

# REVIEW OF OPERATIONS

## Global Markets

### Asia

The China market registered an increase of 22% over the previous year.

According to AC Nielsen's MarketTrack, GP Ultra Alkaline has been ranked for the first time the No.1 brand, in terms of sales volume, for Alkaline batteries in Hong Kong in 2004.

Sales in Korea rose by 6% due to OEM requirements while sales in Taiwan decreased by about 22% owing to the over-supply situation of Lithium Ion ("Li-ion") batteries and the migration of OEM customers to China.

Sales in ASEAN grew by 13%. Although OEM sales declined, the retail consumer market has shown great growth potential. The Group has improved its distribution in key countries like Singapore, Malaysia and Thailand,

where the GP brand has established its position amongst leaders in the rechargeable battery market segment. The Group will continue to aggressively develop new markets in Vietnam, the Philippines and India.

### Europe

Sales to Europe registered strong growth and increased by 20% due to great demand and strong Euro. GP PowerBank and consumer rechargeable Nickel Metal Hydride batteries were the main growth area in many markets. Sales in Eastern Europe, including Russia and Poland, grew by 25%.

### North & South America

Sales in North and South America improved by 9% as demand from private-label customers remains.



Aggressive marketing campaigns around the world.

### Acquisitions and New Venture

In June 2004, the Group entered into an agreement with Sanyo Energy Tottori Co. Ltd, whose parent company is Sanyo Electric Co. Ltd in Japan, to set up a joint venture company, Ningbo GP Sanyo Energy Co., Ltd., to produce primary Lithium batteries.

In March 2005, the Group announced the 40% acquisition of Jetview Limited, which is primarily engaged in the design and assembly of Li-ion and Lithium Polymer battery packs for notebook computers and other electronic devices in Taiwan and China for sale to the OEM market worldwide. The Group expects this new acquisition to contribute positively in 2005/06.

### Environment, Health and Safety (EHS)

In July 2004, as part of the Group's in-house

industrial hygiene and safety exercise, some of the employees at Huizhou PowerPack Co. Ltd and Huizhou Advance Battery Technology Company Ltd. were found to have their body cadmium content exceeded the standard level stipulated by the Chinese authorities. Swiftly, a dedicated task force was formed to investigate the incident and take charge of remedial actions. The management also worked closely with the Huizhou City Government and their medical authorities to provide care for affected workers, shouldering all related medical expenses. With the assistance of independent consultants, the Group has initiated many changes to its operations with regard to EHS. Extensive factory audits and improvements have been made to ensure that the operations of factories comply with and exceed the minimum requirements of local government and general industrial standards.

