



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

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**ANNUAL GENERAL MEETING TO BE HELD ON 11 SEPTEMBER 2020 -  
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS**

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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 convening the annual general meeting of the Company to be held by way of electronic means on Friday, 11 September 2020, at 2:30 p.m. (Singapore time) (the “**AGM**”), and the announcement on alternative arrangements for the AGM, each dated 20 August 2020. The Company has received several questions from shareholders in relation to the resolutions to be tabled for approval at the AGM. The Company appreciates the questions raised by the shareholders and is releasing the responses to the said questions, which is set out in the Appendix to this announcement.

By Order of the Board

Kelly Kiar Lee Noi  
Company Secretary  
10 September 2020

## Appendix

### Responses to Substantial and Relevant Questions from Shareholders

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#### Derivative Financial Instruments

1. **Is the Company engaged in any metal hedging contract? If so, how much loss is faced by the Company? Any chance of recovery from such contracts?**

The Group enters into forward commodity contracts from time to time to hedge the risk arising from price fluctuations of some of its major raw materials, including Zinc and Nickel. For example, as at 31 March 2020 and as disclosed on page 85 of the Company's annual report for the financial year ended 31 March 2020 ("FY2020"), the Group had outstanding forward commodity contracts maturing in December 2020 and January 2021 to purchase a total of 40 tonnes of Nickel at a weighted average price of US\$11,702.5 per tonne. Since August 2020, Nickel price has risen above US\$14,000 per tonne.

The hedging commodity forward contracts are entered into when there is a need to lock in the cost for certain production requirements to satisfy customers' orders. The main purpose of the hedging is to safeguard our gross profit margin from the fluctuation of the commodities prices. Therefore, the "gain" or "loss" on settlement of such hedging commodity contracts are offset by a corresponding decrease or increase in gross profit margin.

2. **On page 12 of the Company's annual report for FY2020 ("AR2020"), it was mentioned that "In FY2020 the Batteries Business reported a S\$4.8 million realized loss on derivative financial instruments due to Renminbi depreciation..."**

- (a) **Please elaborate on what are these derivative financial instruments?**

The derivative financial instruments were forward foreign exchange contracts for mitigating the foreign exchange risk exposure of the Group's Chinese Renminbi ("RMB") requirements, pursuant to which the Group sells United States Dollar ("USD") and purchases RMB. The Group in general needs RMB to pay for its local purchases and expenses in China as most of the revenue of the Group is denominated in USD.

- (b) **Is this a one-time event or is it a recurring financial instrument as part of your financial/business management?**

The hedging of the foreign exchange risk is an on-going internal control of the Group. The RMB forward contracts are entered into when there is a need to lock in the manufacturing costs for products made in China. The main purpose of the hedging is to safeguard our gross profit margin from the fluctuations of the RMB exchange rate. Therefore, the "gain" or "loss" on settlement of such RMB forward contracts are offset by a corresponding decrease or increase in gross profit margin.

### **Rebalancing of Production Capacity and Dividend**

3. **With the efforts to diversify the manufacturing bases, there is an increase in such restructuring cost. When would we expect such restructuring effort be stabilised such that the Company could continue to pay good dividend?**

The Group's production capacity rebalancing project can enable the Group to operate with a more competitive operation structure, with large modern factories instead of a number of medium-size factories spreading out in multiple locations. Increasing production outside China also reduces the overall impact of the US trade tariffs on the Group's business.

As mentioned in the Company's announcement on business update on the impact of the Coronavirus Disease 2019 ("COVID-19") outbreak dated 2 June 2020, COVID-19 travel control measures imposed in various countries also adversely affected the Group's efforts in relocating some of its manufacturing operations to Southeast Asia. With these travel control measures being gradually released, the factory relocation work can be resumed and is expected to be substantially completed in financial year ending 31 March 2022.

4. **What is the reason that the Company decided to hold dividend payments when the Company is still making profit?**

As mentioned in the Review of Operations section on page 10 of the AR2020, the increased import tariffs imposed by the US on China-made products and the lockdown and movement control measures adopted by different countries to slow down the spread of COVID-19 had negative impact on the Group's performance and operations for FY2020. As the impact of COVID-19 is unprecedented and there is still no certainty as to when the pandemic will be contained, the Group's management has rapidly adjusted operations and deployed stringent cost control measures, including salary reduction of directors and senior management, to counter the impact and the Board has decided to be more financially prudent to ensure the Group has sufficient financial resources to weather the pandemic and economic uncertainties.

### **Business Update**

5. **With the current COVID-19 status which has seen some economies recovering like in China, Vietnam, etc, could you please give us an updated business status and outlook for the financial year ending 31 March 2021 and beyond?**

The Company plans to release a business update announcement via SGXNet on or about 11 September 2020, sharing with its stakeholders an overview of the Group's financial performance, including the impacts of COVID-19, for the financial quarter ended 30 June 2020, and the near term business outlook.