

# CORPORATE GOVERNANCE STATEMENT

## **Introduction**

GP Batteries International Limited (the "Company") is committed to ensuring and maintaining high standards of corporate governance in conformity with the Code of Corporate Governance (the "Code") and in compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). This Statement describes the Company's corporate governance processes and activities with specific reference to the code.

## **Board Matters**

### ***Principle 1: The Board of Directors' (the "Board") Conduct of Its Affairs***

The principal functions of the Board are:

- (i) supervising the management of the business and affairs of the Group;
- (ii) approving the Group's strategic plans, significant investment and divestment proposals and funding decisions;
- (iii) reviewing the Group's financial performance and key operational initiatives;
- (iv) approving nominations to the Board;
- (v) reviewing and endorsing the recommended framework of remuneration for the Board and key executives by the Remuneration Committee ("RC"); and
- (vi) assuming responsibility for corporate governance.

The Board conducts its meeting on a regular basis. Article 103(2) of the Company's Articles of Association allows Board meetings to be conducted by way of telephone or videoconference. The attendance of the Directors at meetings of the Board and Board Committees as well as frequency of such meetings are disclosed in this statement.

The Company provides facilities for directors to meet their relevant training needs and also orientation programmes to familiarise them with the Company's business and governance practices.

### ***Principle 2 : Board Composition and Balance***

Presently, the Board consists of nine directors, of whom three are Independent Non-Executive Directors. Key information regarding the directors is provided under the "Board of Directors" section of the annual report.

The Nominating Committee ("NC") is of the view that the current Board comprises persons who as a group, provides core competencies necessary to meet the Company's objectives.

The Board has reviewed its composition of directors and is satisfied that such composition is appropriate. The Board will constantly examine its size with a view to determining its impact upon its effectiveness.

### ***Principle 3 : Role of Chairman and Chief Executive Officer ("CEO")***

The Chairman is also the CEO of the Company. He is responsible for the overall functioning of the Board and the daily running of the Company's business. His other responsibilities include ensuring that adequate procedures are introduced to comply with the Code and that formal Board meetings are held as and when necessary and in consultation with the Company Secretary, sets out the agenda for these formal Board meetings, and that the relevant materials provided for these meetings are complete, adequate and timely.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## **Principle 3 : Role of Chairman and Chief Executive Officer ("CEO") (cont'd)**

The Chairman cum CEO's performance, appointment to the Board and remuneration package are being reviewed periodically by the NC and RC respectively. Majority of these committees are independent directors of the Company. Hence, the Board believes that there are adequate safeguards against an uneven concentration of power and authority in a single individual. The Board is of the view that the current single leadership arrangement works well, in particular it does not hinder the decision-making process of the Company unnecessarily.

## **Principle 6 : Access to Information**

### **Principle 10 : Accountability**

Management provides the Board and its various sub-committees with relevant information and reports prior to their respective meetings. In addition, management also provides the Board with further information or adhoc reports as and when required. Board members are also consulted or updated with the latest developments of the Group with regular management meetings, circulation of discussion papers and informal meetings such as discussions via tele-communications. Directors have separate and independent access to the Company's senior management and the Company Secretary for additional information. In addition, should directors, whether as a group or individually, need independent professional advice, the management will, upon direction by the Board, appoint a professional advisor selected by the Group or the individual, to render the advice. The cost of such professional advice will be borne by the Company.

The Company Secretary attends Board meetings, particularly the meetings for reviewing the draft announcements of the Group's quarterly, half-yearly and full year results, and is responsible for ensuring that Board procedures are followed. It is the Company Secretary's responsibility to ensure that the Company complies with the requirements of the Companies Act. Together with the management staff of the Company, the Company Secretary is responsible for compliance with all other SGX-ST rules and regulations which are applicable to the Company.

Please refer to the "Corporate Information" section of the annual report for the composition of the Company's Board and Board committees.

## **Board Committees**

### **Nominating Committee ("NC")**

#### **Principle 4 : Board Membership**

The NC consists of five directors, three of whom, including the Chairman, are Independent Non-Executive Directors.

The NC is guided by its Terms of Reference that sets out its responsibilities, which includes consideration of salient factors for purposes of directors' re-nomination and determination of independence.

The duties and responsibilities of the NC are:

- (i) to make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations to the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;
- (ii) to regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## **Principle 4 : Board Membership** (cont'd)

- (iii) to be responsible for identifying and nominating candidates for the approval of the Board, determining annually whether or not a director is independent, to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular for the Chairman of the Board and the CEO. If the NC determines that a director, who has one or more of the relationships that could interfere with his exercise of independent business relationship judgement, is in fact independent, it should disclose in full nature of the director's relationship and bear responsibility for explaining why he should be considered independent;
- (iv) to make recommendations to the Board for the continuation (or not) in services of any director who has reached the age of 70;
- (v) to recommend directors who are retiring by rotation to be put forward for re-election. All directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- (vi) to decide whether or not a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations. The NC shall adopt internal guidelines that address the competing time commitments that are faced when directors serve on multiple boards; and
- (vii) to have due regard to the principles of the Code.

