

GP Batteries International Limited (the "Company") is committed to ensuring and maintaining high standards of corporate governance in conformance with Singapore Code of Corporate Governance 2012 (the "2012 Code") as well as the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

This report describes the Company's corporate governance practices and structures in place during the financial year ended 31 March 2015, with specific reference to the principles and guidelines of the 2012 Code, and where applicable, the Listing Manual of the SGX-ST, the Singapore Companies Act, Cap. 50 and the Guidebook for Audit Committee in Singapore issued on 19 August 2014 (the "AC Guidebook"), focusing on areas such as internal controls, risk management, financial reporting, internal and external audit.

The Board of Directors (the "Board" or the "Directors") has adhered to the principles and guidelines set forth in the 2012 Code as set out below. Where there are deviations in the Company's practices from the principles of the 2012 Code, the basis for these have been explained.

THE 2012 CODE

The 2012 Code is divided into four main sections, namely:

- (A) Board Matters
- (B) Remuneration Matters
- (C) Accountability and Audit
- (D) Shareholder Rights and Responsibilities

(A) BOARD MATTERS

The Board currently consists of the following members:

Mr Victor Lo Chung Wing
Mr Richard Ku Yuk Hing
Mr Henry Leung Kwong Hang
Mr Leung Pak Chuen
Mr Hui Wing Sun
Mr Brian Wong Tze Hang
Mr Lim Jiew Keng
Mr Allan Choy Kam Wing
Mr Goh Boon Seong

A description of the background of each Director is presented in the Board of Directors and Senior Management section of this annual report.

The Board's Conduct of Affairs

The Board meets regularly to review the Group's strategic business plans, the assessment of key risks by management and the financial performance of the Group to enable the Group to meet its business objectives. The Board has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including risk management systems and internal controls to safeguard shareholders' and stakeholder's interests and the Group's assets. All Board members bring their independent judgment, diversified knowledge and experience to bear on issues of strategy (including social and environmental issues), performance, resources and standards of conduct and ethics.

The Board objectively takes decisions in the interests of the Company. The authority of the Board in relation to matters concerning the Company's business affairs is defined in the Risk Governance Framework and Manual of the Company. The Board has delegated specific responsibilities to three Board Committees, namely, the Audit and Risk, Nominating and Remuneration Committees ("ARC", "NC" and "RC" respectively). Information on each of the three Board Committees is set out below. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The Board's Conduct of Affairs (cont'd)

Furthermore, the Company has formalised a Board authority matrix and the authority is delegated to the Management. This contains approval limits as well as the Board Committees and Management designations responsible for authorisation of key activities and/or transactions which require the Board's approval relate to significant investments/divestments, financing arrangements, interested persons transactions, capital expenditure, financial budgets, share issuance and dividend payments and any material transactions which require announcements under the SGX Listing Rules.

The Board meets at least four times a year and these meetings are scheduled well in advance. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

The Articles of Association of the Company allow Directors to participate in a Board meeting by telephone conference or video-conference whereby all persons participating in the meeting are able to communicate as a group, whereby the Directors' physical presence at the meeting is not compulsory.

The number of the Board and the Board Committee meetings held in the financial year ended 31 March 2015 and the attendances of Directors at these meetings are as follows:

	Board		Audit Committee ²		Nominating Committee		Remuneration Committee	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Victor Lo Chung Wing	4	4	NA	NA	1	1	NA	NA
Richard Ku Yuk Hing	4	4	NA	NA	NA	NA	NA	NA
Henry Leung Kwong Hang	4	4	NA	NA	1	1	NA	NA
Leung Pak Chuen ¹	4	3	NA	NA	NA	NA	NA	NA
Hui Wing Sun	4	4	NA	NA	NA	NA	NA	NA
Brian Wong Tze Hang	4	4	NA	NA	NA	NA	NA	NA
Lim Jiew Keng	4	4	4	4	1	1	2	2
Allan Choy Kam Wing	4	4	4	4	1	1	2	2
Goh Boon Seong	4	4	4	4	1	1	2	2

¹ Appointed on 29 May 2014

² Audit Committee ("AC") was renamed to "ARC" on 27 May 2015

The appointment of Directors is recommended to the Board by the NC and the Directors are briefed on their duties and obligations. The Company also organises an induction briefing from senior management for new Directors to familiarise them with the business activities of the Company (covering products, customers, market position, financial, organisational structure and performance), the Company's strategic direction and corporate governance practices. The Company also arranges, where necessary, for new Directors to visit the major operating facilities of the Group.

To keep pace with new laws, regulations, changing commercial risks and accounting standards, all Directors are encouraged to attend, at the Company's expense, relevant and useful seminars that are conducted by external organisations for their continuing education and skills improvement. The Company Secretaries will bring to the Directors' attention, information on courses and seminars that may be of relevant or use to them.

For the financial year ended 31 March 2015, the following training engagements and briefings were arranged for the Board:

- developments to the accounting standards and IFRS were provided by external auditors Deloitte & Touche LLP;
- developments to corporate governance and risk management were provided by RSM Ethos Pte Ltd, an external consultant;
- developments and changes to the regulatory landscape and legal environment were presented by Company Secretaries and external professionals; and
- latest changes and updates to the industry and sector developments and the implications to the Group were presented by Chief Executive Officer ("CEO") and Chief Operating Officer ("COO").

Board Composition and Independent Directors

The Board comprises nine members, three of whom are Non-Executive Directors. All the three Non-Executive Directors, Mr Lim Jiew Keng, Mr Goh Boon Seong and Mr Allan Choy Kam Wing are independent (i.e. they have no relationship with the Group, its related companies, its 10% shareholders, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from Management and its 10% shareholders). Mr Allan Choy Kam Wing is also a non-executive and independent member of the Board of GP Industries Limited, which is the immediate holding company of the Company.

