

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2003.

1 Directors

The directors of the Company in office at the date of this report are:

Executive

Andrew Ng Sung On, Chairman and Chief Executive

Richard Ku Yuk Hing, Vice Chairman

Hui Wing Sun

Lu Tse Wan

Tsang Kwan Lung

Raymond Wong Wai Kan

Non-executive

Cheng Wai Keung

Phua Bah Lee

Harald E Kading

2 Principal activities

The principal activities of the Company are those of investment holding and the carrying out of functions as the regional headquarters of the Group.

The principal activities of the subsidiaries are as disclosed in Note 31 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

3 Acquisitions and disposals of subsidiaries

During the financial year,

a) the Group incorporated the following subsidiaries:

| Name of subsidiaries | Country of incorporation | Initial contribution | Effective equity interest held by the Group |
|--|------------------------------------|-----------------------------|--|
| GP Lithium Batteries (Asia) Limited | Hong Kong | HK\$500,000 | 80% |
| Huizhou Advance Battery Technology Company Ltd | People's Republic of China ("PRC") | HK\$11,145,415 | 100% |

REPORT OF THE DIRECTORS (cont'd)

3 Acquisitions and disposals of subsidiaries (cont'd)

b) the Group acquired the following subsidiaries:

| Name of subsidiaries | Country of incorporation | Consideration paid | Attributable net tangible assets acquired | Equity interest acquired | Effective equity interest held by the Group |
|--|------------------------------------|--------------------|---|--------------------------|---|
| Zhongyin (Ningbo) Battery Co Ltd and its subsidiary* | People's Republic of China ("PRC") | RMB230,000,000 | RMB183,258,248 | 75% | 75% |

* Ningbo Pairdeer Economy and Trade Co Ltd

c) the Group acquired additional shares in the following subsidiaries:

| Name of subsidiaries | Country of incorporation | Consideration paid | Attributable net tangible assets (liabilities) acquired | Equity interest acquired | Effective equity interest held by the Group |
|--|--------------------------|--------------------|---|--------------------------|---|
| Geewin Industrial (S) Pte Ltd and its subsidiaries # | Singapore | S\$20,000 | (\$727,339) | 20% | 100% |
| Gold Peak Industries (Taiwan) Limited and its subsidiaries + | Taiwan | NT\$215,448,000 | NT\$98,050,850 | 5% | 80% |

Geewin Industrial Limited

Huizhou Modern Battery Limited

+ Advanced Battery Technology Limited

+ Allied Brilliant Trading Ltd

+ Gold Peak Industries (North America) Inc

+ GP Battery Marketing (Taiwan) Limited

+ GP Lithium Batteries (Asia) Limited

d) the Group paid a nominal consideration of US\$100 to effect the cancellation of shares owned by a minority shareholder of a subsidiary, GP Battery Marketing (Latin America) Inc. Consequently, the effective equity interest held by the Group in this subsidiary increased from 51% to 100%. The attributable net tangible liability of this subsidiary assumed by the Group at the date of this deemed acquisition was US\$414,553.

e) the Group de-registered the following subsidiary:

| Name of subsidiary | Country of incorporation | Net tangible liabilities | Effective equity interest held by the Group |
|--|--------------------------|--------------------------|---|
| Advance Battery Technology International Limited | Hong Kong | HK\$379,570 | 100% |

f) there were no disposals of subsidiaries.

REPORT OF THE DIRECTORS (cont'd)

4 Results and appropriations for the financial year

| | The Group S\$'000 | The Company S\$'000 |
|---|----------------------|------------------------|
| Profit attributable to shareholders | 32,584 | 33,627 |
| Retained profits at beginning of financial year | 115,226 | 83,062 |
| Profits available for appropriations | 147,810 | 116,689 |
| Dividends | | |
| - paid | (4,347) | (4,347) |
| - proposed | (8,307) | (8,307) |
| Transfer to non-distributable reserves | (858) | - |
| Retained profits at end of financial year | 134,298 | 104,035 |

5 Material transfers to / from reserves and provisions

During the financial year, there were no material transfers to or from reserves and provisions other than those disclosed in the accompanying financial statements.

