

**GENERAL ANNOUNCEMENT::ANNUAL GENERAL MEETING TO BE HELD ON 25 JULY 2023 -  
RESPONSES TO QUESTIONS FROM THE SIAS**

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Submitted By (Co./ Ind. Name)

Lee Tiong Hock

Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please see attached.

Attachments

[GP Industries 2023 AGM.pdf](#)

Total size = 185K MB



GP Industries Limited  
(Incorporated in the Republic of Singapore)  
Co. Reg. No. 199502128C

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**ANNUAL GENERAL MEETING TO BE HELD ON 25 JULY 2023 -  
RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION  
(SINGAPORE)**

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The board of directors (the “**Board**”) of GP Industries Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to its Notice of Annual General Meeting dated 10 July 2023 convening the annual general meeting of the Company to be held on Tuesday, 25 July 2023, at 2:30 p.m. (Singapore time) (the “**FY2023 AGM**”). The Company has received several questions from the Securities Investors Association (Singapore) in relation to the annual report of the Company for year ended 31 March 2023 to be tabled for approval at the FY2023 AGM. The Company appreciates the questions raised and is releasing the responses to substantial and relevant questions, save for those requested information which are of a confidential nature or commercially sensitive and the disclosure of which may affect the Group’s competitiveness in the Group’s markets. The questions and response are set out in the Appendix to this announcement.

By Order of the Board

**Lee Tiong Hock**  
Company Secretary  
21 July 2023

## Appendix

### Responses to Substantial and Relevant Questions from the Securities Investors Association (Singapore)

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**Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:**

- (i) **Production facilities: As mentioned in the chairman's statement, the group is in the final stages of its strategic initiative to rebalance its manufacturing capacity in Southeast Asia. Can management provide additional details on the efficiency and productivity gains resulting from this initiative?**

Over the last several years, in addition to the factories in China, the Group has set up additional battery facilities in South-East Asian countries of Vietnam and Malaysia.

The batteries factory in Ho Chi Minh city, Vietnam started production of primary batteries since 2021 while the nickel metal hydride (“NiMH”) rechargeable factory in Johor, Malaysia started production of rechargeable batteries with the existing Primary 9V factories. These South-East Asian facilities offers major competitive advantages to customers including supply chain reliability during the COVID-19 shutdown disruption period, while also providing lower import tariffs for shipments to certain regions including India and USA.

- (ii) **KEF GP Group Limited (“KGG”): A new subsidiary was formed to consolidate the group's acoustic brands and manufacturing businesses, namely KEF, Celestion, and GP Electronics. Management made this strategic move to optimise brand and market growth. In January 2023, KGG successfully raised an aggregate amount of US\$13.7 million through Series A fundraising. Is there a plan to conduct an IPO or divest KGG to strategic buyers and/or private equity?**

As per the Company’s announcement on 26 January 2023, the restructuring of the KGG Group will enable and facilitate direct capital contributions into the KGG Group. It represents a distinct opportunity for investors who are interested to invest into a globally renowned premium audio brands with in-house research, product design development, manufacturing, global distribution and direct to consumer marketing and sales capabilities. Management may conduct further equity financing for KGG, including conducting an initial public offering, and will make an announcement when a concrete plan is formulated.

- (iii) **GP Energy Tech Limited (“GP Energy Tech”):** Similarly, the group established GP Energy Tech with a specific focus on developing innovative, sustainable, and environmentally friendly battery products and energy storage solutions. The group has also incurred costs for the proposed distribution in-specie. Could the group disclose its R&D budget and how is the amount determined? How would the R&D budget impact the valuation of GP Energy Tech in the proposed distribution in-specie? What strategy is in place to ensure that R&D efforts lead to commercially successful products? Furthermore, is the group's R&D exclusively centered around Nickel-based battery products?

During the financial year 31 March 2023, the R&D expense incurred by GP Energy Tech was approximately 3% of the rechargeable business revenue. So far, the overall R&D focus of GP Energy Tech has mainly been on customer project pipelines and specific targeted market segments. Accordingly, a majority of budgeted resources are used to work on product development to meet customer requirements, performance enhancements and utilization of recycled materials in current rechargeable batteries ranges. GP Energy Tech incurred approximately 1% of the rechargeable business revenue for batteries material research and the research is in the initial stage that management does not expect any material impact to the valuation of GP Energy Tech in the proposed distribution in-specie.

As for new developments of energy storage batteries, preliminary studies have been promising in a new Nickel Zinc platform, which we believe offers a good balance between power performance and safety requirements in large scale applications. Initial market interests for this new type of battery have been encouraging, but additional resources will be required for in-depth research, development and testing to prove the designs to meet the specific standards for critical energy storage applications.

The Group's R&D is not exclusively centered around Nickel-based battery products and incurred for other products development.

**Q2. During FY2022, the group conducted a strategic review of the Batteries Business. On 28 December 2021, the company announced the proposed in-specie distribution of the rechargeable batteries manufacturing business. However, the completion of the distribution is contingent upon various conditions, including the ongoing restructuring of the rechargeable batteries manufacturing business and obtaining the necessary waivers, consents, and approvals from third parties and regulatory authorities.**

**As of the time of writing the annual report, these processes were still in progress.**

The reply to Q2 is with reference to the announcement of the Company of 28 December 2021, "Proposed Distribution In Specie of Shares in GP Energy Tech Ltd" (the "**DIS Announcement**"). Capitalised terms not defined in this reply shall have the respective meanings given to them in the DIS Announcement.