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board on a timely basis and this is facilitated by the Company Secretaries through an annual disclosure exercise. The Board views that all Non-Executive Directors of the Company are independent and this is based on the evaluations performed by the NC.

The Chairman and the CEO is the same individual. The Board is of the view that this arrangement does not impair the effectiveness of decision making. The Chairman and CEO are responsible for the overall operations of the Group as well as ensuring that the principles and the application of the 2012 Code are duly adhered to. There is sufficiently independent representation in the Board Committees which provide an independent and objective element to the Group and strategic level decision making. The NC is also of the view that the current Board as a whole provides core competencies necessary to meet the Company's objectives. The Board shall continually evaluate the number of Independent Directors, and is taking active steps to increase the independent composition of the Board over time.

None of the Independent Directors has served on the Board for a period exceeding nine years. The NC evaluates the independence of a Director in accordance with the definition of 'Independent Director' as defined in Guideline 2.3 of the 2012 Code.

Board Size

The Board takes the assistance of the NC, in reviewing the Board size on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. Although all the Directors have an individual and collective responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the various communities and environments in which the Group conducts business.

Board Experience

The Board as a whole, comprises executive and independent non-executive members who bring a vast wealth of experience to the Group. The executive members of the Board are qualified in the specialists fields of sales and marketing, engineering, operational management, finance and legal. The Independent Non-Executive Directors, aside from their appointments in other listed companies, also bring industry experience from the banking and finance sector, as well as manufacturing and engineering industry.

A brief description of the background of each Director is presented under "Board of Directors and Senior Management" section of this annual report.

Role of the Non-Executive Directors

The Non-Executive Directors meet as scheduled to constructively challenge and help develop proposals on business strategy and review management performance against the business objectives. They will also convene meetings when required to address ad hoc or urgent Group-related matters. The Non-Executive Directors deliberate and engage in constructive dialogue (either as a non-executive group or with Management) in order to proactively provide independent advice.

Chairman

The Chairman is also the CEO of the Company. The role of the Chairman and the CEO should principally be separated to maintain an appropriate balance of power, increased accountability and to facilitate independent decision making by the Board. The Chairman and the CEO promotes high standards of corporate governance on the Board and within the Group.

Nonetheless, there are compensating factors to mitigate the consolidation of the Chairman and the CEO role within the Group. For instance, there are three Independent Non-Executive Directors on the Board. They provide an independent and objective element to the Board, participating actively in matters relating to business, finance, corporate governance, remuneration and appointment of the Board members. The Board's Committees, namely, the ARC, RC and NC, comprise primarily Independent and Non-Executive members. The division of the responsibilities of the Chairman and the CEO is discussed within the Board and considered by the NC in their assessment and evaluation of the performance of the key executives of the Company.

The Board believes that there are sufficient safeguards against an uneven concentration of power and authority in a single individual, and that the existing single leadership arrangement is effective. The Board continually reviews the role of the Chairman and the CEO as well as the composition (including the independence) of the Board to ensure that it does not impede the principles of independence and objectivity in decision making.

Role of the Chairman

The roles and responsibilities of the Chairman include:

- i) ensuring the Board's effectiveness through his leadership and managing the relationship between Management and shareholders of the Group;
- ii) ensuring that Board meetings are held as and when necessary;
- iii) approving the Board agenda;
- iv) providing oversight on accurate, timely and clear information contained in the Board papers circulated to the Board members;
- v) dedicating sufficient time to all agenda items;
- vi) monitoring communications and relations within the Board, with Management and the shareholders to facilitate constructive dialogue; and
- vii) facilitating effective contribution of the Independent and Non-Executive Directors.

Lead Independent Director

Mr Lim Jiew Keng, the Lead Independent Director of the Company is presently the Chairman of the ARC.

The Lead Independent Director is available for dialogue with shareholders in circumstances where:

- shareholder contact through regular channels to engage the Chairman/CEO, COO or the Chief Financial Officer ("CFO") is unable to yield resolution of issues or;
- shareholder contact with the Chairman/CEO, COO or CFO is inappropriate.

The Independent Non-Executive Directors meet annually without the presence of the other members of the Board (or more frequently if required) to discuss matters of significance which are thereon reported to the Chairman/CEO.

Nominating Committee

The NC, as at the date of the Corporate Governance Report, comprises the following Directors:

Mr Allan Choy Kam Wing (Chairman)
Mr Victor Lo Chung Wing (Member)
Mr Henry Leung Kwong Hang (Member)
Mr Lim Jiew Keng (Member)
Mr Goh Boon Seong (Member)

The majority of the NC is Independent and Non-Executive Directors. The NC met once during the financial year.

The NC has a Terms of Reference endorsed by the Board that sets out its duties and responsibilities. The NC is responsible for making recommendations to the Board on all Board appointments, evaluation of performance of the Board, its Board Committees, members and Directors, adequacy of the Board's training and professional development programmes and review the Board's succession plans for Directors, in particular the Chairman/CEO. Specifically, the Terms of Reference of the NC addresses:

- i) making recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;
- ii) regular review of the Board structure, size and composition and making recommendations to the Board with regards to any adjustments that are deemed necessary;
- iii) responsibility for identifying and nominating candidates for the approval of the Board, determining annually whether or not a Director is independent, making recommendation to fill Board vacancies as and when they arise as well as putting in place plans for succession, in particular for the Chairman/CEO;
- iv) recommending to the Board for the continuation (or not) in services of any Director who has reached the age of 70, or any Independent Director who has served on the Board for more than nine years; and
- v) recommending Directors who are retiring by rotation to be put forward for re-election taking into consideration eligibility, effectiveness, and contribution to the Board.

