

General Announcement::RESPONSE TO QUESTIONS RAISED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT

Issuer & Securities

Issuer/ Manager	GP BATTERIES INTERNATIONAL LIMITED
Securities	GP BATTERIES INT LTD - SG0964000491 - G08
Stapled Security	No

Announcement Details

Announcement Title	General Announcement
Date & Time of Broadcast	28-Jul-2016 17:39:05
Status	New
Announcement Sub Title	RESPONSE TO QUESTIONS RAISED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT
Announcement Reference	SG160728OTHRBDD
Submitted By (Co./ Ind. Name)	Kelly Kiar Lee Noi
Designation	Company Secretary
Description (Please provide a detailed description of the event in the box below)	Response to questions raised by Securities Investors Association (Singapore) on the Annual Report for the financial year ended 31 March 2016. Please refer to the attachment.



GP Batteries International Limited

(Incorporated in the Republic of Singapore)
Company Registration No. 199002111N

RESPONSE TO QUESTIONS RAISED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

The board of directors (the "**Board**") of GP Batteries International Limited (the "**Company**") wishes to announce the following in response to the questions raised by Securities Investors Association (Singapore) ("**SIAS**") in respect of the Company's Annual Report for the financial year ended 31 March 2016 (the "**Annual Report**") despatched to the shareholders on 13 July 2016:-

SIAS's Question 1:

Review of operations (page 13 of the annual report) - In the primary battery segment, it was noted that "new electronic products are becoming more energy efficient and the overall battery consumption in the market has been dropping". Yet the group is setting up a new manufacturing plant in Vietnam and planning to increase the capacity in the Malaysian plant.

Can management help shareholders understand the dynamics of the market and the rationale to expand at the two manufacturing sites despite the apparent headwind? How strategic would these two expansions be? Will there be substantial capital expenditure required?

Company's response:

The Company has had good experience with the joint-venture partner in Vietnam in the last few years and the new plant in Vietnam will help to build cost effective products and further penetrate in that region. The increase in the production capacity of the Malaysian plant is to fulfil substantial new orders from our key customers.

It is also noted that the group had taken a \$4.5 million impairment for the fixed assets used in the group's Rechargeable Lithium batteries facilities.

Would it make sense if the group had chosen to convert part of the unused capacity instead of expanding in Malaysia?

Company's response:

The unused capacity that gave rise to the impairment was for the production of Lithium rechargeable batteries, which cannot be converted to produce primary 9-volt alkaline batteries that the Malaysian plant manufactures.

SIAS's Question 2:

On page 59, it was disclosed that the group had carried out a review of the recoverable amount on certain property, plant and equipment and had taken an impairment loss of \$4.5 million to align the carrying amount of the plant and equipment to their recoverable amount. In the review of operations (page 12), it was explained that the plant involved was the group's rechargeable lithium production facilities that were under-utilised. Based on the disclosure in last year's annual report, this could be the manufacturing plant in Taiwan held by the 80% subsidiary, Gold Peak Industries (Taiwan) Limited.

Can management further elaborate on the situation at the plant? What is the current utilisation rate? What are the plans to increase the demand for the product? Can the plant be re-purposed for other products?

Company's response:

The impairment loss was made in respect of the manufacturing plant in Shenzhen, China. The current utilisation rate of the plant is below 50%. Management of the Company is working closely with the key customers in target market segments. The plant cannot be re-purposed for other products.

Can the board also provide some details on the goodwill impairment of GP Batteries (U.K) Limited and the "Eastern Europe marketing and distribution network"?

Company's response:

It is a requirement under present accounting standards to assess goodwill impairment at least once a year. As a result of the business slow-down in the United Kingdom and the Eastern Europe marketing and distribution network, the recoverable amounts of these Cash Generating Units ("CGUs"), based on discounted cash flow projections, were lower than the carrying values of these CGUs. This gave rise to the goodwill impairment.

SIAS's Question 3:

The company has been aggressively buying back shares under the share buy-back mandate. For the financial year ended 31 Mar 2016, the company has bought back 6,685,200 of its own shares and holds them as treasury shares. As at 16 Jun 2016, 4.23% of the company's issued shares are being held as treasury shares. In the same year the company has taken on additional debt.

What is the company's capital management strategy in relation to optimum capital structure and dividend policy? Would the board be cancelling the treasury shares?

The company's retained profits reserve is down to \$3.96 million at 31 March 2016 (page 30). This is equivalent to 2.5 cents per share, based on the number of issued shares excluding treasury shares. As the distributable reserves are quite thin, unless the group generates sufficient earnings in the near future, its ability to pay dividends will be impacted.

Company's response:

There is no fixed policy on capital management and dividend policy as business and economic environment are fast changing. The Company evaluates dividend payout with respect to the financial performance, projected cash flow, capital expenditure plan, etc. in determining the proper level of dividend.

The intention of share buy back is to enhance shareholders' value as the Company's shares have been trading below its net assets value. There is no plan yet as to whether the treasury shares will be cancelled or otherwise.

While the Company's retained profits may seem low, the total retained profits of the Group were amounted to \$130.9 million as at 31 March 2016, which the Company can tap on if the Company is to make dividend payment.

By Order of the Board

Kelly Kiar Lee Noi
Company Secretary
28 July 2016