

# CORPORATE GOVERNANCE

The Board of Directors (the “Board” or the “Directors”) of GP Batteries International Limited (the “Company” and together with its subsidiaries, the “Group”) is committed to ensuring and maintaining high standards of corporate governance in conformance with Singapore Code of Corporate Governance 2012 (the “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 with reference to the principles and guidelines of the 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. Explanations on any deviations in the Company’s practices from the Code are provided, where applicable.

## THE CODE

The 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

*Principle 1: Effective Board to lead and control the Company*

The Board meets regularly to review the Group’s strategic business plans, the assessment of key risks and the financial performance of the Group. 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 stakeholders’ interests and the Group’s assets. All Board members exercise due diligence, independent judgement, and objective decision making based on their diversified knowledge and experience, in the best interests of the Company.

In addition to the statutory duties, the principal functions of the Board are as follows:-

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- (c) review management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (e) set the Company’s value and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues, eg. environmental and social factors, as part of its strategic formulation.

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 Committee (the “ARC”), Nominating Committee (the “NC”) and Remuneration Committee (the “RC”) (collectively the “Board Committees”). The Board acknowledges that while these Board Committees have the authority to examine particular issues and will report to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

# CORPORATE GOVERNANCE (cont'd)

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

Furthermore, the Company has formalised a Board authority matrix that sets out the detail and extent of authority delegated to the Board Committees and management team of the Company ("Management"). It also sets out the key activities and/or transactions which require the Board's approval such as significant investments/divestments, financing arrangements, interested persons transactions, capital expenditure, financial budgets, share issuance and dividend payments and any material transactions requiring announcements under the SGX-ST Listing Rules.

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

The Constitution of the Company allows Directors to participate in a Board meeting by telephone-conference or video-conference such that their participations in meetings are not limited by the need for physical presence.

The number of the Board and the Board Committees meetings held in the financial year ended 31 March 2017 and the attendances of Directors at these meetings are as follows:

	Board		Audit and Risk Committee		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	4	–	1	1	1	1*
Richard Ku Yuk Hing	4	4	4	–	1	–	1	–
Henry Leung Kwong Hang	4	4	4	4*	1	1	1	1*
Leung Pak Chuen	4	4	4	–	1	1*	1	1*
Hui Wing Sun	4	4	4	–	1	–	1	–
Brian Wong Tze Hang	4	4	4	4*	1	–	1	–
Lim Jiew Keng	4	4	4	4	1	1	1	1
Allan Choy Kam Wing	4	4	4	4	1	1	1	1
Goh Boon Seong	4	4	4	4	1	1	1	1

\* Attendance by invitation of the relevant Board Committees

The appointment of Directors is recommended to the Board by the NC and the incoming Directors will be briefed on their duties and obligations. A formal letter of appointment will be provided to the newly appointed Directors, setting out their duties and obligations as a Director. The Company also organises orientation program and induction briefings from senior management for new Directors to familiarise with the business activities (covering products, customers, market position, financial, organisational structure and performance) as well as the strategic direction and corporate governance practices of the Company. The Company also arranges, where necessary, for new Directors to visit major operating facilities of the Group.

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

For the financial year ended 31 March 2017, the following updates and briefings were arranged for the Board:

- developments to the financial reporting standards and auditing standards that are relevant to the Company were provided by external auditors, Deloitte & Touche LLP;
- developments to (i) risk governance, risk management program and risk profile of the Group; and (ii) sustainability reporting requirements were provided by an external consultant, RSM Risk Advisory Pte Ltd;
- 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 the Chief Executive Officer ("CEO") and the Executive Vice President.

## Board Composition and Guidance

### *Principle 2: Strong and independence element on the Board*

The Board comprises nine members, three of whom are Non-Executive Directors. All the three Non-Executive Directors, namely, 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 judgement with a view to the best interests of the Group, and they are able to exercise objective judgement 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 may impair their independence to the Board on a timely basis. The Board, based on the evaluation performed by the NC, is of the view that all Non-Executive Directors of the Company are independent.

The Board noted that the Company is required to comply with the requirement for Independent Directors to make up at least half of the Board on or before the Annual General Meeting of the Company scheduled to be held before 31 July 2018, and is in the midst of making arrangements to change the Board composition.