Independence of Directors

The NC is also responsible for determining annually, the independence of Directors. In doing so, the NC takes into account the circumstances set forth in the 2012 Code and any other salient factors. Following its annual review, the NC has endorsed the following independence status of these Directors:

Independent

Mr Lim Jiew Keng
Mr Allan Choy Kam Wing
Mr Goh Boon Seong

Sufficient Time and Attention by Directors

The NC is satisfied that sufficient time and attention are given by the Directors to the affairs of the Group, taking into consideration the Director's number of listed company board representations and other principal commitments. With due respect to individual autonomy of each Director, no maximum number of listed company board representations a Director may hold is prescribed.

The Board does not have a practice of appointing alternate Directors.

Selection, Appointment and Re-appointment of Directors

When selecting new Directors or re-appointing existing Directors, the NC identifies certain key attributes. These attributes are endorsed by the Board prior to the selection and short-listing process (which includes referrals and identification through professional recruitment firms).

The NC members collectively assess and concur on the appointment/re-appointment of the Directors for consideration by the Board. In assessing Director re-appointment, the NC evaluates several criteria including qualifications, contributions and independence.

Pursuant to the 2012 Code, information on each Director's qualifications, directorship and other principal commitments is as follows:

	Victor Lo Chung Wing	Richard Ku Yuk Hing	Henry Leung Kwong Hang
Role	Chairman and Chief Executive Officer Executive Director	Vice Chairman Executive Director	Chief Operating Officer and Chief Risk Officer Executive Director
Academic and Professional Qualifications	Mr Lo graduated from the Institute of Design of Illinois Institute of Technology, US with a Bachelor of Science degree in Product Design. He also holds an Honorary Doctorate in Design from The Hong Kong Polytechnic University.	Mr Ku graduated from the Sophia University, Japan with a Bachelor of Science degree in Economics.	Mr Leung graduated from the University of Essex, UK with a Bachelor's degree in Telecommunication Engineering. He is a Chartered Engineer and a member of The Institution of Engineering and Technology, UK as well as a fellow member of The Hong Kong Institution of Engineers.
Board Committee(s) served on	Nominating Committee (Member)	Nil	Nominating Committee (Member)
Date of first appointment as a Director	25 April 2014	24 July 1990	13 August 2008
Date of last re-election/re-appointment as a Director	30 July 2014	30 July 2014	31 July 2013
Present directorships in other listed companies	Gold Peak Industries (Holdings) Limited <i>Chairman and Chief Executive Executive Director</i> GP Industries Limited <i>Chairman and Executive Director</i>	Gold Peak Industries (Holdings) Limited <i>Executive Director</i>	Nil
Past directorships in other listed companies over the three years	Nil	Nil	Nil
Other principal commitments	Hong Kong Design Centre <i>Chairman of the Board of Directors</i> West Kowloon Cultural District Authority of Hong Kong SAR Government <i>Member of the Board</i> Economic Development Commission of Hong Kong SAR Government <i>Member</i> Advisory Committee on Innovation and Technology, Hong Kong SAR Government <i>Member</i>	Nil	Nil

CORPORATE GOVERNANCE (CONT'D)

	Leung Pak Chuen	Hui Wing Sun	Brian Wong Tze Hang
Role	Executive Director	Executive Director	Head of Finance Executive Director
Academic and Professional Qualifications	Mr Leung graduated from Chu Hai College, Hong Kong with a Bachelor's degree in Business Administration. He is a member of The Chartered Institute of Marketing, UK and The International Institute of Management.	Mr Hui holds a Higher Diploma in Mechanical Engineering from The Hong Kong Polytechnic University (formerly The Hong Kong Polytechnic) and a Master of Science degree in Applied Mechanics from the Institute of Science and Technology, University of Manchester, UK.	Mr Wong holds a Bachelor of Laws degree from the University of London, UK. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the UK.
Board Committee(s) served on	Nil	Nil	Nil
Date of first appointment as a Director	29 May 2014	24 July 1990	1 June 2009
Date of last re-election/ re-appointment as a Director	30 July 2014	30 July 2014	31 July 2013
Present directorships in other listed companies	Gold Peak Industries (Holdings) Limited <i>Deputy Chief Executive Executive Director</i> GP Industries Limited <i>Executive Vice Chairman</i> Meiloon Industrial Co. Ltd <i>Executive Director</i>	Nil	Nil
Past directorships in other listed companies over the three years	Nil	Nil	Nil
Other principal commitments	Nil	Nil	Nil
	Lim Jiew Keng	Allan Choy Kam Wing	Goh Boon Seong
Role	Lead Independent Director Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Academic and Professional Qualifications	Mr Lim holds a Bachelor of Social Science (Honours) degree in Economics from the National University of Singapore (formerly University of Singapore), a Certificate in Education from the National Institute of Education (formerly Teachers' Training College), Singapore and completed an Advanced Management Programme at the Fuqua Business School of the Duke University, US. Mr Lim has been a member of the Singapore Institute of Directors since 2002	Mr Choy holds a Diploma in Management Studies from the University of Hong Kong and an MBA degree from the University of Macau.	Mr Goh graduated from the National University of Singapore (formerly University of Singapore) with a Bachelor of Business Administration degree.
Board Committee(s) served on	Audit and Risk Committee (Chairman), Nominating Committee (Member), Remuneration Committee (Member)	Nominating Committee (Chairman), Audit and Risk Committee (Member), Remuneration Committee (Member)	Remuneration Committee (Chairman), Audit and Risk Committee (Member), Nominating Committee (Member)

	Lim Jiew Keng	Allan Choy Kam Wing	Goh Boon Seong
Date of first appointment as a Director	1 July 2009	24 May 2011	28 May 2012
Date of last re-election/re-appointment as a Director	30 July 2014	30 July 2014	31 July 2012
Present directorships in other listed companies	Nil	GP Industries Limited <i>Independent Non-Executive Director</i>	Boustead Singapore Limited <i>Independent Director</i>
Past directorships in other listed companies over the three years	Jaya Holdings Limited <i>Independent Director</i> Surface Mount Technology (Holdings) Limited <i>Independent Director</i>	Nil	Nil
Other principal commitments	BSL Consultants Pte Ltd <i>Director</i>		WhiteRock Medical Company Pte Ltd <i>Shareholder & Officer</i>

Details of Directors' shareholdings are disclosed on page 20 of the Report of the Directors under Directors' Interests in Shares and Debentures.

