

# **GPA HOLDINGS BERHAD**

(Company No. 493897-V) (Incorporated in Malaysia)

**Summary of key matters discussed at the 17<sup>th</sup> Annual General Meeting of the Company held at Bukit Kiara Equestrian and Country Resort, Dewan Berjaya, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia on Monday, 19 September 2016 at 10.00 a.m.**

## **OPENING**

Meeting started at 10.00 a.m. with a welcome address from the Chairman. The Chairman explained the meeting and polling procedures.

## **AGENDA ITEM 1**

### **AUDITED FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON**

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This item is meant for discussion only, and is not a business which requires a resolution to be put forward for voting by the shareholders.

The audited financial statements of the Group and the Company for the financial year ended 31 March 2016, together with the Reports of the Directors and Auditors thereon, were received and noted by the members/proxies present.

The key questions raised by members/proxies and the corresponding answers by the Directors, the Advisor and the Management of the Company on this item are as follows :-

#### **Question 1**

The Board was asked why Tan Sri Dato' Tan Hua Choon ("Tan Sri Dato' Tan") had resigned as Director of the Company in year 2013, when he was still a major shareholder todate.

#### **Answer 1**

The Board explained that the resignation of Tan Sri Dato' Tan in 2013 was in compliance with the Bursa Malaysia's Listing Requirements on "restriction on directorships" whereby a director in public listed companies could only hold a maximum of 5 directorships in listed issuers. Although Tan Sri Dato' Tan had resigned few years ago, he still continued to give advice to the Board of Directors on the strategic direction of the Group.

#### **Question 2**

On the future prospect of the Group and how to bring a positive change to the Group.

#### **Answer 2**

The Board responded that various actions had been taken by the Management to improve the performance of the Group, amongst others, the Board had reviewed the feasibility of continuing manufacturing operations of the Group. After careful study, the Board had decided to close down the manufacturing operations of the Group in view of the losses sustained in the past few years. The manufacturing of batteries were not expected to be able to turnaround in the near future as the Group's current facilities and technology of production were outdated and inefficient compared to the latest technology available in the battery manufacturing industry and were thus not able to produce similar products in a competitive manner, especially in respect of maintenance-free batteries.

In view of the non competitive costs, the Group had last year gradually scaled down the production of automotive batteries and had migrated from manufacturing operations to the distribution and trading business. The manufacturing plant had completely closed down in November 2015 and the Group had expanded its business in the distribution and trading of imported maintenance-free ("MF") automotive batteries, and since January 2016, the Group was in full trading and distribution business.

In the trading and distribution business platform, the Group had focused on marketing and distribution management, strengthened the marketing team and developed more in-depth marketing strategies to reach the end users. This was done together with the partners from Korea and Indonesia. In addition, the Group expanded the local distribution network, penetration of new niche market and focused on the current market change and needs to shift from the conventional batteries to MF batteries.

To promote its trading business, the Group had also focused on intensified sales campaign and more aggressive brand building campaign. Apart from that, the Group continued to increase and improve its market competitiveness through quality and service improvement.

**Question 3**

On the rationale for investment in capital expenditure of RM1.609 million for automotive batteries division as stated in page 74 of the Annual Report, in view of management's decision to close down the manufacturing operations.

**Answer 3**

The Board explained that the capital expenditure incurred was in compliance with the guidelines set out by the Department of Occupational Safety and Health ("DOSH"). As some of the old machineries of automotive batteries division failed to comply with DOSH's guidelines, therefore maintenance/repair work had to be in place at that point in time, as such the capital expenditure was out of necessity eventhough the closure of plant was imminent.

**Question 4**

On the ability of the Company to repay the short-term financial instruments maturing within the next 12 months, with carrying amount of RM51.637 million as stated in page 83 of the Annual Report.

**Answer 4**

The Management clarified that the short-term financial instruments with carrying amount of RM51.637 million was the amount reported for in the financial year ("FY") 2015. The aforesaid amount had been reduced to RM13.347 million for FY 2016.

**Question 5**

On how would the increase of unutilized tax losses from RM25.610 million for FY2015 to RM35.704 million for FY2016 as stated in page 70 of the Annual Report affect the Group.

**Answer 5**

The Management explained that the aforesaid unutilized tax losses of the Group would be used to offset against the future profit of the Group, hence would benefit the Group.

**Question 6**

On the provisions made for the legal cases as stated in page 76 of the Annual Report.

