



## CHAIRMAN'S STATEMENT

### OVERVIEW

2004/05 was perhaps the most difficult year in the history of the Group.

Exceptionally high prices of raw material have seriously impacted the Group's profit margin. Sales of alkaline 9-volt batteries have taken an unexpected dip and competition in Lithium Ion ("Li-ion") batteries has intensified. Exceptional losses in relation to the Danionics project and the cadmium issue in the Group's factories have also affected its financial performance. However, swift measures have been adopted by the Group to rationalize its operations and reduce cost.

### Financial Performance

The Group's turnover for the year ended 31 March 2005 was S\$893.9 million, an increase of 8.1% over the previous year. The consolidated profit before exceptional items decreased from S\$49.6 million to S\$37.2 million. During the year, the Group recorded a net exceptional loss of S\$18.8 million. The consolidated net profit after taxation and minority interests attributable to members of the Company decreased from S\$45.2 million to S\$1.8 million. Earnings per share was 1.64 Singapore cents compared with 42.93 Singapore cents last year.

The Board of Directors recommends a final tax-exempt dividend of 2.2 Singapore cents per share. Together with the interim tax-exempt dividend paid, the total tax-exempt dividend per share for the year amounted to 6.0 Singapore cents.

### Rechargeable Batteries – NiCd and NiMH

Sales of Nickel Cadmium ("NiCd") rechargeable batteries decreased by 22% mainly due to the cadmium issue in the China factories. Demand for NiCd batteries is expected to continue to decline due to tough legislation limiting the use of cadmium in Europe.

Sales of Nickel Metal Hydride ("NiMH") rechargeable batteries grew by 22%, fuelled by the strong demand in the consumer market, especially for high-end models. In maintaining its leading position as a technology leader, the Group introduced the 2600 mAh AA and 1000 mAh AAA NiMH rechargeable batteries, which are of the world's highest capacity for their sizes. There is a steady migration of NiCd batteries to NiMH batteries for environmental and performance reasons. The NiMH rechargeable batteries production in Malaysia has been consolidated to China for cost savings. Production capacity of these batteries has been expanded to cater for anticipated demand.

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

The Li-ion batteries market has experienced keen competition over the past year, as prices continued to erode even as raw material costs rose. The number of batteries required for each lap-top computer has fallen from 9-12 cells to 6-8 cells resulting in excess supply. As more electronic equipment manufacturers are setting up factories in China, the Group has decided to relocate part of its Li-ion batteries production facilities to be closer to the customers.

### **Rechargeable Batteries – LIP**

During the year, exceptional losses of S\$19.0 million were provided for the Danionics project and the Group is currently reassessing the prospect of the entire Lithium Polymer ("LIP") joint venture in Danionics Asia Limited. The wholly-owned subsidiary in Denmark, Danionics International A/S, went into bankruptcy proceedings in early May 2005.

### **Rechargeable Batteries – EV Batteries**

The Group has continued to refine its Electric Vehicle ("EV") batteries and has been steadily working with manufacturers in Europe, the US and Asia.

As rising oil price trend persists and air pollution worsens, Hybrid Electric Vehicles ("HEVs") have been recognized as the best medium-term solution. The Group expects HEVs to be the trend of the future and is poised to participate in this exciting market as one of the few battery companies in the world with the experience to build such batteries.

In addition to the existing projects in Europe, the Group is working with a Japanese component company to supply NiMH HEV batteries to the Japanese automotive industry. The Group is also in serious discussion with a company to supply batteries for a new electric scooter project.

### **Rechargeable Batteries – TMF Lead Acid**

In addition to emergency backup starters, the Group is working with automotive manufacturers to exploit the unique high-power characteristic of the Thin Metal Film ("TMF") batteries. Hybridization of automobiles and the increase use of electronics have opened up new opportunities for the TMF batteries.

### **Primary Batteries**

Alkaline cylindrical batteries achieved record sales. Sales of carbon zinc cylindrical batteries remained steady during the year while those of micro batteries dipped by about 11%. Alkaline 9-volt batteries decreased by about 34% mainly due to a sudden decrease in demand. The Group has decided to close its Danish factory and consolidate the production into its factory in Malaysia. This will result in significant savings in operating costs.

### **Business Outlook**

The general business outlook remains difficult as raw material prices remained at historic high levels. The Group has already initiated price revisions to selected markets in its attempt to improve margins. In addition, effective cost-cutting measures adopted across the Group will start to show its effect over time.

The Group will continue to streamline its operations to further reduce cost and to maintain market share so that when business conditions improve, it will be in good stead to reap the benefits.

### **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 continued support in these difficult times.



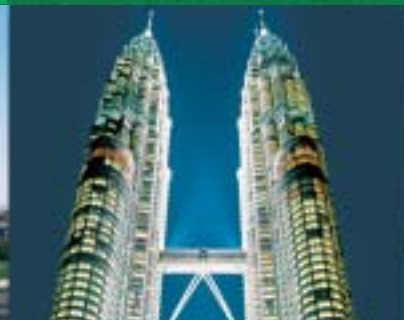
**Andrew S.O. Ng**

Chairman and Chief Executive

20 June 2005



**GP Batteries, penetrating the global market, with strong growth potential in ASEAN and Eastern Europe**





**Comprehensive range of innovative  
GP PowerBank chargers to meet  
different consumer needs**

