



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: VibroPower Corporation Limited

Security: VibroPower Corporation Limited

Meeting details:

Date: 29 April 2019

Time: 9.30 a.m.

Venue: 11 Tuas Avenue 16 Singapore 638929

Company Description

VibroPower Corporation Limited is a Singapore-based investment holding company engaged in the provision of management and administrative support to its subsidiaries. The Company, through its subsidiaries, is engaged in supplying, designing, manufacturing, installing, commissioning and servicing of stationary generators, with capacities ranging from 200 kilovolt-ampere to 2,500 kilovolt-ampere, used in commercial and industrial properties, and housing projects. It operates through supplying of generators used in commercial and industrial projects, and housing projects segment. Its geographical segments include Singapore, Asean (Brunei, Cambodia, Laos, Malaysia, Myanmar, Indonesia, Philippines, Thailand and Vietnam), Asia (the People's Republic of China, Hong Kong, India and Australia), and Rest of the world. Its subsidiaries include VibroPower Pte. Ltd., Shanghai VibroPower Generators Equipment Co. Ltd., which imports and sells engines and spare parts, and GMTM Holdings Pte. Ltd.

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

Q1. The highlight in an otherwise challenging year for the group is the securing of the exclusive distribution rights for Lister Petter Power Systems Ltd's range of engines for Singapore, Malaysia, Indonesia, Myanmar and Hong Kong. The group also has the potential to expand the number of territories depending on its performance.

Through the group's wholly owned subsidiary, Scott & English Pte Ltd, the group will offer Lister Petter engines, spare parts as well as provide product support services for Lister Petter which is an iconic 150-year old British brand-name. Lister Petter produces a wide range of engines that is used in the manufacturing, agriculture, construction, telecommunications and marine industries.

- (i) Is the new distribution business synergistic to the group's existing business?**
- (ii) How much working capital is required to scale up the new distribution business for Lister Petter?** As at 31 December 2018, the group has cash and cash equivalents of \$1.6 million.
- (iii) In the planning and budgeting process, what is the projected return on investment (ROI) of this exclusive distributor rights?**
- (iv) Can the board clearly articulate its strategy to scale up the distribution of Lister Petter engines in the key markets of Indonesia, Myanmar and Malaysia? What sectors are being targeted and what foothold does the group have in these countries?**

Q2. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) Shanxi coal mine methane gas power plant: Would the board help shareholders understand the operational milestones achieved by the power plant? Is the power plant self-sustaining or does it require more capital investment to fund the capacity increase (from 5 megawatts to 8 megawatts and to 20 megawatts)?**
- (ii) Oil palm biomass power plant: Would management also provide shareholders with an update on the proposed oil palm biomass power plant project in Kluang, Malaysia?**
- (iii) Loan and borrowings: In Note 24 (page 81 – Loans and borrowings), the company has disclosed several loans that have interest rates of 11%-12% per annum, including a loan from a substantial shareholder and director with interest rate at 1% per month. What is the company's cost of capital? What are the returns from the group's projects? Has the board evaluated how it could reduce its borrowing costs? With borrowing costs as high as 1% a**

month, will the group be able to generate return from its operations consistently that is above the cost of capital?

In addition, is the loan from the substantial shareholder and director disclosed as an interested person transaction in accordance to Chapter 9 Interested Person Transactions of the SGX Listing Manual?

Q3. While the board has stated that it is aware of SGX's MTP (Minimum Trading Price) regulations for listed companies, and is studying various options to meet the MTP and exit from the SGX Watch List, there has been no concrete actions taken.

The company was placed on the Watch-list under the MTP criterion pursuant to Rule 1311(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited on 5 June 2017.

The company would be required to take active steps to meet the requirement of Listing Rule 1314(2) within 36 months from 5 June 2017, failing which the Exchange would delist the company or suspend trading in the company's shares with a view to delisting the company.

Rule 1314(2) requires the company to achieve a volume-weighted average price of at least \$0.20 and an average daily market capitalisation of \$40 million or more over the last 6 months.

The company currently has a market capitalisation of \$4.44 million.

- (i) Would the board update shareholders on the deliberations it has had with regard to exiting the watch-list?**
- (ii) What are the options available to the group given that it has 36 months from 5 June 2017 to meet the MTP exit criteria? Given that the market capitalisation is approximately 90% below the minimum market capitalisation, how feasible is it for the group to meet the threshold?**
- (iii) In addition, has the board/management evaluated the cost to the group as a result of it being watch-listed by the exchange?** For instance, the risk of being delisted would negatively impact the share price and this would make fund raising more difficult and more costly. In addition, the company's shares are no longer investable under CPF funds. There might also be reputational risks as suppliers and customers may be concerned with the company's status as a listed company when it is on the watch-list.