**Answer 6**

**i) Legal suit by subsidiary against Battery Solutions Sdn Bhd (“BSSB”)**

The Management informed that GP Autobat Sdn. Bhd. (“GPA”), a wholly owned subsidiary of the Company, had on 14 May 2015 received a Writ of Summons together with a statement of claim issued by Kuala Lumpur Sessions Court in relation to a claim by BSSB amounting to RM121,023 for purported purchases of battery products supplied by BSSB to GPA. GPA had appointed the Group’s solicitors to challenge the claim, but had not made a provision for the amount in the financial statements on the basis that the claim was not tenable.

On 15 September 2015, GPA received a Writ of Summons together with a statement of claim issued by the High Court of Malaya, Kuala Lumpur in relation to another claim filed by BSSB amounting to RM1,213,990 for alleged breach of contract by failing and/or refusing to purchase the requisite amount of battery grid panels from BSSB which resulted in BSSB suffering damages and losses. GPA had appointed the Group’s solicitors to challenge the claim, however, as a prudent measure, the Group had nevertheless provided for the amount of RM1,213,990 in the financial statements.

**ii) Legal suit by subsidiary against Global Battery Technologies Sdn Bhd (“GBTSB”)**

The Management informed that GPA had initiated a claim against GBTSB for a sum of RM284,530 for balances payable on accounts outstanding, and which had been responded with a corresponding counter claim by GBTSB against GPA for a purported disputed delivery of RM490,224. The matter was still awaiting trial.

**iii) Letter of Demand by Royal Malaysian Custom Department (“the Customs”)**

The Management informed that the Group received a Notice of Demand on Import Duty amounting to RM3,974,105 from the Customs. The Group’s solicitors had advised the Management that the claim was not legally tenable and the Group was in the process of disputing the claim. The management had not made any provision on the import duty claimed by the Customs.

**Question 7**

On the sustainability of importation, business collaboration with Original Equipment Manufacturer (“OEM”) following the closure of manufacturing plant given the fluctuation in the Ringgit.

**Answer 7**

The Board explained that importation of batteries and business collaboration with OEM were exposed to US Dollar and lead prices, thus the fluctuation of USD and lead prices would affect the landing cost of imported batteries, profit margin and the cost of goods sold. It was noted that apart from GPA, other players in the same industry also faced the same issues for imported batteries.

**Question 8**

On the sustainability of export sales after the closure of manufacturing plant.

**Answer 8**

The Board responded that export sales of automotive batteries division had dropped after the closure of manufacturing plant, but the division was able to maintain competitive gross margin by outsourcing the products under GP brand.

**Question 9**

On the benefit of promoting GP brand.

**Answer 9**

The Board explained that the benefit of promoting GP brand was that customers would be more likely to remember GP products and the GP brand would project an image of a large and established business to the customers. The Group would also be able to use its own GP brand for a wider variety of products.

**Question 10**

On the usage of factories after the closure of manufacturing plant.

**Answer 10**

The Board informed that after the closure of manufacturing plant, part of the factory buildings were reserved for its own use as warehouse and partly rented out.

**Question 11**

On the cash flows position of the Group after the cessation of manufacturing operations.

**Answer 11**

The Board explained that before the cessation of manufacturing operations, the Group carried high inventories, raw materials and debtors. Steps had been taken by the Management to reduce the inventories, raw material and debtors after the closure of plant. By doing so, it brought back cash flows for the Group, cash was then generated from businesses of the Group. Cash flows position was expected to be further improved in future.

**AGENDA ITEM 2**

**ORDINARY RESOLUTION 1**

**- PAYMENT OF DIRECTORS' FEES OF RM102,000 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

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No question was raised by members/proxies on this item.

**AGENDA ITEM 3**

**RE-ELECTION OF DIRECTORS RETIRING IN ACCORDANCE WITH ARTICLE 83 OF THE COMPANY'S ARTICLES OF ASSOCIATION :-**

- **ORDINARY RESOLUTION 2(a)**
    - RE-ELECTION OF GAN LOCK YONG @ GAN CHOON HUR
  - **ORDINARY RESOLUTION 2(b)**
    - RE-ELECTION OF EN ABDUL RASIP BIN HARON
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No question was raised by the members/proxies on this item.

**AGENDA ITEM 4**

**ORDINARY RESOLUTION 3**

**RE-APPOINTMENT OF MESSRS PKF AS AUDITORS OF THE COMPANY**

No question was raised by the members/proxies on this item.

**POLL RESULTS**

All resolutions tabled at the Meeting were carried