6 Issue of shares and debentures

During the financial year,

- a) the Company issued 21,000 and 18,000 new ordinary shares of S\$0.80 each at S\$1.41 and S\$1.60 respectively per share for cash pursuant to the exercise of share options by option holders. The proceeds were used as working capital for the Company.
- b) the Group made capital contribution to the following subsidiaries:

| Name of subsidiaries | Contribution | Purposes |
|--|--|--|
| Dongguan Chao Ba Batteries Co Ltd | HK\$821,832 in the form of machinery and equipment | To increase production capacity |
| Shenzhen JetPower Batteries Limited | HK\$1,309,924 in the form of machinery and equipment | To increase production capacity |
| Huizhou Advance Battery Technology Company Ltd | HK\$6,835,415 in the form of machinery and equipment and HK\$4,310,000 in cash | For incorporation and to provide initial working capital |

- c) a subsidiary, GP Lithium Batteries (Asia) Limited, issued 500,000 ordinary shares of HK\$1 each at par for cash to provide initial working capital.
- d) the Company signed an agreement with DBS Bank Ltd (formerly known as "The Development Bank of Singapore Limited") to establish a S\$500 million Multi-Currency Debt Issuance Programme ("Programme"). Thereafter, the Company issued the first series of S\$50 million Fixed Rate Notes due 2005 under the Programme, which were subsequently listed on the Singapore Exchange Securities Trading Limited on 23 May 2002.
- e) the subsidiaries did not issue any debentures.

REPORT OF THE DIRECTORS (cont'd)

7 Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the Company's share option schemes as disclosed in paragraph 18 of this report.

8 Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

| | Shareholdings registered in the name of directors | | | Shareholdings in which directors are deemed to have an interest | | |
|--|--|------------------------|------------------------|--|------------------------|------------------------|
| | At 1 April 2002 | At 31 March 2003 | At 21 April 2003 | At 1 April 2002 | At 31 March 2003 | At 21 April 2003 |
| Ordinary shares of S\$0.80 each of the Company | | | | | | |
| Andrew Ng Sung On | 80,000 | 80,000 | 80,000 | 533,332 | 533,332 | 533,332 |
| Richard Ku Yuk Hing | 50,000 | 50,000 | 50,000 | - | - | - |
| Hui Wing Sun | 90,028 | 90,028 | 90,028 | - | - | - |
| Lu Tse Wan | 24,000 | 24,000 | 24,000 | - | - | - |
| Tsang Kwan Lung | 10,000 | 10,000 | 10,000 | - | - | - |
| Raymond Wong Wai Kan | 4,000 | 4,000 | 4,000 | - | - | - |
| Cheng Wai Keung | 10,000 | 10,000 | 10,000 | - | - | - |
| Options to subscribe for ordinary shares of S\$0.80 each of the Company | | | | | | |
| Andrew Ng Sung On | 690,000 | 810,000 | 810,000 | - | - | - |
| Richard Ku Yuk Hing | 620,000 | 730,000 | 730,000 | - | - | - |
| Hui Wing Sun | 540,000 | 630,000 | 630,000 | - | - | - |
| Lu Tse Wan | 530,000 | 630,000 | 630,000 | - | - | - |
| Tsang Kwan Lung | 405,000 | 490,000 | 490,000 | - | - | - |
| Raymond Wong Wai Kan | 395,000 | 490,000 | 490,000 | - | - | - |
| Cheng Wai Keung | 30,000 | 60,000 | 60,000 | - | - | - |
| Phua Bah Lee | 40,000 | 80,000 | 80,000 | - | - | - |
| Harald E Kading | 30,000 | 60,000 | 60,000 | - | - | - |
| Ordinary shares of NT\$10 each of Gold Peak Industries (Taiwan) Limited | | | | | | |
| Andrew Ng Sung On | 500,000 | 500,000 | 500,000 | - | - | - |
| Richard Ku Yuk Hing | 200,000 | 200,000 | 200,000 | - | - | - |
| Hui Wing Sun | 200,000 | 200,000 | 200,000 | - | - | - |
| Lu Tse Wan | 200,000 | 200,000 | 200,000 | - | - | - |
| Tsang Kwan Lung | 100,000 | 100,000 | 100,000 | - | - | - |
| Raymond Wong Wai Kan | 100,000 | 100,000 | 100,000 | - | - | - |

REPORT OF THE DIRECTORS (cont'd)

9 Dividends

Dividends paid, declared and proposed since the end of the Company's last financial year were as follows:

- a) a final tax-exempt dividend of 4.0 Singapore cents per ordinary share of S\$0.80 each totalling S\$4,140,000 was paid on 17 September 2002 in respect of the financial year ended 31 March 2002 and included in the previous year's Report of the Directors.
- b) an interim tax-exempt dividend of 4.2 Singapore cents per ordinary share of S\$0.80 each totalling S\$4,347,000 was paid on 14 January 2003 in respect of the financial year ended 31 March 2003.
- c) a proposed final tax-exempt dividend of 8.0 Singapore cents per ordinary share of S\$0.80 each totalling S\$8,307,000 in respect of the financial year ended 31 March 2003 was recommended by the directors of the Company. The dividends payment date will be announced after the forthcoming Annual General Meeting.