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 the CEO is responsible for the overall operations of the Group as well as ensuring that the principles of the Code are adhered to. There is sufficient independent representation in the Board and the Board Committees which provide an independent and objective element to the Group in 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 will continually evaluate the number of Independent Directors, and is taking 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 from the date of his first appointment. The NC evaluates the independence of a Director in accordance with the definition of 'Independent Director' under Guideline 2.3 of the Code that would otherwise deem him not to be independent.

## Board Size and Experience

The Board, with the assistance of the NC in reviewing the Board size on an annual basis, is satisfied that the present Board size is appropriate for the current scope and nature of the Group's operations.

The Board as a whole comprises executive and independent non-executive members who bring a vast wealth of expertise and experience to the Group. The Executive Directors 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, finance, manufacturing and engineering sectors.

## Role of the Non-Executive Directors

The Non-Executive Directors constructively challenge proposals on business strategy and review the Group's performance against business objectives. They also convene meetings as and when required to address ad hoc or urgent 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 and Chief Executive Officer

### *Principle 3: Clear division of responsibilities and balance of power and authority*

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.

The Chairman is also the CEO of the Company. Nonetheless, there are compensating factors to mitigate the consolidation of the Chairman and the CEO role within the Group. For instance, the presence of three Independent Non-Executive Directors provides an independent and objective element to the Board. They participate actively in matters relating to business, finance, corporate governance, risk management, remuneration and appointment of Board members. The Board Committees, namely, the ARC, the RC and the NC, comprise primarily Independent and Non-Executive members. Hence, the Board believes that there are sufficient safeguards against an uneven concentration of power and authority in a single individual, and that the existing leadership arrangement is effective. The Board will continually review the role of the Chairman and the CEO as well as the composition of the Board to ensure that it does not impede the principles of independence and objectivity in decision making.

# CORPORATE GOVERNANCE (cont'd)

## Roles of the Chairman and the CEO

Mr Victor Lo Chung Wing is the Chairman and the CEO of the Company. As the CEO, he is responsible for the Group's overall management, including overseeing the Group's operation, setting directions for new growth areas and developing business strategies. Mr Victor Lo Chung Wing plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. It is hence the view of the Board that it is currently in the best interests of the Group to adopt a single leadership structure.

The Chairman and the CEO remains involved in significant corporate matters, especially those of strategic nature. As the Chairman, Mr Victor Lo Chung Wing is responsible for the effective function of the Board and exercises control over the quality, quantity and timeliness of the flow of information between Management and the Board, these include:

- (i) ensuring the Board's effectiveness and managing the relationship with shareholders;
- (ii) ensuring that Board meetings are held when necessary and to approve the meeting agenda;
- (iii) providing accurate and clear information contained in the Board papers circulated to the Board members;
- (iv) allowing sufficient time for the discussion of the agenda items;
- (v) monitoring communications and relations within the Board and between the Board and Management to facilitate constructive dialogue;
- (vi) facilitating effective contribution of the Non-Executive Directors; and
- (vii) ensuring compliance with the guidelines set out in the Code.

The Board is of the view that there is adequate accountability and transparency taking into account the size, scope and nature of the operations of the Group, the roles of the Chairman and the CEO are not separated.

## Lead Independent Director

To promote a high standard of corporate governance, Mr Lim Jiew Keng had been appointed as the Lead Independent Director of the Company and he is also the Chairman of the ARC.

As the Lead Independent Director, Mr Lim Jiew Keng shall be available for dialogue with shareholders in circumstances where:

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

## Board Membership

*Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board*

## Nominating Committee

The NC currently comprises the following five 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, including the NC Chairman, 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 and adequacy of the Board's training and professional development programmes.

## Nominating Committee (cont'd)

The duties and responsibilities of the NC as set out in its Terms of Reference include:

- (a) reviewing, assessing and making recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendation to the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board; and providing to all newly appointed directors a formal letter setting out his/her duties and obligations;
- (b) reviewing regularly the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the Directors as a group and making recommendations to the Board with regards to any adjustments that are deemed necessary;
- (c) reviewing, assessing and recommending nominee(s) or candidate(s) for re-appointment or re-election to the Board and considering his/her competencies, commitment, contribution, performance and whether or not he/she is independent;
- (d) making plans for succession, in particular for the Chairman of the Board and the CEO;
- (e) determining annually whether a Director is independent bearing in mind the circumstances set forth in Guidelines 2.3 and/or 2.4 of the Code and other salient factors; and to ensure that the Company will disclose in full the nature of the Director's relationship and explains why the Director should be considered independent, if the NC determines that Director, who has one or more of the relationships that could interfere with his/her exercise of independent business relationship judgement or who has served on the Board beyond nine years can be considered independent;
- (f) recommending Directors who are retiring by rotation to be put forward for re-election;
- (g) deciding whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations, and/or other principal commitments;
- (h) recommending to the Board to adopt internal guidelines to address the competing time commitments faced by the Directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold;
- (i) assessing the effectiveness of the Board as a whole and recommending to the Board the development of a process for evaluation and decide how the performance of the Board may be evaluated and proposing objective performance criteria; and
- (j) recommending to the Board comprehensive induction training programmes for new Directors and to review training and professional development programmes for the Board and keep the Board apprised of relevant new laws, regulations and changing commercial risks.

## Independence of Directors

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

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 their other principal commitments and representations on the boards of other listed companies. 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 the 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).

# CORPORATE GOVERNANCE (cont'd)

## Selection, Appointment and Re-appointment of Directors (cont'd)

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

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

	<b>Victor Lo Chung Wing</b>	<b>Richard Ku Yuk Hing</b>	<b>Henry Leung Kwong Hang</b>
<b>Role</b>	Chairman and CEO Executive Director	Vice Chairman Executive Director	Executive Vice President ("EVP") and CRO Executive Director
<b>Academic and Professional Qualifications</b>	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.
<b>Board Committee(s) served on</b>	NC (Member)	Nil	NC (Member)
<b>Date of first appointment as a Director</b>	25 April 2014	24 July 1990	13 August 2008
<b>Date of last re-election/re-appointment as a Director</b>	28 July 2016	28 July 2016	30 July 2015
<b>Present directorships in other listed companies</b>	Gold Peak Industries (Holdings) Limited <i>Chairman and Chief Executive Executive Director</i> GP Industries Limited <i>Chairman and CEO Executive Director</i>	Gold Peak Industries (Holdings) Limited <i>Executive Director</i>	Nil
<b>Past directorships in other listed companies over the three years</b>	Nil	Nil	Nil
<b>Other principal commitments</b>	Hong Kong Design Centre <i>Director</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>Non-official Member</i> PMQ Management Co. Ltd <i>Director</i> Hotel ICON Limited <i>Chairman of the Board of Directors</i>	Nil	Nil

## Selection, Appointment and Re-appointment of Directors (cont'd)

	Leung Pak Chuen	Hui Wing Sun	Brian Wong Tze Hang
<b>Role</b>	Executive Director	Executive Director	CFO Executive Director
<b>Academic and Professional Qualifications</b>	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.
<b>Board Committee(s) served on</b>	Nil	Nil	Nil
<b>Date of first appointment as a Director</b>	29 May 2014	24 July 1990	1 June 2009
<b>Date of last re-election/ re-appointment as a Director</b>	30 July 2014	28 July 2016	30 July 2015
<b>Present directorships in other listed companies</b>	Gold Peak Industries (Holdings) Limited <i>Deputy Chief Executive</i> <i>Executive Director</i> GP Industries Limited <i>Executive Vice Chairman</i> <i>Executive Director</i> Meiloon Industrial Co. Ltd (Meiloon") <i>Authorised Representative of Director of Meiloon, Famingo Pte Ltd</i>	Nil	Nil
<b>Past directorships in other listed companies over the three years</b>	Nil	Nil	Nil
<b>Other principal commitments</b>	Nil	Nil	Nil

# CORPORATE GOVERNANCE (cont'd)

## Selection, Appointment and Re-appointment of Directors (cont'd)

	Lim Jiew Keng	Allan Choy Kam Wing	Goh Boon Seong
<b>Role</b>	Lead Independent Director, Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
<b>Academic and Professional Qualifications</b>	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.
<b>Board Committee(s) served on</b>	ARC (Chairman), NC (Member), and RC (Member)	NC (Chairman), ARC (Member), and RC (Member)	RC (Chairman), ARC (Member), and NC (Member)
<b>Date of first appointment as a Director</b>	1 July 2009	24 May 2011	28 May 2012
<b>Date of last re-election/re-appointment as a Director</b>	28 July 2016	28 July 2016	30 July 2015
<b>Present directorships in other listed companies</b>	Nil	GP Industries Limited <i>Independent Non-Executive Director</i>	Boustead Singapore Limited <i>Independent Director</i>
<b>Past directorships in other listed companies over the three years</b>	Nil	Nil	Nil
<b>Other principal commitments</b>	BSL Consultants Pte Ltd <i>Director</i>	Nil	WhiteRock Medical Company Pte Ltd <i>Director &amp; Shareholder</i>

