

Innovative design

To meet increasing consumer demand,
the Group has successfully introduced
PowerBank II, a sophisticated charger
using state-of-the-art Nickel Metal
Hydride batteries.





Overview

The 1999/2000 fiscal year represented an important turning point for the Group. Although the results of the first half was plagued by an abnormal rise in nickel price, and unfavourably high yen exchange rate and high interest rates, turnover continued to grow. The business environment in the second half improved considerably. Operating profit rebounded strongly by 51%. Cost cutting measures, including the relocation of additional operations from Hong Kong to more cost-competitive locations in the PRC, and process improvements in our manufacturing units improved margins. Major emphasis was placed on higher value and higher margin products such as Nickel Metal Hydride batteries. In view of these positive figures, it is likely that the worst was over and the Group is now solidly on the road to recovery from the Asian crisis.

Financial Performance

The Group's turnover for the year ended 31 March 2000 was S\$531.3 million, an increase of 14.4% over the previous year. Because of the poor results of the first half, consolidated net profit after taxation and minority interests but before extraordinary items was S\$22.1 million, representing a decrease of 15.4% as compared with 1999. Earnings per share was 21.38 Singapore cents compared to 25.27 Singapore cents of last year.

The Board of Directors recommends a final tax-exempt dividend of 6.5 Singapore cents per share. Together with the interim tax-exempt dividend paid, the total tax-exempt dividend per share for the year amounted to 9.0 Singapore cents.

Rechargeable Batteries – Nickel Cadmium and Nickel Metal Hydride

Nickel Cadmium and Nickel Metal Hydride batteries remained the core products of our Group, and have grown to over 47% of our total turnover. With more applications moving to the more advanced and environmentally friendly Nickel Metal Hydride batteries, for the first time, sales in Nickel Metal Hydride overtook Nickel Cadmium batteries. With the exit of some of the major producers of these batteries in the first half of the year, and the continued buoyant telecommunications market, demand for rechargeable batteries was strong. Our Group has managed to seize the opportunity and capitalize on the boom. Production capacities were expanded in China to cater for this upsurge.

Rechargeable Batteries – Lithium Ion

Lithium Ion battery represents the sector with the highest growth in the world market. Our Group has allocated considerable resources in gaining access to this technology as well as building up manufacturing facilities over the last three years. Based on the initial product design and the process knowhow of Duracell, our R&D and technical staff were able to improve the performance and the economics of the product. Pilot production has already started, and larger scale production will commence in the later part of this year.

In May 2000, the Group's subsidiary making Lithium Ion batteries, Gold Peak Industries (Taiwan) Limited, placed 9 million and 1.4 million new shares of NT\$10 each at NT\$24 each respectively to Meiloon Industrial Co., Ltd and China Development Industrial Bank. Total proceeds amounted to NT\$250.0 million (S\$14.1 million). At the placement price of NT\$24 per share, our Taiwan subsidiary will have a market capitalization of about NT\$4,887 million (S\$275.6 million). The Group's 75.1% shareholding will be worth about NT\$3,673 million (S\$207.2 million) as compared to its book carrying cost of NT\$1,488 million (S\$95.1 million) as at 31 March 2000. This represented a premium of 146.8% or NT\$2,185 million (117.9% or S\$112.1 million).

The Lithium Ion project is funded with sufficient initial working capital, and will start contributing to the Group's results in the next fiscal year.

Primary Batteries

Production of our primary batteries remained steady. We increased the capacity of our Malaysia 9 volt Alkaline battery factory because of strong out-sourcing demand from our private label customers. We are installing additional machinery in our Toshiba joint venture Carbon Zinc cylindrical battery factory as well as our STC joint venture Alkaline cylindrical factory to meet forecasted demand. Demand for button cells has recovered considerably, and production of high voltage car alarm batteries has been maintained at a high level.

Business Outlook

The overall business outlook is optimistic as the Group emerged from the economic downturn. In light of all the cost cutting and streamlining of our manufacturing facilities in the past two years, we are ready to attack the market and defend our market share in the traditional products with renewed stamina. The Lithium Ion battery production in Taiwan is expected to start commercial production in the second half of the year 2000, allowing our Group to participate in this exciting segment of the battery market. Development work has been started to produce Lithium Ion batteries with other form factors, such as prismatics. We will be forming a new business unit based on our accumulated technology on Electric Vehicle batteries to capitalize on the worldwide interest in non-polluting electric transportation. The Group's results are expected to improve.

Vote of Thanks

On behalf of the Board of Directors, I would like to extend my sincere appreciation to our shareholders for their trust and confidence in us, and our customers and business associates for their support during the difficult periods in the last two years. I would also like to thank our management and staff for their dedication and hard work in streamlining and improving our operations to prepare us for the future challenge.



Andrew S.O. Ng
Chairman and Chief Executive

18 August 2000