

VIBROPOWER CORPORATION LIMITED
(Company Registration No.: 200004436E)
(Incorporated in the Republic of Singapore)

**RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON
THE COMPANY'S FY2020 RESULTS**

The board of directors of VibroPower Corporation Limited ("the Company") wishes to announce that the Company has received queries raised by the Singapore Exchange Securities Trading Limited on the Company's full year results for its financial year ended 31 December 2020 ("FY2020 Results") that was released by the Company on 28 February 2021 via SGXNET:

SGX Query 1:

It is stated that the Company's current trade and other receivables amounts to S\$10,364,000 (FY2019: S\$6,993,000) and non-current trade and other receivables of S\$22,000 (FY2019: S\$308,000). This represents a significant portion of the revenue earned in FY2020 of S\$12,293,000 (FY2019: S\$11,027,000).

Please disclose:

a) For other receivables, the underlying transactions of the other receivables;

Company's response:-

S/No.	Other Receivables	S\$'000	Underlying transactions
1.	Due from an associate	1,280	The amount due from an associate is mainly from payment on behalf of the associate for the preliminary costs and land rent in relation to the power plant project in Johor, Malaysia.
2.	Advance for an investment project	172	The advance is in relation to a potential investment in Terengganu, Malaysia which had been fully repaid subsequent to year end.
3.	Due from an external party	689	The amount due from an external party is cumulative receivables that arose in the ordinary course of business of the customer-supplier relationship between the Group and its former business partner for sales of generators in oil and gas market. For further details, please refer to the response to queries from Shareholders announced on 6 November 2020.
4.	Others	188	Others mainly relate to the Job Scheme Support receivable from the government and advances to staff.
5.	Less: Allowance for expected credit losses	(713)	The provision is mainly made for the amount due from an external party ("former business partner") of S\$689,000 as the Group had filed a writ of summons against this former business partner which was announced on 30 January 2020.
	Total other receivables	1,616	

b) the Company's plans to recover the trade and other receivables;

Company's response:-

The Group's plan to recover the trade and other receivables are as follows:-

- (i) regularly monitor, review and follow up with the customers as described in point (e) and (h) below.
- (ii) Co-operation of all staff from different departments and management in ensuring faster collections.
- (iii) Discuss and work out payment plans with the customers on terms that would be beneficial to the Group and promote business relationships to capitalize on the resumption of normal working conditions once the COVID-19 situation has been contained.

c) whether they are major customer(s) and whether the Company continues to transact with these customer(s) and if so, what are the commercial reasons in doing so;

Company's response:-

The trade and other receivables are mainly from the Group's major customers. The Group has been dealing with these customers for years for various high value projects in Singapore. These major customers are Mechanical and electrical contractors of reputable projects such as Mandai Bird Park, 51 Storey commercial building at Market Street, 48 storey commercial building at Central Boulevard and other projects developed by the Government agencies. The Group will continue to transact with these major customers as they support the Group by awarding the generators and fuel systems of their projects to the Group. These customers are also the Group's regular customers whose projects have been delayed on account of the COVID-19 restrictions. As existing projects resume, the Group expects collections to improve.

d) how long are the debts outstanding and when were the sales reported;

Company's response:-

Below are the aging of trade receivables as at 31 December 2020:

	Not due S\$'000	0-30 days S\$'000	31-60 days S\$'000	61-90 days S\$'000	Over 90 days S\$'000	Total S\$'000
Gross amount	5,664	979	426	4	3,341	10,414
Allowance for expected credit losses	-	-	-	-	(2,623)	(2,623)
Retention sum	979	-	-	-	-	979
Net trade receivables	6,643	979	426	4	718	8,770
Percentage	76%	11%	5%	0%	8%	100%

The trade receivables of S\$8.8 million mainly relates to the sales from project segment reported in the last quarter of FY2020 which amounted to S\$7.0 million. The deliveries of projects were deferred till last quarter FY2020 due to COVID-19 pandemic as most of the construction sites were closed since April 2020 and only gradually resumed operations starting from third quarter of FY2020.

e) what were the actions taken to recover the trade and other receivables;

Company's response:-

The management and accounts department take the necessary action in accordance to the Group's collection policy to recover the trade and other receivables. Please refer to point (h) below.

f) the Board's assessment of the recoverability of the trade and other receivables;

Company's response:-

Taking into account of the customers' past track and payment records and the respective customers' creditworthiness, and that 76% of the trade receivables of S\$8.8m are not due as of 31 December 2020, the management is of the view that no impairment of the trade and other receivables is required at this time. The Group has collected S\$1.9 million of the trade and other receivables subsequent to year end. The Board concurs with the management's views these trade receivables will be recoverable, barring any unexpected deterioration of the construction industry that was brought on by COVID-19 pandemic.

g) a breakdown of the Company's provision for Trade and other receivables (by aging buckets and jurisdiction);

Company's response:-

Breakdown of the Group's provision for trade and other receivables by aging:

Not due S\$'000	0-30 days S\$'000	31-60 days S\$'000	61-90 days S\$'000	Over 90 days S\$'000	Total S\$'000
-	-	-	-	(3,336)	(3,336)
0%	0%	0%	0%	100%	100%

Breakdown of the Group's provision for trade and other receivables by jurisdiction:

Singapore S\$'000	Malaysia S\$'000	Hong Kong S\$'000	India S\$'000	Russia S\$'000	United Kingdom S\$'000	Total S\$'000
(1,712)	(1,302)	(63)	(245)	(6)	(8)	(3,336)
52%	39%	2%	7%	0%	0%	100%

h) the Company's policy in trade receivables collection;

Company's response:-

The Group's policy in trade receivables collections are summarized as follows:-

- (i) Accounts Department will send out monthly Statements of Account to all customers.
- (ii) Accounts Department will chase customers until full collection and warn them on the cancellation of credit line and suspension of service for long overdue invoices.
- (iii) A fortnightly credit meeting will be held by Accounts department to discuss customers with overdue invoices. An action plan for each overdue customer for follow-up in subsequent credit meetings. Accounts Department will then approach Sales personnel and project team to seek for their help to chase customers to pay. Sales personnel will contact and visit clients to settle outstanding and project team will solve the technical issues of project that affect collection from customers.