Details of Directors' shareholdings are disclosed on page 24 of the Directors' Statement under Directors' Interests in Shares and Debentures of this annual report.

## Board Performance

*Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board*

The Board has implemented a process to assess the effectiveness of the Board and the contribution of each Director towards the Board's effectiveness. The NC works with the Company Secretaries to evaluate the performance of the Board 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.



## Board Performance (cont'd)

The following key performance criteria are considered under the evaluation program:

- 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 the 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. Evaluations of individual Director are taken into account by both the NC and the Board Chairman in considering each Director's performance and any changes to the Board appointments. The basis of evaluating the effectiveness of each Director is continually refined to improve the measurement and benchmarking of the results against predetermined criteria.

## Access to Information

*Principle 6: Board members should be provided with complete, adequate and timely information*

Board papers prepared by Management are circulated to all Board members prior to every 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;
- in respect of quarterly financial results, material variances compared to budgets and projections, supported by detailed analysis and explanations; and
- any major operational and financial issues.

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

Matters which require the Board's consideration and approval 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 financial position and performance. In addition, detailed reviews and discussions on the quarterly financial results are conducted by the Board during the relevant Board meetings before these results are announced and released via the SGXNet.

Directors have separate and independent access to the Group's Management, including the Chairman/CEO, the CFO and the Group's internal and external auditors. Directors are able to query Management in relation to the Board papers or any reports prepared by Management.

## Role of the Company Secretaries

The Board has access to the advice and services of the Company Secretaries and decides on their appointment and removal.

At least one of the Company Secretaries attends all Board meetings, in particular the meetings for reviewing the draft announcements of the Group's quarterly or full year financial results, and all meetings of the RC and the NC.

The Company Secretaries assist the Chairman to ensure that the Board procedures are duly followed. They also assist the Company to comply with relevant rules and regulations such as the Singapore Companies Act, Cap. 50 and the SGX-ST Listing Rules.

## Professional Advice Taken by the Board

The Board, whether as a group or individually, may seek and take independent professional advice in relation to the discharge and furtherance of their duties. The costs of such professional advice will be borne wholly by the Company.

# CORPORATE GOVERNANCE (cont'd)

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

*Principle 7: Formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors*

The RC currently comprises the following three Independent Non-Executive 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 the deliberations of any remuneration, compensation, options or any form of benefits that he is interested in.

The RC has a Terms of Reference endorsed by the Board and the principal responsibilities of the RC include:

- (a) reviewing and recommending to the Board in consultation with Management and the Chairman of the Board, a framework of remuneration, and determining the specific remuneration packages and terms of employment for each of the Executive Directors and key management personnel including those employees related to the Executive Directors or the substantial/controlling shareholders of the Group;
- (b) reviewing and submitting its recommendations for endorsement by the entire Board, share-based incentives 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 evaluating the costs and benefits of such schemes and doing all acts necessary in connection therewith;
- (c) functioning as the Committee referred to in the GP Batteries Performance Share Plan (the "Performance Share Plan") and shall have all the powers as set out in the Performance Share Plan;
- (d) carrying out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed by the Board from time to time;
- (e) ensuring 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;
- (f) ensuring the remuneration packages are comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Executive Directors' and key management personnel's performances;
- (g) ensuring the remuneration packages of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;
- (h) ensuring the level and structure of remuneration are aligned with the long-term interests and risk policies of the Company and Guidelines 8.1 to 8.4 of the Code; and
- (i) ensuring the Company's obligations arising in the event of termination of the Executive Directors and key management personnel are fair and reasonable under the contracts of service.

During the financial year, the RC had recommended to the Board for endorsement, a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximise shareholders' value.

In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain the existing Directors of experience and good standing. The RC has full authority to obtain external professional advice on matters relating to remuneration should the need arise.