## **Principle 5: Board Performance**

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that directors appointed to the Board possess the background, experience and knowledge in technology, business, finance and management skills critical to the Group's business and that each director, through his unique contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. In the event that the appointment of a new Board member is required, the criteria for the appointment will be driven by the need to position and shape the Board in line with the medium-term needs of the Company and its business.

The NC has decided, in consultation with the Board, on how the Board should be evaluated and has selected a set of performance criteria, that is linked to long-term shareholders' value, to be used for performance evaluation of the Board.

The NC has set up a formal assessment process to evaluate the effectiveness of the Board as a whole.

## **Audit Committee ("AC")**

### **Principle 11: Audit Committee**

Currently the AC comprises three members who are Independent Non-Executive Directors. Members of the AC are experienced professionals and businessmen. They are knowledgeable in the accounting, banking and financial management matters and possess extensive general business knowledge. The AC is of the view that its members have sufficient financial management expertise and experience to discharge the AC's functions. The AC is guided by its Terms of Reference, which sets out its duties and responsibilities. In fulfilling its duties and responsibilities, the AC:

- (i) reviews the annual audit plan of the Company's external auditors;
- (ii) reviews the results of the external auditors' examination, their evaluation of the Group's internal accounting controls and their recommendations;

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## **Audit Committee ("AC")** (cont'd)

### **Principle 11: Audit Committee** (cont'd)

- (iii) recommends to the Board, subject to shareholders' approval, the re-appointment of the Company's external auditors;
- iv) reviews and approves internal audit plans and reviews results of internal audits and management's responses to the internal auditors' recommendations;
- (v) reviews the draft announcements of the Group's quarterly, half-yearly and full year results before submission to the Board;
- (vi) reviews the Group's interested person transactions;
- (vii) reviews non-audit services performed by the external auditors to ensure that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before recommending to the Board, subject to shareholders' approval, the re-appointment of the Company's external auditors; and
- (viii) conducts other reviews as required by the Listing Manual of the SGX-ST.

The AC meetings are held with the internal and external auditors and, by invitation, representatives from management. The AC also meets with the external and internal auditors, without the presence of management, at least once a year.

The AC has conducted a review of all non-audit services provided by the external auditors and is of the opinion that the non-audit services provided by the external auditors would not affect the independence of the external auditors.

### **Principle 12: Internal Controls**

The Company's external auditors, Deloitte & Touche ("Deloitte") carry out, in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management annually to the extent of their scope as laid out in their audit plan. Material non-compliance and internal control weaknesses noted, if any, during their audit, and the auditors' recommendations to address such non-compliance and weaknesses, are reported to the AC. The management follows up on these recommendations.

Based on the information and reports provided by the Internal Audit Department ("IAD") and Deloitte, nothing has come to the AC's attention that suggests internal control and risk management processes are not satisfactory for the nature and volume of business conducted.

### **Principle 13: Internal Audit**

The IAD is staffed with 3 persons and supervised by the Senior Internal Audit Manager who carry out the review of the Group's manufacturing and sales operations.

With the approval from the AC and support from the Board, the IAD had engaged external business risk consultants in assisting its routine annual review.

The IAD is independent from the activities it audits. It reports directly to the Chairman of the AC, and to an Executive Director/General Manager administratively. Reports from the IAD are tabled at each of the AC's regular meetings, which are held on a quarterly basis. The AC also reviews and approves the IAD annual audit plans and resources to ensure that it has the capabilities to adequately perform its functions.

The IAD adopts the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors in carrying out its duties.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## Remuneration Committee ("RC")

### **Principle 7: Procedures for Developing Remuneration Policies**

### **Principle 8: Level and Mix of Remuneration**

### **Principle 9: Disclosure on Remuneration**

The RC consists of five directors, three of whom, including the Chairman who is knowledgeable with executive compensation, are Independent Non-Executive Directors.

The duties and responsibilities of the RC are:

- (i) to review and recommend to the Board in consultation with Management and the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Executive Directors and Senior Executives/Divisional Directors (those reporting directly to the Chairman of the Board) of the Group including those employees related to the Executive Directors and controlling shareholders of the Group;
- (ii) to recommend to the Board in consultation with Management and the Chairman of the Board, the Company's Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith; and
- (iii) to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

1. Table shows breakdown of directors' remuneration (in percentage terms):

<b>Name of Directors</b>	<b>Salary</b>	<b>Bonus</b>	<b>Fees</b>	<b>Other Benefits</b>	<b>Total*</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Andrew Ng Sung On	64	31	-	5	100
Richard Ku Yuk Hing	51	44	-	5	100
Hui Wing Sun	71	24	-	5	100
Lu Tse Wan	82	13	-	5	100
Tsang Kwan Lung	88	7	-	5	100
Raymond Wong Wai Kan	92	8	-	-	100
Cheng Wai Keung	-	-	100	-	100
Phua Bah Lee	-	-	100	-	100
Harald E Kading	-	-	100	-	100

