANNOUNCEMENT FOR THREE-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022, ANNOUNCEMENT OF 11 OCTOBER 2022 AND THE ANNUAL REPORT FOR FINANCIAL YEAR ENDED 30 JUNE 2022

The Board of Directors ("**Board**") of GRP Limited ("**Company**" and together with its subsidiaries, the "**Group**") wishes to inform the shareholders that the Company has received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to (i) the Company's Financial Statement announcement for three-month financial period ended 30 September 2022, (ii) Announcement of 11 October 2022 in relation to the material differences between the audited financial statements, (iii) the unaudited financial statements for the financial year ended 30 June 2022 and (iv) the Company's annual report for the financial year ended 30 June 2022 ("**FY2022 Annual Report**"). The Company sets out its responses as follows:-

Question 1:
We refer to the Company's unaudited 3 months financial statements for the financial period ended 30 September 2022 ("1Q FY2023").

Question 1a:
Please explain why interest income amounted to only $38,000 during the financial period ended 30 September 2022 when the Group has significant cash and bank balances amounting to $22,119,000.

Company's response to Question 1a:
The interest income of $38,000 is 3 months interest earned on our fixed deposit placements. As at 30 September 2022, the Group has fixed deposits of $13,190,000, and bank balances of $8,929,000.

Question 1b:
It is noted that the Group has a net cash outflow from operating activities of $245,000 and net cash outflow from operating activities before income tax of $201,000 and a net profit after tax of $13,000, net profit before income tax of $122,000 for the financial period ended 30 September 2022. Please explain why the Group is unable to generate net cash inflow from its operating activities, despite the Group's net profit position for the financial period/year.

Company's response to Question 1b:
For the financial period ended 30 September 2022, the Group's operating cash inflow before movements in working capital was $328,000. However, the Group did not generate cash inflow as funds were also used for financing activities ($207,000) and for working capital ($529,000). The working capital movements for the financial period included $258,000 for inventories and $263,000 for development of the affordable housing project in Malaysia.

Question 1c:
Please provide the reason(s) for the bank loan of S$1,228,000 by the Group when the Group recorded a cash and cash equivalent of S$22,119,000 as at 30 September 2022.

Company's response to Question 1c:
The bank loan of $1,228,000 is related to Enterprise Financing Scheme Temporary Bridging Loan facility. The Group obtained the loan in December 2020. This is a 5 years loan, and in view of the market conditions, the Group would be preserving its bank balance, hence there is no intention of early repayment of the bank loan.

Question 2:
We refer to the Company's announcement on 11 October 2022, in relation to the material differences between the audited financial statements and the unaudited financial statements for the financial year ended 30 June 2022.

Question 2a:
Please explain what led to (i) the reclassification between "Other income" and "Administrative expenses"; and (ii) the reclassification of current year income of $0.433 million to "Administrative expenses" from "Reserve of disposal group classified as held for distribution to owners".

Company's response to Question 2a:
(i) The reclassification between "Other income" and "Administrative expenses" is to ensure that the classification is consistent between this year and the prior year, being FY2022 and FY2021.

(ii) The reclassification of current year income of $0.433 million to "Administrative expenses" from "Reserve of disposal group classified as held for distribution to owners" was due to distribution of Luminor Financial Holdings Limited ("**LFHL**") shares to shareholders of the Company via Distribution in specie on 3 December 2021. With this distribution, the FY2022 movement of reserve of LFHL was taken to the profit and loss account of the Group.

Question 3
We refer to the Company's Annual Report for the financial year ended 30 June 2022 ("AR2022").

Question 3a:
With regard to the receivables from certain subsidiaries as disclosed under the basis for qualified opinion, please disclose:

i) whether it includes the loss allowance recognised on trade receivables of $4,700,000;

ii) the underlying transactions of these receivables from certain subsidiaries;

iii) the Company's plans to recover the remaining trade and other receivables due from these subsidiaries;

iv) what were the actions taken to recover these trade and other receivables;

v) the reasons for the impairment on trade and other receivables due from these subsidiaries, including the reasons for delays or non-payment, where applicable;

vi) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables;

vii) the Board's assessment of the recoverability of the remaining trade and other receivables due from these subsidiaries.