### Level and Mix of Remuneration

*Principle 8: Level of remuneration of Directors should be appropriate but not excessive*

The RC works closely with the Group's Human Resources (the "GHR") function on deriving the remuneration policy. The GHR provides remuneration details of the Board and key management personnel to the RC for their evaluation against available industry data to determine whether the level and mix of remuneration is reasonable. The remuneration policy recommended by the RC is submitted for approval by the Board.

## Level and Mix of Remuneration (cont'd)

Independent Non-Executive Directors are remunerated with fees that are structured to reflect the amount of time and effort put into as well as the level of contribution made and responsibilities assumed and they include the following components:

- (i) a basic fee;
- (ii) fee for acting as the Lead Independent Director;
- (iii) fee for acting as the Chairman or a member of the ARC, the RC or the NC; and
- (iv) fee for attending additional Board, ARC, RC or NC meetings beyond those generally required or scheduled for.

Executive Directors and key management personnel have remuneration structures that do not promote excessive risk taking and are aligned with the Group's business strategy, longer term objectives and risk policies.

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 time and effort as well as the level of contribution and responsibilities borne by each Non-Executive Director.

The Company does not use any contractual provision to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of mis-statement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors and key management personnel in the event of such breach of fiduciary duties.

## Remunerations of Executive Directors and Key Management Personnel

### (a) Fixed and Variable Components

Remunerations of Executive Directors and key management personnel generally comprise a fixed component as well as 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 is designed to be motivational and facilitate the retention of key management talents.

Remunerations of Executive Directors and 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.

### (b) Benefits

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

### (c) Performance Share Plan

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

Under the Performance Share Plan, shares are awarded based on the eligibility and performance of the individual. The approval to award performance shares rests with the RC and there have not been any performance shares awarded to date.

Non-Executive Directors are eligible to participate in the Performance Share Plan to include an incentive element to their remunerations as well as to align their interests with shareholders.

# CORPORATE GOVERNANCE (cont'd)

## Disclosure on Remuneration

*Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration*

The remuneration package of all the Directors and the top five key management personnel (who are not Directors or the CEO) for the financial year ended 31 March 2017 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
<b>Range of remuneration below S\$250,000</b>					
<b>Executive Director</b>					
LEUNG Pak Chuen	0%	0%	0%	0%	0%
<b>Independent Non-Executive Director</b>					
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%
<b>Range of remuneration S\$250,001 to S\$500,000</b>					
<b>Executive Director</b>					
HUI Wing Sun	93%	5%	2%	0%	100%
Richard KU Yuk Hing	84%	14%	2%	0%	100%
Brian WONG Tze Hang	75%	5%	20%	0%	100%
<b>Key Executive</b>					
David QIU Ruixiang	79%	20%	1%	0%	100%
<b>Range of remuneration S\$500,001 to S\$750,000</b>					
<b>Key Executive</b>					
HUANG Xiao Yun	26%	74%	0%	0%	100%
Richard YEW Cheng Teik	83%	16%	1%	0%	100%
Vincent ZHU Xiang Kui	25%	75%	0%	0%	100%
<b>Range of remuneration S\$750,001 to \$1,000,000</b>					
<b>Executive Director</b>					
Victor LO Chung Wing	93%	7%	0%	0%	100%
<b>Key Executive</b>					
William WANG Jian Hao	21%	79%	0%	0%	100%
<b>Range of remuneration S\$1,000,001 to S\$1,250,000</b>					
<b>Executive Director</b>					
Henry LEUNG Kwong Hang	57%	35%	8%	0%	100%

Total remuneration for the Directors and the top five key management personnel for the financial year ended 31 March 2017 amounted to S\$3,399,000 and S\$3,061,000 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 Group was an immediate family member of a Director and the CEO whose remuneration exceeded S\$50,000 during the financial year ended 31 March 2017. "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**

*Principle 10: Presentation of a balanced and understandable assessment of the Company's performance, position and prospects*

The Board is accountable to the shareholders. The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting quarterly and full year financial results and other price sensitive public reports, and reports to regulators (if required). The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the SGX-ST Listing Rules.

Management is accountable to the Board. Management prepares monthly management accounts as well as quarterly and annual financial reports that contain analysis and explanations of variances against budget and forecasts for the Board 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 is responsible for ensuring proper adherence to applicable rules and regulations.

