

---

## **RESPONSE TO QUERIES FROM THE SHAREHOLDERS AND SECURITIES INVESTOR ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT**

---

The board of directors of the Company (“directors”) of VibroPower Corporation Limited (“the Company” and together with its subsidiaries and associated companies “the Group”) wishes to announce that the Company has received questions from the Shareholders and Securities Investor Association (Singapore) (“SIAS”) relating to the Company’s Annual Report for the financial year ended 31 December 2019 (“FY2019”). The Company’s responses to the corresponding questions from Shareholders and SIAS are set out below:-

### **Question 1 from SIAS:**

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?

### **Company’s responses:-**

(i) The financial impact of this development on the Group’s operations is stated in the Company’s Annual Report. This development will affect our business plans for the oil and gas segment, but it will not be materially affected as the Group will look into other opportunities in other sectors to grow the business. The oil and gas sector currently contributes less than 2% of our Group’s revenue in FY2019.

(ii) The Group supplied generator components to the projects secured by its former business partner. The matter is before the courts and the Group will make further announcement(s) as and when there is any development in relation to this matter.

(iii) The Group has established even more stringent debt recovery procedures and credit risk policies. We are closely monitoring our exposure to credit risk by demanding secured payment terms i.e. Letter of Credit for big local projects, collecting down payment from new customers, exploring credit insurance etc to minimize the risk of default by counterparties.

**Question 2 from SIAS:**

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 (\$\$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?

**Company's responses:-**

The core competency of the Group lies in its strong reputation and credibility in the generator industry built over the last 30 years. However, the Group is facing strong competition in overseas markets which resulted in the decrease in Group's revenue over the years. The Group has adopted competitive pricing strategies to secure more orders and continues to strengthen its order book. This includes supplying generators and fuel systems for the Proposed Erection of a 51-Storey Commercial Development at Market Street /Church Street, the Proposed 48-Storey Commercial Development Building with Basements at Central Boulevard, the Kim Chuan Depot Extension, and the Mandai Animal and Bird Park for the Singapore Zoo. Currently, we have SGD20 million orders on hand.

The board is satisfied with the core competencies of the Group and management team. Notwithstanding this, the Group continues to source for suitability qualified candidates to further strengthen the management and operations team to enhance the level of expertise within the Group. The current tier of personnel are being groomed for senior positions and have been trained in various operational aspects of the Group Management has been actively exploring further inroads into the clean energy business to provide stability to its operations and revenue. One of the major initiatives to smoothen the Group's revenues and profits is the transition into the clean energy business.

**Question 3 from SIAS:**

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 expressly stated in the Company's Corporate Governance report, the board is aware that the composition of the audit committee (AC) and Remuneration Committee are 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. Similar reasoning applies to the current RC composition.

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 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

(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?

#### **Company's responses:-**

(i) With reference to the Annual Report of the Company, the Board is cognizant of the deviations from the CG Code 2018 Notwithstanding the deviations, independence is not compromised as the majority of the members of the AC and RC are independent directors, including the Chairman of both committees. Decisions made at the AC and RC are achieved by majority consensus and thereafter, subject to approval by the Board. Similarly, decisions made at the Board which comprises a majority of independent directors, are also achieved by majority consensus.

In addition, the Nominating Committee ("NC") reviews and assesses the composition of the Board and in its assessment, the NC considers amongst other things all aspects of diversity in order to arrive at an optimum balanced composition of the Board.

Whilst there are deviations from the CG code 2018, in view of the strong independent element on the Board, the board is satisfied that all decisions have been made properly and independent of any vested interest. Having considered the scope and nature of the operations of the Group, the Board is satisfied that the current composition mix and size of the Board is appropriate as it allows for informed and constructive discussion and effective decision making at meetings of the Board and Board Committees. The Board will however continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as a whole and to improve its adherence to the principles and provisions as set out in the Code.

(ii) The internal audit function of the Company is outsourced to Nexia TS Risk Advisory Pte Ltd, a certified public accounting firm which is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience in internal audit functions and responsibilities.

(iii) The Independent directors wish to refer shareholders to the guidelines and review procedures stated in the Shareholders' General mandate for interested person transactions ("IPT"). This ensures that the IPTs are transacted 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. Please refer to the section 3 Proposed Renewal of IPT Mandate for details on Shareholders General mandate approved in EGM held on 29 April 2019.

**Question 4 from shareholders:**

Please provide latest update on the Writ of Summon of SGD1.7 million. Has this amount been fully provided in bad debt provision? If not, why?

**Company's responses:-**

Refer to Company's response to Question 1.

**Question 5 from shareholders:**

(i) Has SGX given the Company an extension to the Watchlist expire date which is due on 4 June 2020?

(ii) With less than 30 days left to the Watchlist due date, what option has the board decided to meet Listing Rule 1314(2)?

**Company's responses:-**

(i) The Company has not received an extension to the Watchlist. Please refer to link below for further information.

<https://www.sgx.com/regulation/public-consultations/20191128-consultation-paper-review-tools-used-deal-market>

(ii) The Board continues to make effort and consider various options to satisfy the criteria in Rule 1314 of the Listing Manual. At an opportune time, the Board will make a decision on the relevant options that will best serve the interests of the Company's shareholders. The Company will update its shareholders by way of further announcements as and when there are any subsequent developments.

**Question 6 from shareholders:**

(i) Has the upgrading works to increase the capacity of the coal mine methane power plant in China has been completed. If not, when?

(ii) Can Company explain why contributions from the power plant have not been significant since inception? Is it expected to in future?

(iii) What is the revenue and profit margin estimate for the upgraded coal mine methane power plant in China?

**Company's responses:-**

(i) The Chairman's message has stated progress of this upgrading works and with the effect of COVID 19, it is expected to be completed by end FY2020.

(ii) The Company has not stated that the contribution from the power plant in China is expected to be significant. The power plant segment contributed 4.8% of the Group's revenue in FY2019.

(iii) The Group will be able to supply and sell more electricity with the increased production capacity for this power plant in China. The Group expects the revenue and margin to improve after the completion of upgrading of coal mine methane power plant in China.

**Question 7 from shareholders:**

What is the latest update on the investment in the renewable energy plant in Malaysia? There is no periodic update.

**Company's responses:-**

There are no further updates on the renewable energy plant in Malaysia other than previously announced. The project is subject to funding. Several proposed funding from financial institutions in Malaysia became abortive due factors external to the project such as the uncertainty caused by the political and credit situation in Malaysia. The Company has been actively sourcing for suitable alternative financing and will update shareholders of developments through announcements at the appropriate time.

**Question 8 from shareholders:**

What is business potential for Lister Petter agency? What revenue and profit contribution can this investment bring?

**Company's responses:-**

The Lister Petter exclusive distributorship adds to the Group's marketing reach and business potential.

Lister Petter distributes their engines globally through distributorship agreements. We will be able to tap on their existing customer base and offer their existing customers a wider range of products, which Lister Petter may not carry at this time. For markets which the Group has a direct presence in, the Group will, with the Lister Petter distributions rights, be able to offer existing and new customers an even wider range of products to address their power needs.

We have been selling the Lister Petter products through the distributorship and there are steady demand from our customers which is expected to contribute positively to the Group's revenue and profit.

By order of the Board

Benedict Chen Onn Meng  
Chief Executive Officer  
10 May 2020