The Company has been awarded the Operational Headquarters ("OHQ") status by Economic Development Board ("EDB"). Under this scheme, dividend income received from approved qualifying corporations within the Group is exempted from Singapore tax. The Company's OHQ status had expired since 30 June 2002. The Company has applied for the extension of OHQ status from the EDB and had received in-principle support for OHQ renewal from the EDB, subject to final approval by the Minister for Trade and Industry.

10 Directors' actions relating to bad and doubtful debts

Before the profit and loss statement and the balance sheet were made out, the directors of the Company took reasonable steps to ascertain that proper action had been taken in relation to the writing off and providing for bad and doubtful debts of the Company and have satisfied themselves that all known bad debts, if any, of the Company have been written off and that, where necessary, adequate provision has been made for doubtful debts.

At the date of this report, the directors of the Company are not aware of any circumstances which would render amounts written off or provided for bad and doubtful debts for the group of companies in the consolidated financial statements inadequate to any substantial extent.

11 Directors' actions relating to current assets

Before the profit and loss statement and the balance sheet were made out, the directors of the Company took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business, have been written down to their estimated realisable values or were adequately provided for.

At the date of this report, the directors of the Company are not aware of any circumstances which would render the values attributable to current assets in the consolidated financial statements misleading.

12 Charges on assets and existence of contingent liabilities after year end date

At the date of this report:

- a) there does not exist any charge on the assets of the Company or any corporation in the Group which has arisen since the end of the financial year which secures the liability of any other person; and
- b) there does not exist any contingent liability of the Company or any corporation in the Group which has arisen since the end of the financial year other than those arising out of the ordinary course of business.

REPORT OF THE DIRECTORS (cont'd)

13 Ability to meet obligations

No contingent or other liability of the Company or any corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors of the Company, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

14 Other circumstances affecting the financial statements

At the date of this report, the directors of the Company are not aware of any circumstances not otherwise dealt with in this report or consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

15 Unusual items

In the opinion of the directors of the Company, the results of the operations of the Company and of the Group have not been substantially affected by any item, transaction or event of a material and unusual nature during the financial year.

16 Unusual items after year end date

In the opinion of the directors of the Company, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

17 Directors' receipt of and entitlement to contractual benefits

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements and that certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

18 Share options

- i) The Company's Executives' Share Option Scheme which was approved on 13 August 1992 (the "1992 Scheme") was discontinued on 20 December 1999. This has since been replaced by a new Share Option Scheme (the "1999 Scheme") which was approved by the shareholders of the Company at an Extraordinary General Meeting held on 20 December 1999. Options granted under the 1992 Scheme which have not been exercised at the time of discontinuation of the 1992 Scheme shall remain valid until such a time where the options have been exercised or have lapsed and will continue to be administered under the rules of the 1992 Scheme as amended and approved on 20 December 1999.

REPORT OF THE DIRECTORS (cont'd)

18 Share options (cont'd)

ii) During the financial year,

- a) options to subscribe for 2,000,000 unissued ordinary shares of S\$0.80 each of the Company were granted at an exercise price of S\$1.25 per share pursuant to the 1999 Scheme. These options are granted at a discount of 20% to the market price and may be exercised during the option period from 5 August 2004 to 4 August 2012. Details of the options granted are as follows:

| | Number of grantees | Discount to market price | Total number of ordinary shares of S\$0.80 each under options granted |
|-------------------------|-----------------------|-----------------------------|--|
| Executive directors | 6 | 20% | 900,000 |
| Non-executive directors | 3 | 20% | 100,000 |
| Executives | 219 | 20% | 1,000,000 |
| | <u>228</u> | | <u>2,000,000</u> |

- b) except for the issue of 39,000 new ordinary shares pursuant to the exercise of share options by option holders as described in paragraph 6(a) of this report, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

iii) Options granted to directors were as follows:

