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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: GP Industries Limited

Stock code: G20

Meeting details:
Date: 27 July 2021
Time: 2.30 p.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. As noted in the chairman's statement, FY2021 was one of the most challenging years faced by the group with the onset of the COVID-19 pandemic in the first half of the financial year and then the logistics capacity shortages in the second half.

Despite the challenges, the group's consumer batteries segment reported a 18.8% year-on-year increase in revenue, with growth coming from all major markets. The increases were 36.8%, 22.1% and 5.1% in the Americas, Asia and Europe markets respectively (page 11). The batteries segment remains by far the most significant operating segment of the group, accounting for 80% of the total revenue.

(i) **Can management help shareholders understand if the growth in the batteries segment is sustainable? How much of it could be attributed to the COVID-19 pandemic? In addition, what are the reasons for the significant increase in revenue (36.8%) from the Americas?**

(ii) **Can the company provide shareholders with greater clarity on the group's production facilities, including location, production capacity, product type, floor area, manpower etc in the various countries (China, Malaysia and Vietnam)?** The group has stated that it continues to make progress in rationalising its production facilities and have shifted its production capacity out of China to Malaysia and Vietnam.

The group produces "primary specialty", "primary cylindrical" and "rechargeable & others" batteries (page 3). For instance, management has mentioned alkaline cylindrical batteries, Nickel Metal Hydride ("NiMH") rechargeable batteries, Lithium rechargeable batteries (customised and mainly for use in digital lifestyle products such as wireless headphones and wearable electronic products) and Carbon Zinc cylindrical batteries/Carbon Zinc 9-volt batteries.

(iii) **What is the breakdown in revenue for the major battery product groups?**

(iv) **For the benefit of new and long-standing shareholders, can management elaborate further on the applications and the growth drivers in each of the different battery types?**

(v) **Is the group able to tap the growth in the electric vehicle market?**

(vi) As seen in the consolidated statement of cash flows (page 42), although profit before tax was higher in FY2021 at $56.3 million, net cash generated from operating activities was significantly lower at $12.4 million due to $47.7 million and $78.9 million in cash out flows for inventories and "receivables and prepayments" respectively while trade and other payables, and contract liabilities increased by $95.0 million (cash inflow). In particular, trade receivables from third parties increased from $138.5 million to $202.4 million (page 83), an increase of 46%. **What are the reasons for the significant increase in trade receivables due from third parties? What are the profiles**

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of the debtors with significant outstanding trade receivables? As at 31 March 2021, the group recognised $61.3 million in gross trade receivables that are deemed "average risk" (page 104).

Q2. For FY2021, revenue for the Automotive Wire Harness Business segment decreased by 6.1% as it was first affected by automotive factory shutdowns followed by component shortages and shipment capacity limitations.

On 31 May 2021, the company announced the proposed sale of the wire harness business to Time Interconnect Investment Limited. The proposed disposal constitutes an "interested person transaction (IPT)" under Chapter 9 of the SGX-ST Listing Manual.

The net asset value and book value of the disposal group as at 31 March 2021 was HK$72,171,000 (approximately S$12,343,000) and HK$73,751,000 (approximately S$12,613,000) respectively.

The consideration for the proposed disposal is HK$69,000,000 (equivalent to approximately S$11,800,000), subject to certain conditions. The company has also stated that no shareholder's approval is required as the value of the transaction is below 5% of the latest audited consolidated NTA of the group even though the proposed disposal (as an IPT) will result in a loss of S$813,000 based on the unaudited book value as at 31 March 2021.

(i) **Given that the automotive wire harness segment has been profitable, would management justify the proposed disposal at a loss, given that the proposed disposal is deemed an IPT?**

(ii) **What role did the independent directors play, if any, in safeguarding the interests of shareholders?**

(iii) **Did the independent directors approve the proposed disposal at the board level? What is the justification to support the proposed disposal at a consideration that is below the net asset value of a profitable business?**

(iv) **Given that the proposed disposal is an IPT, did the independent directors consider it appropriate to appoint an independent valuer to value the automotive wire harness business?**

(v) **In addition, would the company consider seeking shareholders' approval on the proposed disposal?**

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Q3. At the company's annual general meeting to be held on 27 July 2021, the company is seeking shareholders' approval for the payment of directors' fees of S$498,000 for the financial year ended 31 March 2021 (2020: S$356,800).

(i) **Can the board help shareholders understand the reasons for the significant increase in directors' fee from $356,800 to $498,000?**

The directors did not propose a final dividend for FY2021 to allow the group to better weather the anticipated financial and business turbulences although the board expects the company to resume dividend payment for FY2022.

(ii) **Instead of increasing directors' fees, did the directors consider a voluntary reduction in directors' fees to help the group during this challenging period and to show solidarity with stakeholders who have been affected by the pandemic?**

In addition, Mr Lim Ah Doo and Mr Allan Choy Kam Wing would be seeking a two-tier vote for their continued appointment as independent director. Mr Lim Ah Doo has been an independent director since 15 May 1997, lead independent director since 14 August 2013 and chairman of the audit and risk committee since 2 January 1998.

(iii) **As the lead independent director, would Mr Lim Ah Doo be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

^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.

^ 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)

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