Assessing Board Performance

The Board has implemented a process for assessing the Board effectiveness and the contribution of each Director towards the Board's effectiveness. The Board through the NC works with the Company Secretaries to evaluate Board performance through a formal evaluation program. This program identifies the strategic and long-term objectives of the Group and aligns it with the attributes and contribution measures against which the Board is assessed. For the year under review, the Board has considered the following key performance criteria:

- Board composition (including the degree of independence, experience and skill sets)
- Board information (including the timeliness and quality of business and financial information)
- Board communication (including openness, adequacy of timing allocated to deliberate issues, dynamics, appropriate focus on risk, access to management and orientation of new Directors)
- Board accountability (including decision making, communication with shareholders, adequate focus on strategic and budgetary matters and effectiveness of Board Committees)
- Board standards of conduct (including disclosure of conflict of interests and appropriate interaction with Management)

The NC reviews the performance of the Directors including the appointment and resignation of the Board members. Individual Director evaluations are taken into account by both the NC and the Board Chairman when considering each Director's performance and any changes to the Board appointments. The basis of evaluating each Director's effectiveness is being continually refined to raise the level of precision in measurement and benchmarking of the results against predetermined criteria.

Board Access to Information

All Directors receive a set of Board papers prepared by Management prior to the Board meetings. Board papers are generally issued to Directors prior to the meeting. This allows Directors to obtain further explanations from Management, where necessary, in order to be briefed properly and prepare for the Board meeting. The Board papers include, among others, the following documents and details:

- minutes of the previous Board meeting;
- background or explanations on matters brought before the Board for decision or information, including issues being dealt with by Management, and relevant budgets, forecasts and projections;
- in respect of budgets, material variances between projections and actual results, supported by formal explanations are also circulated when required, to the members of the Board;
- any major operational and financial issues; and
- other ad hoc and relevant business performance and development reports.

The Board is also consulted or updated on the latest developments of the Group, any major issues or relevant business matters through both formal and informal meetings with Management. These meetings are facilitated either as part of the Board meeting or via teleconference/email correspondences with Management team involved.

Matters which require the Board's oversight are reviewed and approved through formal Board Resolutions.

The Board is furnished with monthly management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects. In addition, the Board reviews and discusses the latest management accounts at each Board meeting.

Directors have separate and independent access to the Group's Management, including the Chairman/CEO, the COO, the CFO and the Group's internal and external auditors. Directors are able to query Management on any details relating to the management reports and Board papers. Management shall accordingly respond to the Directors on the queries raised for further deliberation or resolution.

Role of the Company Secretaries

The Board has access to the advice and services of the Company Secretaries.

The Company Secretaries attend all Board meetings (including the meetings for reviewing draft company announcements and the Group's results). The Company Secretaries also attend all meetings of the RC and the NC.

The Company Secretaries also assist the Chairman to ensure that the Board procedures are duly followed and regularly reviewed for compliance with relevant rules and regulations and effective functioning of the Board.

Under the Articles of Association of the Company, the decision relating to appointment and renewal of the Company Secretaries can be taken by the Board.

Professional Advice taken by the Board

The Board, either in full or on an individual Director basis, is able to seek and take independent professional advice in relation to the furtherance of their duties. Such professional advice taken is borne wholly by the Company.

(B) REMUNERATION MATTERS

The RC is responsible for ensuring that a formal and transparent procedure exists in the development of policies on executive remuneration, and for determining the remuneration packages of individual Directors and key management personnel.

Remuneration Committee

The RC, as at the date of the Corporate Governance Report, comprises the following three Non-Executive and Independent Directors:

Mr Goh Boon Seong (Chairman)
Mr Lim Jiew Keng (Member)
Mr Allan Choy Kam Wing (Member)

No member of the RC is involved in deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

The RC is governed by specific Terms of Reference and the principal responsibility of the RC is to:

- i) 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 and the CEO) of the Group including those employees related to the Executive Directors and substantial/controlling shareholders of the Group;
- ii) review and submit its recommendations for endorsement by the entire Board, share-based incentives or awards or any long-term incentive schemes which may be set up from time to time, in particular to review whether Directors and key management personnel should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith;
- iii) function as the Committee which administrates the GP Batteries Performance Share Plan (the "Performance Share Plan");
- iv) review and recommend termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to key management personnel in the Group, and ensuring that their contracts of service contain fair and reasonable termination clauses which are not overly generous;
- v) 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; and
- vi) ensure that all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered.

In deriving the Company's Remuneration Policy, the RC works closely with the Human Resources function. The Human Resources function provides details of the remuneration of the Board and key management personnel to the RC who thereon evaluates the remuneration levels against available industry data to determine if the level and mix of remuneration is reasonable. The remuneration policy recommended by the RC is submitted for approval by the Board.

The RC reviews the reasonableness of the terms of employment of the key management personnel of the Group. All Independent and Non-Executive Directors are paid a fixed fee. The Executive Directors and key management personnel (including the top five senior management personnel who are not Board members) have remuneration structures that are fixed-salary-based, supplemented with a reasonable variable performance component. This structure does not promote excessive risk taking and is aligned with the Group's business strategy, longer term objectives and risk policies.

