



Overview

Worldwide demand for batteries remained sluggish throughout the second half year after the events of September 11. According to the industry statistics reported by the Japanese Battery Association, the battery sales in Japan dropped by a staggering 14% in volume. Even the new Lithium Ion ("Li-ion") batteries market suffered a slight decline. The worst hit segment of our business was the rechargeable batteries in the OEM market. Though we managed to retain our market position in spite of the adverse conditions, there was serious margin erosion due to weak demand and oversupply. The worse than expected second half affected the overall performance for the financial year, making it the worst year since the Asian crisis.

CHAIRMAN'S STATEMENT

Financial Performance

The Group's turnover for the year ended 31 March 2002 was S\$554.0 million, a decrease of 6.8% over the previous year. The consolidated net profit after taxation and minority interest decreased by 30.2% to S\$17.2 million when compared to the previous year. Earnings per share were 16.62 Singapore Cents compared with 23.80 Singapore Cents last year.

The Board of Directors recommends a final tax-exempt dividend of 4.0 Singapore cents per share. Together with the interim tax-exempt dividend paid, the total tax-exempt dividend per share for the year amounted to 7.1 Singapore Cents.

Rechargeable Batteries - Nickel Cadmium and Nickel Metal Hydride

Sales of Nickel Cadmium ("NiCd") and Nickel Metal Hydride ("NiMH") rechargeable batteries decreased by about 20% mainly due to the slowdown in the OEM market as a result of weakened demand for cordless and cellular phones. Partly offsetting the decline, the boom in digital cameras encouraged consumers to use high-end NiMH batteries. This has sustained the continued sales growth of our consumer rechargeable batteries as well as our battery chargers GP PowerBank. To maintain our leading market position, we have successfully developed the GP2000 series NiMH rechargeable batteries, which has amongst the highest capacity in the industry. Bigger cell sizes such as C, D and F cells continued to gain market penetration into emergency lighting, electric bicycles and other applications.

Rechargeable Batteries - Lithium Ion

Gold Peak Industries (Taiwan) Limited, our manufacturing plant in Taiwan, has commenced commercial production of a range of special size cylindrical and prismatic Li-ion cells for applications such as cellular phones and digital cameras.

We have overcome the previous weak demand for Li-ion batteries and have successfully introduced our batteries to the local lap-top computer industry. Preparation work for the listing of this Taiwan subsidiary is progressing well.

Rechargeable Batteries - Electric Vehicle Batteries

The Group has secured a contract to supply electric vehicle ("EV") batteries to the Advanced Public Transport project in the Netherlands. This attainment confirmed our position as a major qualified EV battery supplier in Europe. The implementation of such a new transport system will bring forth an era of environmentally-friendly and energy-efficient electric mass transit, thereby creating a substantial demand for EV batteries from other parts of the world.

Negotiations of other projects including the Beijing 2008 Olympic EV buses are underway in various stages.

Rechargeable Batteries - Thin Metal Film Lead Acid

In December 2001, the Group acquired the assets and intellectual properties of Bolder Technologies Corporation in the US, and has since transferred the production facilities to Singapore. A research and development centre has also been established and we expect commercial production to commence in early 2003. The new Thin Metal Film ("TMF") Lead Acid technology developed by Bolder will enable the Group to offer a superior emergency starter battery for the automotive industry. In the longer term, this battery technology holds promise in high-powered applications as well as the emerging hybrid EV and 36-volt automotive batteries.

Primary Batteries

Alkaline 9-volt batteries recorded a healthy growth of 24% due to strong private-label demand. As a result, production capacity in our Malaysia plant

was expanded to cater for the increasing demand.

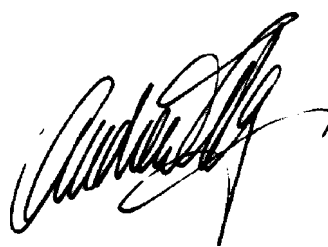
Contributions from Carbon Zinc and Alkaline batteries remained strong and steady. Button cell production in the Shanghai plant continued to grow satisfactorily.

Business Outlook

We are cautiously optimistic of the business outlook as there are already signs of economic recovery especially in the OEM market. The Group is expected to benefit from the growing demand for Li-ion and high-capacity NiMH batteries for various digital devices. We will continue to capitalise on our established private-label specialty battery business. The Group's established worldwide distribution network especially in China is expected to contribute more significantly. We will also continue to explore opportunities in EV and TMF Lead Acid batteries.

Vote of Thanks

On behalf of the Board of Directors, I would like to extend my heartfelt appreciation to all our customers and business associates for their unwavering support, and our shareholders for their trust and confidence. I would also like to thank our management and staff for their continual dedication and hard work. With everyone working as a team, the Group will emerge from these challenging times as a stronger and more profitable entity.



Andrew S. O. Ng
Chairman and Chief Executive
19 July 2002