### **Risk Management and Internal Controls**

*Principle 11: Sound system of risk management and internal controls*

The Board is responsible for risk governance. It establishes the level of risk appetite and tolerance limits which are conformed to in the pursuit of the business objectives. The Board has ultimate responsibility to set the business strategy in a manner that addresses stakeholders' expectations without exposing the Company to an unacceptable level of risk.

The Company has in place a Risk Governance and Internal Control Manual. This manual sets out the risk governance responsibilities and the accountability 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 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 to address risks relating to operation, finance, information technology and compliance. The risk management strategy, policies, risk profile and effectiveness of the risk mitigation actions to manage the Company's risks are presented regularly to the ARC which assumes responsibilities for both audit and risk matters.

### **Separate Committee for Risk Management**

The Company does not have a separate Risk Committee. The ARC is responsible for all matters in relation to risk management. The ARC is independent from Management, and members of the ARC are listed under "Audit and Risk Committee".

The Company's ERM framework and program for the identification of key risks within the business 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 Management**

As part of the ARC's responsibilities on 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;
- reviews the Company's procedures for reporting fraud including the whistle-blowing policy and ensures appropriate follow up actions are taken;

# CORPORATE GOVERNANCE (cont'd)

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

- 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 CRO of the Company is Mr Henry Leung Kwong Hang, who is also the EVP of the Company. The CRO is the custodian of the Risk Management program who reports on risk management matters to the ARC. The ARC reviews the adequacy of the ERM framework and program 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 regular 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, information technology and compliance aspects.

Risk owners and coordinators keep track of risk indicators in order to monitor conformance with risk appetite and tolerance limits. Any breach in risk limits is highlighted to the CRO who is tasked to oversee the necessary risk treatments and to report any major risk incidents to the ARC on a timely basis.

Based on the above, the ARC is of the opinion that the directives set forth in the Risk Governance Framework and Manual as well as the ERM program are adequate for 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 types of risks, 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 risk management training to promote risk awareness within the Group. 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 conducted an assessment of the adequacy and effectiveness of the risk management and internal control systems, including financial, operational, compliance and information technology controls. The assessment considered 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.

## Annual Review of Adequacy and Effectiveness of Risk Management and Internal Control Systems (cont'd)

The Board's 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 includes:

- 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.

The Board has obtained assurance 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) that the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls) are adequate, robust and effective in addressing the material risks in the Group in its current business environment; 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 internal control and established risk governance practices, reviews conducted by Management and various Board Committees, work performed by internal and external auditors as well as assurance from the CEO and the CFO, the Board with the concurrence of the ARC is of the opinion that the Company's internal controls addressing financial, operational, compliance and information technology controls, and the risk management systems are adequate and effective as at 31 March 2017.

## Audit and Risk Committee

*Principle 12: Establishment of Audit Committee with written terms of reference*

The ARC currently 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, regulatory compliance, financial and accounting matters.

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, the external auditors have conducted briefings and the Company Secretaries also provided the relevant updates to the ARC, where applicable, on the changes to the Financial Reporting Standards, Companies Act, Cap. 50, the Code, SGX-ST Listing Rules and any other relevant rules and regulations which require the attention of the ARC.

# CORPORATE GOVERNANCE (cont'd)

## 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 setting out their roles and responsibilities. The Board delegates the authority to the ARC, which has full and unrestricted access to, and the cooperation of Management, to investigate any matters within its Terms of Reference.

The ARC also has the full discretion to invite any Director or senior management personnel 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. Its roles and responsibilities, as set out in the Terms of Reference, include:

- (a) reviewing with the external auditors, the audit plan, including the nature and scope of the audit before the audit commences, their evaluation of the system of internal accounting controls, their audit report, their management letter and Management's response;
- (b) ensuring co-ordination where more than one audit firm is involved;
- (c) reviewing the quarterly, interim and annual financial statements before submission to the Board for approval, focusing in particular, on:
  - (i) changes in accounting policies and practices;
  - (ii) major risk areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern statement;
  - (v) compliance with accounting standard; and
  - (vi) compliance with stock exchange and statutory/regulatory requirements;
- (d) discussing problems and concerns, if any, arising from the quarterly, interim and final audits, and any matters which the external auditors may wish to discuss with the internal auditors without the presence of Management where necessary;
- (e) reviewing the assistance given by Management to the external auditors;
- (f) reviewing the scope and results of the audit and its cost effectiveness, and the independence of the external auditors annually;
- (g) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcement relating to the Company's financial performance;
- (h) reviewing the adequacy of the Company's internal controls, i.e. the financial, operational, compliance and information technology controls established by Management (collectively "internal controls");
- (i) reviewing annually the effectiveness of the Company's internal controls;
- (j) 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;
- (k) reviewing arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- (l) reviewing the internal audit program and ensuring co-ordination between the internal and external auditors and Management;
- (m) reviewing the adequacy of the resource of the internal audit function and having the appropriate standing within the Company; reviewing the effectiveness of the Company's internal audit function based on its scope and results of the internal audit procedure;
- (n) reviewing and discussing with the external auditors, any suspected fraud or irregularity, or suspect infringement of any Singapore Law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;



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

- (o) investigating any matter within its Terms of Reference, having full access to and co-operation by Management and full discretion to invite any Director or senior management personnel to attend its meetings, and reasonable resource to enable it to discharge its functions properly;
- (p) reporting to the Board its findings from time to time on matters arising and requiring the attention of the ARC;
- (q) reviewing interested person transactions ("IPTs") in cases where Rules 920(1)(b)(vi) or 921(5) of the SGX-ST Listing Manual applies;
- (r) undertaking such other reviews and projects as may be requested by the Board;
- (s) undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendment made thereto from time to time;
- (t) considering the appointment/re-appointment of the external auditors, the audit fee and matters relating to the resignation or dismissal of the auditors;
- (u) risk governance and tolerance:
  - (i) recommending to the Board the Group's levels of risk appetite and risk tolerance for different categories of risk;
  - (ii) reviewing and recommending to the Board for approval the risk strategy and policies for the management of material risks over a longer time horizon;
  - (iii) for strategic transactions undertaken by the Company and to be approved by the Board, the ARC shall, upon the request by the Board, advise the Board on risk aspects and implications for the risk tolerance of the Company. The ARC shall have the discretion to take independent advice where necessary;
  - (iv) reviewing the risks inherent in the Company's business model and strategy, including risks from external factors;
  - (v) monitoring the Company's current material risk exposures and ensuring that these are within the risk tolerance levels approved by the Board; and
  - (vi) reviewing the Group's overall risk assessment process that supports informed Board decision making;
- (v) risk management system:
  - (i) overseeing Management in the design, implementation and monitoring of the risk management and internal control system; and
  - (ii) reviewing policies, processes and reports concerning the adequacy and effectiveness of the Group's risk management framework including strategic, operational and information technology risks; and
- (w) oversight of material risks:
  - (i) reviewing the Group's framework, processes and resources to identify and manage new or emerging risks as a result of changes in country, technological, social or business conditions;
  - (ii) monitoring the implementation of the Group's risk mitigation plans;
  - (iii) reviewing the robustness of the business contingency planning process within the Group and ensure that material risks are identified and appropriate contingency plans are in place;
  - (iv) reviewing the adequacy of the insurance and other risk transfer arrangements; and
  - (v) reviewing reports on material risk events and ensuring adequacy of action taken by Management.

# CORPORATE GOVERNANCE (cont'd)

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

The ARC meetings are attended by the EVP, CFO, Director of Internal Audit and the external auditors. Invitation is extended to Management when their attendance is required. The ARC also meets the external and internal auditors separately without the presence of Management, where necessary, 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 on 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 2017 were:

	S\$'000
Audit fees	974
Non-audit fees	171
Total fees	1,145

Based on the review of the non-audit services rendered by the external auditors for the financial year ended 31 March 2017 and the related amount of fees, the ARC is satisfied that the independence of the external auditors has not been impaired.

The ARC 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. Investigations are conducted by the Internal Audit Department, with the assistance from external professionals where necessary, and investigations 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

### *Principle 13: Effective and independent internal audit function*

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 the Director of Internal Audit.

The appointment, assessment and compensation of the Director of Internal Audit, who has a direct and primary reporting line to the ARC Chairman, is approved by the ARC. The IAD assists the Board 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 according to an approved annual internal audit plan.