Remuneration of Executive Directors and Key Management Personnel

(a) Fixed and Variable Components

The Remuneration Policy for key management personnel comprises a fixed component and a variable component that is linked to the Company's performance. The fixed component comprises a basic salary, statutory-related contributions as well as internally structured corporate contributions. The variable component comprises a variable bonus which is based on the Company's and individual's performance.

The remuneration structure is aligned with the long-term business interests and it is designed to be motivational and facilitate the retention of key talents within the Senior Management Ranks.

The basic and variable remuneration to be paid to key management personnel are reviewed by the RC annually. The RC performs a periodic benchmark of the remuneration framework and its components against the market. This also ensures that there is a correlation between increased remuneration and performance benefits and that remuneration structures do not encourage excessive risk taking.

(b) Benefits

Benefits provided are in line with market practice and eligibility is dependent on the individual's salary grade.

(c) Performance Share Plan

The Company also has a Performance Share Plan which was approved by the shareholders in the Extraordinary General Meeting held on 30 July 2010.

Under this Performance Share Plan, shares are awarded based on the eligibility and performance of the individual and this is approved jointly by the CEO, the COO, the Group Human Resources and the RC. There have not been any performance shares issued to date.

In order to align the interest and balance the level of remuneration of Non-Executive Directors, the Performance Share Plan has been made eligible to the Non-Executive members of the Board. This ensures that the level and mix of remuneration is in line with business and shareholders' interests.

The RC reviews the remuneration of the Non-Executive Directors annually to ensure that the compensation received, which is fixed in nature, reflects the amount of effort, time and the importance of the roles and responsibilities borne by each Non-Executive Director.

The Company does not have 'claw back' provisions in the employment contracts with the Executive Directors and key management personnel. A major component of the remuneration structure for this group of personnel is fixed (see disclosure in "The Annual Remuneration Report"). The Company believes that this helps to reduce the likelihood of financial misconduct or excessive risk taking in pursuit of extraordinary financial gain.

Disclosure on Remuneration

The remuneration package of the Directors (both Executive and Independent) and the top five key management personnel (who are not Directors or the CEO) for the financial year ended 31 March 2015 is presented in the table below:

The Annual Remuneration Report

Name of Personnel	Fixed Salary including CPF	Performance related income	Other Benefits	Directors Fee	Total
Range of remuneration below S\$250,000					
<i>Executive Director</i>					
LEUNG Pak Chuen	0%	0%	0%	0%	0%
<i>Independent Non Executive Director</i>					
Allan CHOY Kam Wing	0%	0%	0%	100%	100%
GOH Boon Seong	0%	0%	0%	100%	100%
LIM Jiew Keng	0%	0%	0%	100%	100%
Range of remuneration S\$250,001 to S\$500,000					
<i>Executive Director</i>					
HUI Wing Sun	90%	9%	1%	0%	100%
Richard KU Yuk Hing	87%	11%	2%	0%	100%
Brian WONG Tze Hang	71%	10%	19%	0%	100%
<i>Key Executive</i>					
Parklin HO Pak Nin	63%	11%	26%	0%	100%
HUANG Xiao Yun	32%	68%	0%	0%	100%
Edward LAM Wai Man	86%	13%	1%	0%	100%
Vincent ZHU Xiang Kui	32%	68%	0%	0%	100%
Range of remuneration S\$500,001 to S\$750,000					
<i>Executive Director</i>					
Henry LEUNG Kwong Hang	87%	0%	13%	0%	100%
Victor LO Chung Wing	100%	0%	0%	0%	100%
<i>Key Executive</i>					
William WANG Jian Hao	24%	76%	0%	0%	100%

Total remuneration for the Directors and the top five key management personnel for the financial year ended 31 March 2015 amount to S\$2,673,000 and S\$2,449,000 respectively. The Company believes that the disclosure in bands of S\$250,000 provides sufficient overview of the remuneration of the Directors.

No employee of the Company and its subsidiaries was an immediate family member of a Director and the CEO whose remuneration exceeded S\$50,000 during the financial year ended 31 March 2015. "Immediate family" is defined in the context of the Director as his/her spouse, child, adopted child, step-child, sibling and parent.

(C) ACCOUNTABILITY AND AUDIT

Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports, and reports to regulators (if required).

Management is accountable to the Board and prepares accurate, informative and understandable business operations and financial reports which are furnished to the Board monthly. Board members review these management reports that contain analysis and explanations of variances against budget to understand the Group's financial and operational performance and prospects.

On a day-to-day basis, Management reviews the regulatory and compliance requirements and are responsible for ensuring proper adherence to rules and regulations.

Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board sets the tone and direction for the Company in the way that it expects risks to be managed. The Board has ultimate responsibility for approving the business strategy of the Company in a manner which addresses stakeholders' expectations that does not expose the Company to an unacceptable level of risk.

The Company has in place a Risk Governance and Internal Control Manual. This sets out the risk governance responsibilities and the accountability, and oversight for risk management activities which mitigate the occurrence and exposure to significant risks that would impede the achievement of business objectives. To supplement the Risk Governance and Internal Control Manual, the Board has established an Enterprise Risk Management ("ERM") framework and program. The ERM framework and program are managed by the Company's senior management team with the assistance and co-ordination of a centralised risk management function. This ERM framework and program ensure that proper risk management is embedded in the Company's business activities and that a positive risk culture and robust risk management process are in place and consistently applied. This provides oversight on risks relating to strategy, operation, finance, technology and compliance. The risk management strategy, policies and outputs of the risk management process are approved and presented regularly to the ARC which assumes responsibilities for both audit and risk matters.

