Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: VibroPower Corporation Limited

Stock code: BJD

Meeting details:
Date: 11 May 2020
Time: 9.30 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.

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Q1. On 30 January 2020, the company announced that its wholly-owned subsidiary had filed a writ of summons in the High Court of Singapore against a former business partner ("Defendant") of the group for sales of generators in the oil and gas market and the Defendant's sole director and shareholder.

The Writ of Summon was filed to recover loan and accrued interest amounting to approximately $1.7million with costs and interest.

As noted in the Financial and operations review (page 4 of the annual report), the group recognised a $(1.6) million impairment loss on trade and other receivables. As shown in Note 6 (page 64 – Impairment losses on financial assets and other credits and other charges), the provision for expected credit losses on trade receivables amounted to $(1.07) million while the provision for expected credit losses on other receivables was $(0.699) million.

(i) **What is the impact of this development on the group's operations and business plans, especially for the oil and gas segment?**

(ii) **Would management help shareholders understand the relationship with the former business partner and the efforts it undertook to pro-actively recover the funds and to work out an amicable solution?**

(iii) **What improvements have the board made to its credit risk and counterparty risk framework?**

Q2. With the loss of $(2.8) million for the financial year ended 31 December 2019, the group has reported a cumulative loss of $(7.5) million in the past 6 financial years. Over the same period, shareholders' equity has dropped from $23.0 million to $13.8 million.

FINANCIAL HIGHLIGHTS (S$MIL)

	2014	2015	2016	2017	2018	2019
Turnover	28.2	17.7	25.0	14.3	15.5	11.0
Profit/(Loss) before Tax	1.7	(8.3)	0.6	0.5	0.8	(2.8)
Shareholders' Equity, Attributable to Equity Holders of the Company	23.0	15.4	16.4	16.4	16.9	13.8
Total assets	40.7	35.7	34.2	33.4	34.1	28.0

(Source: company annual report)

(i) **Would the board, especially the independent directors, consider it opportune to carry out an strategic review of the group's operations to assess the core competencies of the group, its management team and its financial strength and to fine-tune its strategies so as to create long-term sustainable value for all shareholders?**

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Q3. Would the board, especially the independent directors, provide shareholders with more clarity on the following governance issues? Specifically:

(i) **Deviations from Code of Corporate Governance 2018 (CG Code 2018):** With the current board comprising two independent directors and an executive chairman (who is also the CEO), all three directors sit on the board committees.

As disclosed in the Corporate Governance report, the board is aware that the composition of the audit committee (AC) is not in accordance with the Code's provisions that the AC should be made up of entirely non-executive directors (page 22). The board's opinion is that independence is not compromised as the majority of the AC are independent directors, including the AC chairman. It was stated that no individual is able to dominate the AC's decision-making process. Similarly, Provision 6.2 of the CG Code 2018 provides that the members of the Remuneration committee (RC) are non-executive directors but the current RC composition is also not in accordance with the Code.

It is noted that Mr Ernest Yogarajah s/o Balasubramaniam, also the lead independent director, has served on the board for approximately 13 years from the date of his first appointment (page 17) and his independence has been subjected to a rigorous review by the other members of the nominating committee (NC), being the executive chairman and Ms Toh Shih Hua as NC chairman.

Principle 3 of the Code of Corporate Governance 2018 provides that there is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making. The board has stated that it is not necessary to separate the roles of the CEO and Chairman for the time being (page 14).

Based on the Statistics of Shareholdings (page 105), the executive chairman and CEO, who is also one of the founders of the company, is the only substantial shareholder of the company with a 22.5% stake.

The company has stated that it recognises the importance of good corporate governance and is committed to maintaining good corporate governance within the company and its subsidiaries (page 10).

Given the various deviations from the CG Code 2018, would the independent directors be reviewing its CG practices with the goal of improving its adherence to the principles and provisions as set out in the Code?

(ii) **Internal audit:** SGX Mainboard Rule 719(3) states that an issuer must establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits. **Would the**

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board confirm that the group has an in-house internal audit function? If so, please help shareholders understand the size of the internal audit function and confirm that it is adequately resourced.

(iii) **Interested Person Transactions (IPTs):** On page 27, the company disclosed that it has IPTs amounting to $2.8 million in the financial year with Mason Industries Pte Ltd and Wizdenki Pte Ltd. All IPTs are to be reviewed by the AC. The independent directors have background in law and corporate advisory. **Can the independent directors hope shareholders understand the basis they use to assess that the IPTs are on normal commercial terms and on an arms' length basis and that the transactions are carried out on terms and prices not more favorable to the interested persons than if they were transacted with an unrelated third party and are not prejudicial to the interests of the company and its minority shareholders?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

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

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)