Under the 1992 Scheme

| Name of directors | Aggregate options granted since commencement of the 1992 Scheme to 20 December 1999 | Aggregate options exercised since commencement of the 1992 Scheme to 31 March 2003 | Aggregate options lapsed since commencement of the 1992 Scheme to 31 March 2003 | Aggregate options outstanding as at 31 March 2003 |
|----------------------|---|--|---|---|
| Andrew Ng Sung On | 665,000 | (80,000) | (365,000) | 220,000 |
| Richard Ku Yuk Hing | 520,000 | (40,000) | (280,000) | 200,000 |
| Hui Wing Sun | 480,000 | (40,000) | (280,000) | 160,000 |
| Lu Tse Wan | 409,000 | (24,000) | (225,000) | 160,000 |
| Tsang Kwan Lung | 305,000 | (55,000) | (130,000) | 120,000 |
| Raymond Wong Wai Kan | 215,000 | - | (95,000) | 120,000 |

All options granted under the 1992 Scheme are for the subscription of unissued ordinary shares of S\$0.80 each of the Company.

REPORT OF THE DIRECTORS (cont'd)

18 Share options (cont'd)

iii) Options granted to directors were as follows:

Under the 1999 Scheme

| Name of directors | Options granted during the financial year | Aggregate options granted since commencement of the 1999 Scheme to 31 March 2003 | Aggregate options exercised since commencement of the 1999 Scheme to 31 March 2003 | Aggregate options lapsed since commencement of the 1999 Scheme to 31 March 2003 | Aggregate options outstanding as at 31 March 2003 |
|----------------------|---|--|--|---|---|
| Andrew Ng Sung On | 190,000 | 590,000 | - | - | 590,000 |
| Richard Ku Yuk Hing | 170,000 | 530,000 | - | - | 530,000 |
| Hui Wing Sun | 150,000 | 470,000 | - | - | 470,000 |
| Lu Tse Wan | 150,000 | 470,000 | - | - | 470,000 |
| Tsang Kwan Lung | 120,000 | 370,000 | - | - | 370,000 |
| Raymond Wong Wai Kan | 120,000 | 370,000 | - | - | 370,000 |
| Cheng Wai Keung | 30,000 | 60,000 | - | - | 60,000 |
| Phua Bah Lee | 40,000 | 80,000 | - | - | 80,000 |
| Harald E Kading | 30,000 | 60,000 | - | - | 60,000 |

All options granted under the 1999 Scheme are for the subscription of unissued ordinary shares of S\$0.80 each of the Company.

- iv) The Committee (the "Committee") administering both the 1992 and 1999 schemes comprises Cheng Wai Keung, Phua Bah Lee, Harald E Kading, Andrew Ng Sung On and Raymond Wong Wai Kan.
- v) The persons to whom the options have been granted under the 1992 Scheme do not have the rights to participate by virtue of the options in any share issue of any other corporation in the Group.
- vi) The persons to whom the options have been granted under the 1999 Scheme may, with prior approval of the Committee, participate by virtue of the options in any share issue of any other corporation in the Group.
- vii) No option has been granted to controlling shareholders or their associates, or parent group employees and no employee has received 5% or more of the total options available under the schemes.

REPORT OF THE DIRECTORS (cont'd)

19 Unissued shares under option

At the end of the financial year, unissued ordinary shares of S\$0.80 each of the Company under option were as follows:

| | <u>Date of issue</u> | <u>Expiry date</u> | <u>Exercise price per share</u> | <u>Number of share options granted</u> | <u>Number of share options outstanding</u> |
|--------------------|----------------------|--------------------|---------------------------------|--|--|
| 1992 Scheme | | | | | |
| No. 7 | 6 August 1999 | 5 August 2004 | S\$3.08 | 2,730,000 | 2,730,000 |
| 1999 Scheme | | | | | |
| No. 1 | 17 March 2000 | 16 March 2010 | S\$1.41 | 1,771,000 | 1,713,000 |
| No. 2 | 11 October 2000 | 10 October 2010 | S\$1.60 | 2,000,000 | 1,982,000 |
| No. 3 | 5 August 2002 | 4 August 2012 | S\$1.25 | 2,000,000 | 2,000,000 |
| | | | | 5,771,000 | 5,695,000 |
| | | | | 8,501,000 | 8,425,000 |

There were no unissued shares of subsidiaries under option at the end of the financial year.

20 Auditors

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



Andrew Ng Sung On
Chairman and Chief Executive



Richard Ku Yuk Hing
Vice Chairman

Singapore
18 July 2003