Convening a Separate Committee to Oversee Risk Matters

The Company does not have a separate Risk Committee; however the Board has delegated the oversight of risk matters to the AC (which was renamed to the ARC on 27 May 2015) to assist it in fulfilling its responsibility for risk governance and oversight of the ERM framework and program. The members of the ARC are listed under "Audit and Risk Committee". The ARC is independent from Management.

The Board has approved an ERM framework and program for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework and the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Internal Controls Integrated Framework.

Roles and Responsibilities of the ARC in Respect of Risk Oversight

As part of the responsibilities of the ARC's oversight for risk management, the ARC:

- proposes the risk governance approach and risk policies for the Company to the Board;
- reviews the risk management methodology adopted by the Company;
- reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Company identified by Management;
- reviews Management's assessment of risks and Management's action plans to mitigate such risks;
- proposes risk appetite and tolerance limits to the Board;
- reviews reports of any material breaches of risk limits;

Roles and Responsibilities of the ARC in Respect of Risk Oversight (cont'd)

- reviews the Company's procedures for detecting fraud including the whistle blowing policy and ensures appropriate follow up actions;
- reports to the Board on matters, findings and recommendations relating to risk management; and
- reviews the adequacy and effectiveness of the Company's risk management systems.

The Chief Risk Officer ("CRO") of the Company is Mr Henry Leung Kwong Hang, who is also the COO of the Company. The CRO is the custodian of the Risk Management programme and reports on risk management matters to the ARC. The ARC reviews the adequacy of the ERM framework and program through dialogue sessions with the CRO to understand the process to identify, assess, manage and monitor risks. Additionally, there is a risk management annual program which charts out the objectives and outputs of the ERM program and this also caters for a frequent review of the effectiveness of the ERM process.

The CRO presents annual reports to the ARC and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas:

- assessment of the key risks by major business units and risk categories;
- identification of specific 'risk owners' responsible for the risks identified;
- description of the processes to identify and assess risks to the business;
- status and changes in plans undertaken by Management to manage key risks; and
- description of the risk monitoring and escalation processes and also systems in place.

Risk Appetite and Tolerance Limits

The Board has reviewed the risk appetite and tolerance limits proposed by Management for the key risks pertinent to the business strategy as well as the significant risks identified through the ERM process covering the operational, financial, technology and compliance aspects.

In order to monitor conformance with risk appetite and tolerance limits, the risk owners and co-ordinators are to track risk indicators. Where risk limits are breached, they are highlighted to the CRO who is tasked to oversee the necessary risk treatments and to report any significant risk incidents or breaches of limits for key risks to the ARC on a timely basis.

Based on the above, the ARC concluded that the Company's ERM framework and program are adequate. Management has appropriately defined and the ARC, together with the Board, has approved the risk tolerance and appetite limits of the Company.

Management's Responsibility in Risk Management

Management is responsible for designing, implementing and monitoring the ERM framework and program and internal control systems in accordance with the policies on risks and internal controls.

As part of Management's efforts in promoting a "risk-aware" culture, risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle conducted at the beginning of each financial year. Having identified the risks arising from strategic business objectives, each business unit is required to document the mitigating actions to manage the risk. New areas are introduced for assessment as the business risk profile changes. Information such as the types of risks, the controls and processes for managing risks is subsequently summarised in a risk heat map, which is reviewed by Management, Internal Audit and the ARC.

Management also conducts annual risk management training and a risk forum to heighten risk awareness for staff. Management is responsible for day-to-day monitoring of these risks and highlighting significant events arising thereon to the Board via the CRO.

Annual Review of Adequacy and Effectiveness of Risk Management and Internal Control Systems

The Board with the assistance of the ARC has undertaken an annual evaluation of the adequacy and effectiveness of the risk management and internal control systems. The assessment considered both the key risk profile of the Company, the ability to discharge proper risk governance responsibilities and the existence and effectiveness of the principles within the Company to meet the requirements of an effective internal control system as stipulated by COSO.

The Board's annual assessment of risk management and internal control was based on the Risk Governance and Internal Control Manual and the evaluation against a COSO Internal Control Checklist which considered:

- the changes to the business strategy and accompanying changes to the risk profile, risk appetite and tolerance limits;
- the changes to the Board authority and authorisation responsibilities delegated to Management in respect of the changes to the key business strategies;
- the policies and authorisation responsibilities of the Company;
- the adequacy and effectiveness of risk management activities to address the pertinent risks;
- the controls and activities in place to uphold and enforce the principles of effective internal control by COSO covering the control environment, risk assessment, control activities, information and communication and monitoring activities; and
- the occurrence of significant internal control weaknesses during the financial period and whether these issues were adequately and properly addressed.

The Board reviewed the above in order to understand the profile of risks relevant to the Company and the appropriateness of counter-measures for managing them.

Pursuant to this, the Board has obtained a Declaration of Compliance from the CEO and the CFO:

- a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;
- b) regarding the effectiveness of the Group's risk management systems; and
- c) that there has been full conformance with the risk governance activities and responsibilities stated in the Company's Risk Governance and Internal Control Manual.

Opinion on Adequacy of the Group's Internal Controls

Based on the existing risk governance practices and evaluation of the adequacy and effectiveness of internal control, the work performed by the internal and external auditors and in-house reviews conducted by Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Company's internal controls over operational, financial, compliance and information technology risks are adequate as at 31 March 2015.

Audit and Risk Committee

The ARC comprises the following three Independent and Non Executive Directors:

Mr Lim Jiew Keng (Chairman)
Mr Allan Choy Kam Wing (Member)
Mr Goh Boon Seong (Member)

The ARC is responsible for assisting the Board in discharging its statutory and other responsibilities relating to internal control, risk management, financial, accounting matters and matters pertaining to regulatory compliance.