**(i) Can management provide more detailed information on the strategic benefits to the group of hiving off the rechargeable batteries manufacturing business? Has there been any significant change in the business environment since the distribution was initially proposed in December 2021?**

As disclosed in paragraph 2 of the DIS Announcement headed "Rationale for the Proposed Distribution", the Directors of the Company believe that the Proposed Distribution will benefit the Company and shareholders of the Company (the "**Shareholders**") by (1) enhancing value for Shareholders and (2) enabling Management's focus on core businesses of the Group. Please refer to the DIS Announcement for details.

Since the proposed distribution in-specie (the "**Proposed Distribution**") was initially proposed in 2021, the recent global economic slowdown, instability in material supply, high energy costs, high commodity prices and high interest rates led to unprecedented price increases for most consumer goods and negatively affected global consumer demand. Also, traditional energy supply costs are affected and sustainability concerns have accelerated the requirement for renewable energy generation proving security of supply. Therefore, requirements for high performance and safe batteries solutions for energy storage will continue to grow.

**(ii) What level of involvement did the independent directors have in this strategic move? How much due diligence was conducted by them?**

An independent financial advisor ("**IFA**") was selected by the independent directors and has been appointed by the Company to carry out the relevant due diligence and challenge the management assessment related the Proposed Distribution. The IFA is independent for the purpose of making recommendations to the independent directors and independent shareholders in relation to the Proposed Distribution and the Cash Alternative, on the financial terms of the Cash Alternative, and whether the proposed transaction is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

The IFA has conducted its initial due diligence and held preliminary discussions and will be having further discussions with executive directors and the

Management, inter alia, regarding their assessment of the rationale for the Proposed Distribution and the Cash Alternative and have examined publicly available information collated by the IFA including the unaudited and audited financial statements as well as information including material information or developments pertaining to the Company, the Group, the GP Energy Tech Group, and the remaining Group assuming completion of the Proposed Distribution where applicable, provided by the Directors and Management and professional advisers of the Company, including where applicable its consultants, advisers, solicitors and auditors.

The preliminary findings from the IFA are subject to further updates. After the IFA conduct the final due diligence, review the latest relevant information and development as well as discuss with Management, the IFA will finalise its recommendations and letter to the independent directors. The independent directors will then review the IFA's letter and recommendations, and make their own recommendations to independent shareholders.

The recommendations of independent directors and IFA's letter and recommendations will be disclosed in the circular to shareholders in due course.

- (iii) **Can management provide an update on the progress made and the reasons for the delay? The proposed distribution in-specie was announced in December 2021 and is still "in progress."**

As stated in paragraph 4.3 headed "Conditions to the Proposed Distribution" of the DIS Announcement, the Proposed Distribution is conditional, inter alia, on the completion of the GP Energy Tech Restructuring, approval of Shareholders in EGM and obtaining all necessary waivers, consents and approvals from third parties and regulatory authorities.

The restructuring has taken longer than expected as some restructuring steps involving the transfer of existing business from one company to another company in our existing production facility was classified by various local authorities as the setting up of a new operation by a new company in the existing production facility. Therefore, the application required time to obtain the various new licenses required for business operations to proceed including import/export license, labour bureau approvals, product standards and compliance certification. All the major restructuring actions have been completed.

In addition, there were some changes in the business flow among companies in the GP Energy Tech Group and the rest of the Group that need to be fixed before the Proposed Distribution.

- (iv) **Has the proposed spin-off of the business led to uncertainties and affected its operations over the past 1.5 years?**

There were continuing communications regarding the GP Energy Tech Restructuring with affected customers during this period and specific arrangements were planned and executed to ensure minimal disruption to the business. These actions included additional inventory and supply chain arrangement to support customers during the transitional periods.

- (v) **Does the board/management have visibility on the expected completion date of the in-specie distribution?**

Management is working closely with Directors and professional parties, including lawyers and the IFA for the Proposed Distribution. Pending the progress of the application for all necessary waivers, consents and approvals from third parties and regulatory authorities, Management expects the Proposed Distribution to be completed in the financial year ending 31 March 2024.

- Q3. As disclosed in the corporate governance report, the group's internal audit function is performed by the in-house Internal Audit (IA) department, which currently consists of six staff members. The IA department is led by an IA director. The internal audit function operates independently from management and has unrestricted access to all company documents, records, properties, and personnel. This includes direct access to the audit and risk committee (ARC), and the IA department holds a position of appropriate standing within the company.**

**The IA director reports directly to the chairman of the ARC. Further details of the IA's activities can be found on pages 163 and 164 of the annual report.**

- (i) **Can the ARC confirm whether all operating subsidiaries in China, Hong Kong, Malaysia, Thailand, Vietnam, etc., were included in the internal audit? Given that the IA team currently consists of six members, how was the internal audit conducted for these subsidiaries?**

All operating subsidiaries are audited by the internal audit team which is used to formulate the risk-based annual internal audit plan and the annual audit plan is reviewed and approved by ARC. Site audit (physical visit) is conducted for these subsidiaries by the internal audit team based on the approved audit plan.

- (ii) **The group has \$269 million invested in associates. Are the associates included in the internal audit as well?**

Associates are excluded in the internal audit plan.

- (iii) **What were the scope, key findings and recommendations by the internal auditor for FY2022?**

The internal audit department adopts a risk-based approach in formulating the internal audit plans that align internal audit's activities to the key risk areas across the Group. Internal audit includes consideration of inputs and expectations from the Management and the Board. Key findings and recommendations, including financial, operational, compliance and information technology, are reviewed quarterly by ARC and communicated to management for improvement. No material findings on the Group's internal control system were noted for financial year ended 31 March 2023.