- (iv) Accounts Department will generate a summary of receivables collection report to management for review every month. The report will cover Ageing Debtors list and Doubtful debtors list collection status.
- (v) Accounts Department will discuss with management and decide if any legal actions are required on a case by case basis and to follow legal advice for further actions.

i) the general credit term extended to customers;

Company's response:-

Credit term granted to customers generally ranged from 30 days to 60 days.

j) the aging analysis and assessment of the recoverability of the remaining trade and other receivables; and

Company's response:-

Aging breakdown of the Group's trade receivables:

	Not due S\$'000	0-30 days S\$'000	31-60 days S\$'000	61-90 days S\$'000	Over 90 days S\$'000	Total S\$'000
Gross amount	5,664	979	426	4	3,341	10,414
Allowance for expected credit losses	-	-	-	-	(2,623)	(2,623)
Retention sum	979	-	-	-	-	979
Net trade receivables	6,643	979	426	4	718	8,770
Percentage	76%	11%	5%	0%	8%	100%

The trade receivables of S\$8.8m, of which 76% are not due as of 31 December 2020. The Group has received S\$1.7 million subsequent to year end. Management is of the view that the remaining net trade receivables are recoverable.

Aging breakdown of the Group's other receivables:

	Not due S\$'000	0-30 days S\$'000	31-60 days S\$'000	61-90 days S\$'000	Over 90 days S\$'000	Total S\$'000
Gross amount	-	-	-	-	2,329	2,329
Allowance for expected credit losses	-	-	-	-	(713)	(713)
Net other receivables	-	-	-	-	1,616	1,616
Percentage	0%	0%	0%	0%	100%	100%

The net other receivables mainly comprise of amounts due from an associate amounting to S\$1.28 million and advance for an investment project amounting to S\$172,000 which was subsequently repaid. Management is of the view that the remaining net other receivables of S\$1.28 million are recoverable.

k) the percentage of trade receivables attributed to the major customer (or five largest customers) of the Company.

Company's response:-

The five largest customers of the Group comprise of 67% of total trade receivables.

SGX Query 2:

Please disclose a breakdown, aging and nature of payables and accruals amounting to S\$3,224,000 as at 31 December 2020. Please also disclose whether the counterparties are related parties.

Company's response:-

Breakdown and nature of payables and accruals as follows:

	S\$'000	Nature of transaction
Payables	1,868	Payables arose from the purchase of components and materials used for the assembly of generators and expenses incurred in the ordinary course of business.
Accruals	1,275	The accruals mainly comprise of cost of the coal mine methane gas supplied to China power plant and operating expenses which remains unbilled as of 31 December 2020.
Others	81	Others mainly relate to the deferred income from government under Job Scheme Support.
Total	3,224	

The Group's payable aging analysis as follows:-

	Not due S\$'000	0-30 days S\$'000	31-60 days S\$'000	61-90 days S\$'000	Over 90 days S\$'000	Total S\$'000
Gross amount	32	409	157	233	1,037	1,868
Percentage	2%	22%	8%	12%	56%	100%

There are no payables to related parties as of 31 December 2020.

SGX Query 3:

It is noted that the Company has a net cash outflow from operating activities of S\$1,554,000 and a net profit of S\$149,000 for the financial period/year ended 31 December 2020. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial year.

Company's response:-

The net cash outflow from its operating activities mainly due to the followings factors:-

- (i) Higher trade receivables recorded as of 31 December 2020 due to S\$7.0 million of sales from Project segment reported in last quarter 2020.
- (ii) Slower collection from the trade and other receivables from the construction customers which affected by COVID-19 pandemic.
- (iii) Payment made to suppliers for the components and materials purchased to build the generators of on-going projects to be delivered subsequent to year end.

SGX Query 4:

Given the Group's current liabilities of S\$7,080,000 and cash and bank balance of only S\$3,417,000 and noting that the Company incurred a profit of only S\$149,000 in FY2020, please disclose the Board's assessment:-

(i) whether the Company's current assets are adequate to meet the Company's short term liabilities of S\$7,080,000, including its bases of assessment; and

(ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's response:-

Barring unforeseen circumstances, the board is of the view that the Group's current assets are adequate to meet the Company's short term liabilities and is able to fulfill its payment obligations in the next 12 months for the following reasons:-

- (i) The Group's current assets of S\$19 million as of 31 December 2020 is 2.7 times higher than the current liabilities of S\$7.08 million
- (ii) The Group has cash and bank balances of S\$3.417 million, which is approximately 50% of the current liabilities
- (iii) The Group has since collected trade and other receivables of S\$1.9 million
- (iv) The Group has unused bank facilities of S\$2.5 million

By order of the Board

Benedict Chen Onn Meng
Chief Executive Officer
15 March 2021