Audit and Risk Committee (cont'd)

The Board is of the view that all members of the ARC are appropriately qualified to discharge their responsibilities. The ARC Chairman has strong financial management background and experience while the other committee members possess extensive experience and knowledge relating to manufacturing, marketing and distribution.

During the year, Management, External Auditors and the Company Secretaries have arranged briefings to the ARC to address topics such as financial reporting, changes to accounting standards, changes to the Companies Act, Cap. 50, updates to the 2012 Code, SGX Listing Rules changes and any other relevant updates which require the attention of the ARC.

Roles and Responsibilities of the ARC in Respect of Audit and Internal Control

The ARC has a formal Terms of Reference endorsed by the Board. This sets out their duties and responsibilities. The Board delegates the authority to the ARC to investigate any matters within its Terms of Reference. The ARC has full and unrestricted access to, and the cooperation of Management. The ARC also has the full discretion to invite any Director or executive of the Group to attend the ARC meetings. The ARC has adequate resources to enable it to discharge its functions properly.

The ARC met four times during the financial year and performed its functions and responsibilities set out in its Terms of Reference, which include:

- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- reviewing the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls at least annually;
- reviewing the adequacy of the risk governance and risk management initiatives taken to support the achievement of the business strategies and the adequacy of the internal control and risk management framework to manage and mitigate the relevant risks as described in the earlier section on risk management;
- reviewing the adequacy and effectiveness of the Group's in-house internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures including the adequacy of management responses and action plans to address internal control weaknesses highlighted;
- reviewing the scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- reviewing the external auditors' audit plan, audit report and the external auditors' evaluation of the system of internal accounting controls with the external auditors, as well as the assistance given by Management to the external auditors;
- reviewing the nature and extent of the external auditors' non-audit services to the Group as well as the extent of reliance placed by the external auditors on the internal auditors' work, seeking to balance the maintenance of objectivity and cost effectiveness;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing effectiveness of arrangements by which employees may, in confidence, raise concerns about possible business or financial improprieties or other matters; and
- reviewing the quarterly, half-yearly and full-year financial reports of the Group, prior to their submission to the Board.

As the AC was renamed to the ARC on 27 May 2015, the Terms of Reference for the ARC would be formalised to set out the oversight of risk matters as part of the ARC's duties and responsibilities for risk governance and risk management and recommended to the Board for endorsement.

Roles and Responsibilities of the ARC in Respect of Audit and Internal Control (cont'd)

The AC meetings held across the financial year are attended by the COO, Head of Finance, Director of Internal Audit and the external auditors. Where representation from Management is required, it is extended via invitation. The ARC also meets the external and internal auditors separately where required, to:

- obtain feedback on the competency and adequacy of the finance function;
- enquire into the root causes for any major audit adjustments and internal control issues; and
- inquire if there are any material weaknesses or control deficiencies over the Group's financial reporting process and the corresponding effect on the financial statements.

The ARC assesses the independence of the external auditors annually and reviews the non-audit services provided by the external auditors. The aggregate fees paid to the external auditors for the financial year ended 31 March 2015 were:

	S\$'000
Audit fees	1,052
Non-audit fees	107
Total fees	<u>1,159</u>

Based on the review of the non-audit services rendered by the external auditors for the financial year ended 31 March 2015 and the fees paid, the AC is satisfied that the independence of the external auditors has not been impaired.

The AC and the Board are also satisfied that suitable external auditors were appointed for the Company, its Singapore-incorporated subsidiaries as well as its significant foreign-incorporated subsidiaries and associated companies. Accordingly, the Company complies with Rules 712, 715 and 716 of the Listing Manual of the SGX-ST.

The Group is committed to maintaining a high standard of ethics and has zero tolerance for fraud. The Group has a whistle blowing policy in place which encourages the reporting of matters of fraud, corruption or dishonest and unethical practices. The Group is committed to protecting whistle-blowers and encourages them to identify themselves to facilitate contact and investigation. However, reports lodged in anonymity will also be investigated if the amount concerned is significant and there is reason to believe the reported wrong doing has been perpetrated. The whistle blowing policy is communicated to all staff and covered during staff trainings.

The Group undertakes to investigate complaints or allegations of fraud and unethical behaviour objectively. The ARC has endorsed the whistle blowing arrangement for all employees to raise such concerns in confidence. This ensures independent investigation of matters reported and to allow appropriate actions to be taken. All such investigations are undertaken by the Internal Audit Department or by external professionals (if necessary) and results are reported directly to the Chairman of the ARC.

None of the members nor the Chairman of the ARC are former Partners or Directors of the Group's external audit firm.

Internal Audit Department ("IAD")

The Group's internal audit function is performed by an in-house Internal Audit Department ("IAD"). The IAD is independent of Management and is headed by a Director of Internal Audit.

The Director of Internal Audit has a direct and primary reporting line to the ARC Chairman, with administrative reporting to an Executive Director/General Manager.

The appointment, assessment and compensation of the Director of Internal Audit is approved by the ARC. The IAD assists the Board by serving as an assurance function in monitoring the adequacy and effectiveness of internal controls and risk management activities of the Group through the reviews of business and financial operations performed Group-wide, as part of the approved annual internal audit plan.

Internal Audit Department ("IAD") (cont'd)

The IAD comprises five qualified professional staff who undergo regular training and skills development programs to ensure that technical knowledge are maintained. The Head of IAD reports to the ARC on the nature and frequency of training and seminars attended by the IAD to enhance skill sets in specialised areas and professional Internal Auditing standards.

The IAD adopts the International Standards for the Professional Practice of Internal Auditing ("IPPF") laid down by the Institute of Internal Auditors. The attribute and performance standards of the IPPF are applied throughout the work that the IAD performs.

The Charter of the IAD ensures full and unrestricted access to all documents, records, assets and personnel of the Group.

