

## CHAIRMAN'S STATEMENT

### Overview

The Group has achieved record turnover and profit for the year under review.

The strong growth of the consumer primary batteries and the increase in demand for high-capacity Nickel Metal Hydride ("NiMH") batteries boosted our sales. The consolidation of the sales of Zhongyin (Ningbo) Battery Co., Ltd. ("Ningbo Batteries") after its acquisition in November 2002 added to the turnover.

Profit for the year grew by nearly 90% and was more than double for the second half as compared to the corresponding period last year. A change in product mix to NiMH and a more stable market resulted in improved profit margin. Cost reduction, as a result of operational rationalisation over the last few years, and relatively low interest rates also contributed to the strong upsurge in profit.

According to a report by the Institute of Information Technology Ltd, Japan, the Group is now the world's number two manufacturer for NiMH rechargeable batteries.

Moreover, the GP brand name has continued to gain market recognition, as is evident from AC Nielsen's survey report in Hong Kong published in early 2003 - GP achieved the fastest growth in sales volume and value in the alkaline segment among other brands in Year 2002.

We continued to optimise and expand production capacity to meet rising demands.



## **Financial Performance**

The Group's turnover for the year ended 31 March 2003 was S\$660.7 million, an increase of 19.3% over the previous year. The consolidated net profit after taxation and minority interests increased by 89.5% to S\$32.6 million, and earnings per share was 31.48 Singapore cents compared with 16.62 Singapore cents last year.

The Board of Directors recommended a final tax-exempt dividend of 8.0 Singapore cents per share. Together with the interim tax-exempt dividend paid, the total tax-exempt dividend per share for the year amounted to 12.2 Singapore cents.

## **Rechargeable Batteries - NiCd and NiMH**

Sales of Nickel Cadmium ("NiCd") and NiMH rechargeable batteries increased by about 13% due to an overall recovery of the OEM market and the continuous growth of private-label demands. Moreover, the strong demand in consumer rechargeable market - especially the newly-introduced high-capacity 2,200mAh AA and 850mAh AAA NiMH batteries - also attributed to a healthy growth. We are maintaining our leading position in consumer rechargeable batteries with the world's highest capacity ratings. A series of innovative GP PowerBank chargers have also been introduced. Bigger cell sizes such as C, D and F cells continued to find applications in the market of portable home appliances, electric bicycles and other electronic applications.

## **Rechargeable Batteries - Li-ion**

The comprehensive range of Lithium Ion ("Li-ion") batteries launched in 2002 is already in place and production at Gold Peak Industries (Taiwan) Limited ("GPIT") has been increased, especially for the prismatic Li-ion batteries, to meet expected demands. Financial performance of GPIT was, however, behind schedule and consequently the listing of this Taiwanese subsidiary will probably be delayed due to the outbreak of SARS.

## **Rechargeable Batteries - EV Batteries**

The Group has secured a contract in Budapest, Hungary to supply NiMH electric vehicle ("EV") batteries for the Electric Trolley Buses Project in Rome, Italy. Another order for EV batteries and custom-designed chargers was received for a similar project to be commissioned in Stockholm, Sweden.

The Advanced Public Transport project in the Netherlands is being tested and negotiations for the Beijing 2008 Olympic EV bus is still progressing.

## **Rechargeable Batteries - TMF Lead Acid**

The Thin Metal Film ("TMF") Lead Acid battery facility in Singapore has commenced commercial production in the first quarter of 2003. Initial market response to TMF batteries as an emergency starter battery to automobile and marine markets has been encouraging.

## Primary Batteries

Primary batteries recorded a substantial growth of 19% due to increase in demand from the consumer market and the consolidation of the sales of Ningbo Batteries. Alkaline 9-volt and cylindrical batteries increased by 21% while contribution from Carbon Zinc and button cell remained steady. Production facilities of Huizhou Modern Battery Limited in China, the subsidiary that manufactured primary alkaline cylindrical batteries, has been relocated and consolidated with Ningbo Batteries to maximise production efficiency.

## Business Outlook

The business outlook is cautiously optimistic, as the full impact of SARS on the economy has yet to be seen. The Group will continue to promote the GP brand name aggressively and capitalise on the strong worldwide distribution network especially in China. Production capacity, particularly for Li-ion batteries, will be expanded to cater to increases in demands.

The Group will continue to explore more business opportunities for EV batteries and TMF Lead Acid batteries.

In June 2003, Energizer Holdings, Inc and Eveready Battery Company, Inc initiated an International Trade Commission action against various companies in the industry for infringement of their patent in zero-mercury-added Alkaline

batteries in the USA. We are of the opinion that any action against the Group is without merit, and we will aggressively defend our position. If they succeed, it will prevent the importation of our Alkaline batteries into the USA. The investigation is likely to take over one year before the final verdict is known.