Company's response to Question 3a:
(i) The loss allowance recognised on trade receivables of $4,700,000 (Page 122 of the AR2022) did not include the receivables from certain subsidiaries as disclosed under the basis for qualified opinion (Page 74 of the AR2022).

(ii) The underlying transactions of the receivables refer to the subsidiaries being provided advances towards funding the performance of the business and projects pursued by the subsidiaries.

(iii) , (iv) & (v)

The Company continues to monitor the performance of the subsidiaries and pursue for the recovery of receivables.

For the trade receivables, that had an impairment allowance of $4.7 million, as the relevant subsidiaries had been loss making. The subsidiaries' revenues have been negatively affected due to Covid-19 pandemic since January 2020, and prevailing supply chain disruptions. The Company continues to monitor the performance of the relevant subsidiaries.

For the receivables that are the subject of the qualified audit opinion, management continues to pursue the recovery of the receivables from the relevant PRC authority. Management had communicated with the relevant authority, and had obtained written acknowledgement from the PRC authority with regard to their liability. Management had responded to the PRC authority and requested for a repayment plan commencing with a first instalment of 50% of their liability. Management envisages a visit to PRC after the travel restrictions are lifted.

(vi) The Board is of the view that the methodologies used to determine the value of the impairment of the trade and other receivables is reasonable.

(vii) The Board and the Company review the recoverability of the remaining trade and other receivables on an ongoing basis.

Question 3b:
Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 9.2(b) of the Code as there is no assurance received regarding the adequacy of the Company's risk management and internal control systems, and there were no explanations provided for in your AR2022 on how it is consistent with the intent of Principle 9 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 9 of the Code, which requires the Board to be responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Company's response to Question 3b:
The Company had provided explanations on the adequacy of the Company's risk management and internal control systems. This was disclosed as follows:

<u>Page 35 and 36 of the Annual Report</u>
"Management highlights and discusses (if any) salient risk management matters to the Board on quarterly basis. The management will propose countermeasures to the Board to allow the Board to bring the risks down to an acceptable level. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls.

Internal audit is outsourced to a third party professional firm. In FY2022, the Board reviewed reports submitted by the independent internal auditors on pre-selected areas of the operations of the Group and met with the independent internal auditors separately, without the presence of management. The selection process follows a cycle of a few years so that all key operations/units of the Group would be subject to an internal audit in a cycle

The Board, with the concurrence of both the AC and the RMC, is of the view that the internal controls, including financial, operational, compliance and information technology controls, and risk management systems of the Group were adequate and effective as of 30 June 2022."

Page 45 of the Annual Report
"Based on the internal controls established and maintained by the Group, work performed by the Internal Auditors and the statutory audit conducted by the External Auditor and reviews performed by management and various Board Committees including the AC and the RMC, the Board with the concurrence of the AC, is of the opinion that the Group has a robust and effective internal control system addressing financial, operations, compliance and information technology controls and risk management system that is adequate to meet the needs of the Group in its current business development."

The Board has also received assurance from the Executive Director and the Chief Financial Officer that for FY2022, the risk management and internal controls systems in place are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group.

Question 3c:
Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 and 8.2 of the Code with regards to the disclosure of remuneration, and there were no explanation provided for in your AR2022 on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's response to Question 3c:
As mentioned on Page 33 of the Annual Report, for competitive reasons and in view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of key management personnel.

The Company has also disclosed that regular review is carried out, as stated on Page 32 of the Annual Report, "*Annual review is carried out by the RC to ensure that the remuneration of the Executive Director and key management personnel commensurate with the Company's and their performances, giving due regard to the financial and commercial health and business needs of the Group.*"

BY ORDER OF THE BOARD

Kwan Chee Seng
Executive Director
14 December 2022