During the year, the IAD considered the following components of internal control:

- Control Environment:** The nature of the Group's Control Environment has a pervasive effect on the IAD's assessment of risks. The IAD assessed the design of the Control Environment to determine the strength of the foundation for all other components of internal control and made appropriate recommendations for improvement. The IAD has considered the following elements (which have a pervasive effect) and how they have been incorporated into the Group's processes:
 - Communication and enforcement of integrity and ethical values
 - Commitment to competence
 - Participation by those charged with governance
 - Management's philosophy and operating style
 - Organisational structure
 - Assignment of authority and responsibility
 - Human resource policies and practices
- Risk Assessment:** The IAD reviewed the risk assessment performed by management in relation to the internal control of various operations of the Group, including their impact and likelihood. The relevant risks were thereafter considered in the internal audit scope and annual internal audit plan.
- Control Activities, Information and Communication:** The IAD evaluated the effectiveness and adequacy of processes, in particular, the adequacy of internal controls over authorization, information processing, physical controls, segregation of duties and performance reviews.
- Monitoring Activities:** The IAD evaluated the appropriateness of the monitoring activities over internal control, specifically considering monitoring activities pertinent to the Group's processes, people and systems.

The ARC approves the annual internal audit plan and budget. The ARC also ensures the adequacy of internal audit resources to perform its function annually. The annual internal audit plan and scope cover the operational and financial functions within the Group. Associates and joint ventures are subject to internal audit review regularly.

During the year, the IAD conducted its audit reviews in accordance with the approved annual internal audit plan. The IAD reports its findings on a quarterly basis to the ARC, as well as recommendations to management who would respond to the actions to be taken on any control weaknesses identified. The IAD also reports on the status of the audit plan and provides an update of actions taken by management to address prior findings to the ARC.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

The Company is committed to providing shareholders with adequate, timely and sufficient information which could have a material impact on the share price or value.

The Company communicates with shareholders regularly and addresses any queries that they may have. All shareholders are provided a copy of the annual report and a notice of the Annual General Meeting ("AGM").

The Company encourages shareholder participation during the AGM which is held at a central location in Singapore. Shareholders are able to proactively engage the full Board and external auditors on the financial and business related matters. The Company Secretaries prepares minutes of shareholder's meetings incorporating substantive queries from shareholders and responses from the Board. Such minutes are available to shareholders upon their requests.

Communication with Shareholders

The Company believes it is important to maintain a high standard of public disclosure. And therefore, the Company is committed to regular, effective and fair communication with shareholders.

The Company monitors the dissemination of material information to make sure that it is made public on a timely and non-selective basis. All results announcements including price sensitive information are released via SGXNET within the mandatory period. These results announcements, material information and other press releases are also available on the Company's website, www.gpbatteries.com.sg.

The 2012 Code encourages the avoidance of selective disclosure to certain groups of individuals or companies. Accordingly, the Company do not practise selective disclosure.

The Company maintains a line of communication with shareholders through its website, www.gpbatteries.com.sg and the Company also encourages correspondence through its website or corporate mailing address.

Shareholders are invited to attend all general meetings which include the AGM and any Extraordinary General Meetings (advertisements of these meetings are posted in newspapers and shareholders receive a notification of this meeting as well as the annual report). At these meetings, shareholders are accorded the opportunity to raise relevant questions and to communicate their views at the meetings. The Board, Senior Management team, Company Secretaries and the external auditors are present at these meetings to respond to any shareholder or investor queries.

Dividend Policy

The Company does not have a dividend policy. Dividends are declared based on the financial performance of the Company, the consideration of future business plans and the position of retained earnings.

Conduct of Shareholder Meetings

The Company believes in encouraging the participation of shareholders at the general meetings and shareholders are provided with the opportunity to query the Board and the external auditors as well as other relevant representatives at these meetings relating to matters that are pertinent to the Company.

A shareholder who is entitled to attend such general meetings and vote, may either vote in person or appoint proxies to vote on his/her behalf. The Company plans to introduce a system of voting electronically by poll.

Each resolution item is included in the notice of the meeting and accompanied by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

At each AGM, the Chairman of the Board presents the progress and performance of the Company and encourages shareholders to participate in the question and answer session. The external auditors are present to address shareholders' queries relating to the audit and the audited financial report.

Chairmen of the ARC, NC and RC, or members of the respective Board Committees are present at each general meeting to address shareholders' queries. Appropriate members of the Senior Management team are also present at general meetings to address any relevant shareholders' queries.

Minutes of the discussions at the general meetings will be made available to the shareholders upon request.

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST and save as disclosed under the section on Interested Person Transactions below, the Company confirms that there were no materials contracts entered into by the Company and its subsidiary companies involving the interests of the CEO, Directors or controlling shareholders, 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.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested person 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 Listing Manual of the SGX-ST in respect of interested person transactions for the financial year ended 31 March 2015 is as follows:-

Name of Interested Person	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)	
	2015 S\$'000	2014 S\$'000
Gold Peak Industries (Holdings) Limited & its subsidiaries		
Rental deposits	715	413
Rental & other expenses	1,785	1,496
GP Industries Limited		
Rental & other expenses	204	–
Renovation & other expenses	143	–

The Company does not have a mandate on interested person transactions.

DEALINGS IN SECURITIES

The Group has adopted a Best Practices Guide with respect to dealings in securities by Directors and officers of the Group.

Directors and officers are prohibited from dealing in the Company's securities whilst in possession of unpublished price sensitive information and for the period of two weeks before the announcement of the Company's first three quarters' results, and one month before the announcement of the Company's full year results.

Directors and officers are also not expected to deal in the Company's securities on short-term considerations.

The Company has complied with its Best Practices Guide on Securities Transactions.