

Issuer: GP Batteries International Limited

Security: GP Batteries International Limited

Meeting details:

Date: 28 Jul 2016

Time: 09:30 AM

Venue: Marina Mandarin Singapore, Taurus Ballroom, Level 1, 6 Raffles Boulevard, Marina Square, Spore 039594

Questions on strategy, financials and operations

1. **Review of operations** (page 13 of the annual report) - In the primary battery segment, it was noted that “new electronic products are becoming more energy efficient and the overall battery consumption in the market has been dropping”. Yet the group is setting up a new manufacturing plant in Vietnam and planning to increase the capacity in the Malaysian plant. **Can management help shareholders understand the dynamics of the market and the rationale to expand at the two manufacturing sites despite the apparent headwind? How strategic would these two expansions be? Will there be substantial capital expenditure required?** It is also noted that the group had taken a \$4.5 million impairment for the fixed assets used in the group’s Rechargeable Lithium batteries facilities. **Would it make sense if the group had chosen to convert part of the unused capacity instead of expanding in Malaysia?**

2. On page 59, it was disclosed that the group had carried out a review of the recoverable amount on certain property, plant and equipment and had taken an impairment loss of \$4.5 million to align the carrying amount of the plant and equipment to their recoverable amount. In the review of operations (page 12), it was explained that the plant involved was the group’s rechargeable lithium production facilities that were under-utilised. Based on the disclosure in last year’s annual report, this could be the manufacturing plant in Taiwan held by the 80% subsidiary, Gold Peak Industries (Taiwan) Limited. **Can management further elaborate on the situation at the plant? What is the current utilisation rate? What are the plans to increase the demand for the product? Can the plant be re-purposed for other products?**

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

3. The company has been aggressively buying back shares under the share buy-back mandate. For the financial year ended 31 Mar 2016, the company has bought back 6,685,200 of its own shares and holds them as treasury shares. As at 16 Jun 2016, 4.23% of the company’s issued shares are being held as treasury shares. In the same year the company has taken on additional debt. **What is the company’s capital management strategy in relation to optimum capital structure and dividend policy? Would the board be cancelling the treasury shares?** The company’s retained profits reserve is down to \$3.96 million at 31 March 2016 (page 30). This is equivalent to 2.5 cents per share, based on the number of issued shares excluding treasury shares. As the distributable reserves are quite thin, unless the group generates sufficient earnings in the near future, its ability to pay dividends will be impacted.