\* excluding share options which are disclosed in the Report of the Directors

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## Remuneration Committee ("RC") (cont'd)

### **Principle 7: Procedures for Developing Remuneration Policies** (cont'd)

### **Principle 8: Level and Mix of Remuneration** (cont'd)

### **Principle 9: Disclosure on Remuneration** (cont'd)

2. Table shows the ranges of gross remuneration received by the above directors of the Group:

<b>Number of directors of the Group in remuneration bands</b>	<b>2005</b>	<b>2004</b>
S\$750,000 to below S\$1,000,000	1	-
S\$500,000 to below S\$750,000	3	3
S\$250,000 to below S\$500,000	-	1
Below S\$250,000	5	5
Total	9	9

The Code requires the remuneration of at least the top five key executives who are not directors of the Company to be disclosed within bands of S\$250,000. The Company believes that disclosure of the remuneration of individual executives is disadvantageous to its business interests, given its highly competitive industry conditions coupled with sensitivity and confidentiality of staff remuneration matters.

No employee of the Company and its subsidiaries was an immediate family member of a director and whose remuneration exceeded S\$150,000 during the financial year ended 31 March 2005. "Immediate family" means, in relation to a person, the person's spouse, child, adopted child, step-child, sibling and parent.

The remuneration policy for staff adopted by the Company comprises a base salary and a variable bonus that is linked to the performance of the Company and individual staff. In addition, options offered pursuant to the Company's Share Option Scheme 1999 also provides an incentive to the staff to excel in their performance. Information regarding the Company's share option schemes are discussed in the Report of the Directors.

## **Material Contracts**

There is no material contract entered into by the Company and its subsidiary companies involving the interests of the CEO, Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

## **Communication with Shareholders**

### **Principle 14: Communication with Shareholders**

### **Principle 15: Promoting Greater Participation by Shareholders**

Announcement of results are released through the SGXNET. The Company also sends press releases to the media and updates such information on the Company's website. Extracts of the announcement of interim and final results were advertised in the newspapers. Shareholders also receive a copy of the extracts of announcement of interim results.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## **Principle 14: Communication with Shareholders** (cont'd)

## **Principle 15: Promoting Greater Participation by Shareholders** (cont'd)

The Company does not practice selective disclosure. Price sensitive information is first publicly released, either before the Company meets with any group of investors or investment analysts or simultaneously with such meetings, if necessary. Results and annual reports are announced or issued within the mandatory period and are available on the Company's website.

The Company communicates with its investors on a regular basis and attends to their queries. All shareholders of the Company receive a copy of the annual report and notice of Annual General Meeting ("AGM"). The notice is also advertised in the newspapers.

At AGMs, shareholders are given the opportunity to communicate their views and ask questions regarding the Group.

The Company's Articles of Association allow a shareholder of the Company to appoint one or two proxies to attend and vote at all general meetings on his/her behalf.

## **Internal Code on Dealing in Securities**

An internal code on dealing in securities modelled after the Best Practices Guide has been issued to directors and officers setting out the implications on insider trading.

- (i) Directors and officers are prohibited from trading in the Company's securities for the period of two weeks before the announcement of the Company's first three quarters' results, or one month before the announcement of the Company's annual results and ending on the date of the announcement of the results, or when they are in possession of potentially price sensitive information.
- (ii) Directors and officers are also not expected to deal in the Company's securities on considerations of a short-term nature.

## **Interested Person Transactions**

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. The Company's disclosure in accordance with Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for the financial year ended 31 March 2005 is as follows:

**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**

<b>Name of interested person</b>	<b>2005 S\$'000</b>	<b>2004 S\$'000</b>
<b>GP Industries Limited &amp; its associates *</b>		
Purchase of parts and components	7,179	3,832

\* GP Industries Limited is a major shareholder of the Company

The Company does not have a mandate on Interested Person Transactions.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## Directors' Attendance at Board and Committee Meetings

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings Held	Attended	No. of meetings Held	Attended	No. of meetings Held	Attended	No. of meetings Held	Attended
Andrew Ng Sung On	5	5	NA	NA	1	1	1	1
Richard Ku Yuk Hing	5	3	NA	NA	NA	NA	NA	NA
Hui Wing Sun	5	5	NA	NA	NA	NA	NA	NA
Lu Tse Wan	5	1	NA	NA	NA	NA	NA	NA
Tsang Kwan Lung	5	5	NA	NA	1	1	NA	NA
Raymond Wong Wai Kan	5	5	NA	NA	NA	NA	1	1
Cheng Wai Keung	5	4	4	3	1	0	1	0
Phua Bah Lee	5	5	4	4	1	1	1	1
Harald E Kading	5	4	4	3	1	1	1	1