## Vote of Thanks

On behalf of the Board of Directors, I would like to express my sincere appreciation to all our shareholders and business associates for their unwavering support. I would also like to thank our management and staff for their hard work and contributions.

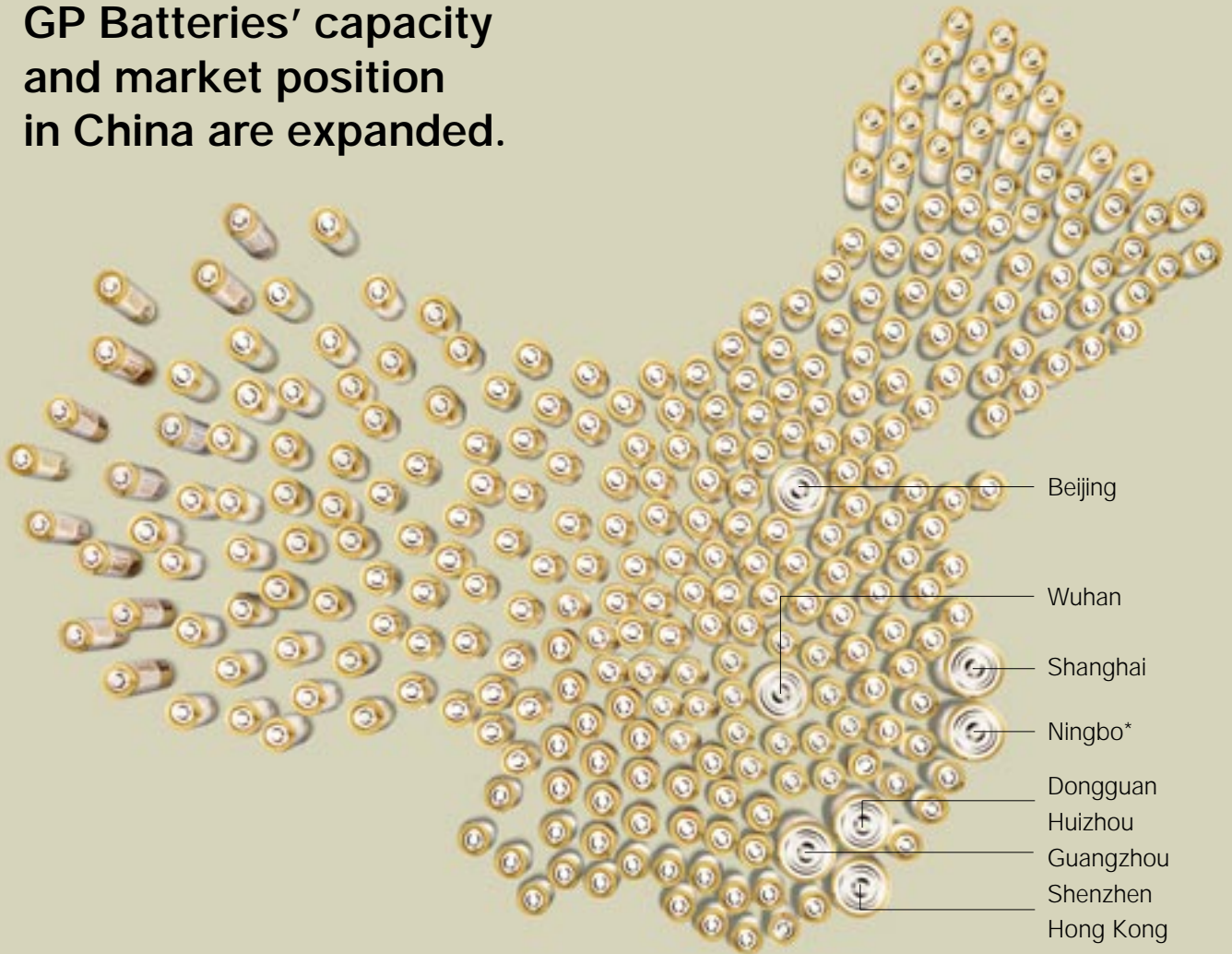


**Andrew S.O. Ng**

*Chairman and Chief Executive*

18 July 2003

**Leveraging Ningbo Batteries' strong manufacturing capability and extensive distribution network, GP Batteries' capacity and market position in China are expanded.**



\* In addition to possessing a manufacturing plant located at Ningbo, China, Ningbo Batteries has a strong distribution network with more than 30 sales offices covering over 80 major cities throughout the country.