The IAD comprises five qualified professional staff who undergo regular training and skills development programs to ensure that high technical and professional standards are maintained. The Head of IAD reports to the ARC on the nature and frequency of training and seminars attended by the IAD team.

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.

## Internal Audit (cont'd)

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

- (a) 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
- (b) 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.
- (c) 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.
- (d) 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 IAD has sufficient resources to discharge its function. The annual internal audit plan and scope covers 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 and recommendations on a quarterly basis to the ARC where Management would respond on the action plan. The IAD also updates the ARC with actions taken by Management to address prior findings reported to the ARC. The ARC reviews, at least annually, the adequacy and effectiveness of the internal audit function.

## (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

*Principle 14: Shareholder Rights*

*Principle 15: Communication with Shareholders*

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

Shareholders are invited to attend all general meetings which include the Annual General Meeting ("AGM") and any Extraordinary General Meetings. All notices of general meetings, including notice of the AGM, containing information on and the effect of the proposed resolutions, are also advertised in newspapers. All shareholders are provided a copy of the annual report together with the notice for the AGM. These meetings are held at a convenient location in Singapore and shareholders are accorded the opportunity to raise relevant questions and to communicate their views at the meetings. Resolutions are passed through a process of voting by way of poll and shareholders are entitled to vote in accordance with established voting rules and procedures.

The Company's Constitution allows a shareholder of the Company to appoint not more than two proxies to attend and vote in his/her stead at all general meetings via proxy forms submitted in advance (i.e. not less than forty-eight hours before the time appointed for holding the general meetings). The proxy form is sent together with the notice of general meetings. The Company also allows corporations which provide nominee or custodial services to appoint more than two proxies, so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

# CORPORATE GOVERNANCE (cont'd)

The Code encourages the avoidance of selective disclosure to certain groups of individuals or companies. Accordingly, the Company does not practise selective disclosure. The Company also believes it is important to maintain a high standard of public disclosure. Therefore, the Company is committed to disseminate material information to make sure that it is made public on a timely and non-selective basis. Announcement of results and price sensitive information are released via SGXNET within the mandatory period and are also available on the Company's website, [www.gpbatteries.com.sg](http://www.gpbatteries.com.sg).

The Company maintains a line of communication with shareholders through its website, [www.gpbatteries.com.sg](http://www.gpbatteries.com.sg) and the Company also encourages correspondence through its website or corporate mailing address.

The Company is open to meetings with investors and analysts. If necessary, the Company will take the steps to solicit views from the shareholders through analyst briefings and meetings with investors. In conducting such meetings, the Company will be mindful of the need to ensure fair disclosure.

## *Principle 16: Conduct of Shareholder Meetings*

The Company encourages participation of shareholders at the general meetings through open question and answer sessions. Members of the Board, Chairman of the ARC, the NC and the RC are present at these meetings and are available to address any queries or concerns raised by shareholders. The external auditors will also be available to assist the Directors in addressing any queries from the shareholders in relation to the audit and the audited financial reports.

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

All resolutions are voted by way of poll and the Company announces the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Shareholders are informed of the voting procedures before voting commences.

The Company Secretaries prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting as well as the responses from the Board. These minutes are available to shareholders upon their request.

## **Dividend Policy**

The Company does not have a fixed dividend policy. The form, frequency, and/or dividend payout will depend on the Company's financial performance and position, project capital expenditure, future investment plans and any other factors that the Directors consider relevant.

## **MATERIAL CONTRACTS**

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST and save as disclosed under the section on IPTs below, the Company confirms that there were no material 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 IPTs. The Company's disclosure in accordance with Rule 907 of the Listing Manual of the SGX-ST in respect of IPTs for the financial year ended 31 March 2017 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)	
	2017 S\$'000	2016 S\$'000
<b>Gold Peak Industries (Holdings) Limited &amp; its subsidiaries</b>		
Rental deposits	–	671
Rental & other expenses	–	3,125
Rental income	–	(17)
<b>GP Industries Limited</b>		
Rental & other expenses	222	224
Sales	–	(110)
Product design service fee	129	130
Rental & property maintenance income	(179)	(102)

The Company does not have a mandate on IPTs.

## DEALINGS IN SECURITIES

The Group has adopted a Code of Best Practices Guide on Securities Transactions by Officers of the Company (the "Code of Best Practices").

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 Code of Best Practices.