

# CHAIRMAN'S STATEMENT

## OVERVIEW

The Group has managed to weather yet another difficult year. Confronting the challenges of high raw material prices and stiff competition, we have consolidated our production facilities and implemented cost-cutting measures across the Group. We have accelerated our efforts to bring new products to the market to combat the loss of margin in our traditional business.



## Financial Performance

The Group's turnover for the year ended 31 March 2006 was S\$886.3 million, a marginal decrease of 0.8% over the previous year. The consolidated profit before tax decreased from S\$23.3 million to S\$22.1 million. During the year, the Group recorded an exceptional loss of S\$11.1 million mainly due to the relocation of production facilities (exceptional loss last year was S\$18.8 million). The profit after tax attributable to equity holders of the Company was S\$13.6 million, compared to S\$1.3 million for last year. Earnings per share was 12.40 Singapore cents compared with 1.16 Singapore cents last year.

The Board of Directors recommends a final tax-exempt dividend of 2.3 Singapore cents per share. Together with the interim tax-exempt dividend paid, the total tax-exempt dividend per share for the year amounted to 3.8 Singapore cents.

## Rechargeable Batteries –

### NiCd and NiMH

Sales of Nickel Cadmium ("NiCd") rechargeable batteries decreased by 36%, continuing the downward trend due to the Group's decision to cease NiCd battery production in our factories. Demand for NiCd batteries worldwide is expected to further decline as a result of stringent legislations restricting the use of Cadmium in Europe.

Sales of Nickel Metal Hydride ("NiMH") rechargeable batteries for the year remained steady. In the fourth quarter, sales were affected by market reactions to the price increase implemented by the Group in selected markets. We continued to maintain our dominance in the high-end sector. As a technology leader, we are the first to introduce the world's highest capacity 2700 mAh AA and 1100 mAh AAA NiMH rechargeable consumer batteries. Demand for NiMH rechargeable batteries is expected to further increase due to the demands from entry-level laptops and e-bikes, as well as increases in the consumer replacement market.

### Li-ion

The relocation of part of the Lithium Ion ("Li-ion") batteries production facilities from Taiwan and Hong Kong to China has largely been completed. The Group will now focus on the production of special-size Li-ion batteries as well as new applications such as power tools.

## LIP

The Group has received final qualifications from various customers for its Lithium Polymer ("LIP") batteries. This will allow Danionics Asia Limited, our joint venture with Danionics A/S, to start commercial production of LIP batteries.

## EV Batteries

In view of rising oil prices and the well acceptance of Hybrid Electric Vehicle ("HEVs"), there has been renewed interest in electric transportation as an alternative to conventional petrol-fuelled vehicles. We are currently working with manufacturers in the US, Korea and China to commercialize our electric vehicle battery technology.

The Group is in the final stage of an agreement with a third party to form a joint venture for the exclusive design, manufacture and supply of NiMH batteries to be used in electric powered motorcycles. Mass production is expected to commence towards the end of the 2006/2007 financial year.

## TMF Lead Acid

The Group has signed a Memorandum of Understanding with a major automobile accessories manufacturer based in Malaysia to cooperate and jointly develop, manufacture, improve and market a new range of Mobile Starters. Improvements have been made to the shelf life and reliability of the Thin Metal Film ("TMF") battery. We are actively working to apply this technology to other applications in addition to jump starting.

## Primary Batteries

Sales of Alkaline cylindrical batteries achieved another record year. Carbon Zinc cylindrical and 9-volt batteries registered a drop in sales by about 11% and 14% respectively. Micro batteries increased by 12% due to higher demand. Margins for primary batteries were affected by higher raw material costs, especially that of Zinc.

The relocation of our Danish Alkaline 9-volt plant to Malaysia has been completed during the year.

In December 2005, a fire broke out at the Group's 49%-owned associate, Ningbo GP Sanyo Energy Co. Ltd., a manufacturer of primary Lithium batteries. The factory

has temporarily ceased operations. The Group is in discussion with the joint venture partner who is in charge of the operations of the joint venture, as well as the insurance company on the future disposition of this factory.

## Business Outlook

The general business outlook remains uncertain with the volatility of raw material prices, rising interest rates and the continued strengthening of Renminbi. The profitability of the battery market has been seriously eroded by the latest surge in prices of Nickel and Zinc.

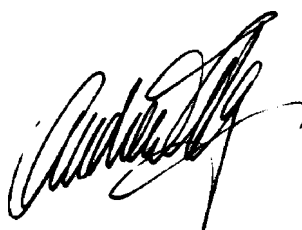
The Group is trying to manage its operations in a balanced manner so as to protect its market share as well as to help its customers through these turbulent times. The Group believes the effects of the raw material prices are transitory and will be absorbed by the market over time.

The commencement of EV battery production will add an additional dimension to the future of our Group. The mass production of LIP batteries will allow the Group to regain a market position in the Lithium rechargeable market.

The Group is certain that our strong position in the battery market is generally secure and GP will emerge from this as a stronger player.

## 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. My special thanks go to Mr Raymond Wong, who resigned from the Board of Directors on 1 May 2006 after his 13 years' directorship. I also extend a warm welcome to Mr KW Chau who joined us as an Executive Director on 24 May 2006.



**Andrew S.O. Ng**  
Chairman and Chief Executive  
19 June 2006