

REVIEW OF OPERATIONS

Global Markets

Asia

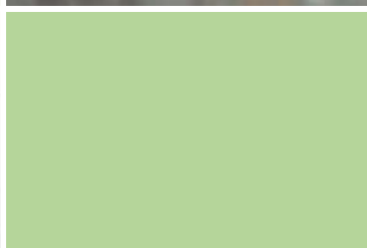
In the industrial market, sales in China were generally steady although there was a decrease of 11% in Hong Kong. In the consumer market, GP continued to be a leading brand for primary battery, rechargeable battery and charger in China. In Hong Kong, according to AC Nielsen's MarketTrack report, GP Ultra Alkaline battery was ranked No. 1 for three consecutive years from 2004 to 2006 in terms of sales volume. GP rechargeable battery and charger were again ranked first in sales volume and value for their respective category.

Taiwan recorded an increase in sales by 30%. Sales in Japan and Korea however declined by 20% and 77% respectively, as a result of changing demand for battery products in these markets.

Sales in ASEAN mainly remained steady. Apart from aligning the distribution in this region, the Group is exploring collaboration opportunities in India and Vietnam.

Europe

Eastern Europe grew by about 3% due to sales growth in both Alkaline and rechargeable batteries as well as chargers. Sales in Western Europe dropped by 10% because of market disruption from price increases for rechargeable batteries and chargers. Sales for Alkaline batteries continued to go up steadily.





**Aggressive marketing activities
across the region to strengthen
the “GP” brand**

North & South America

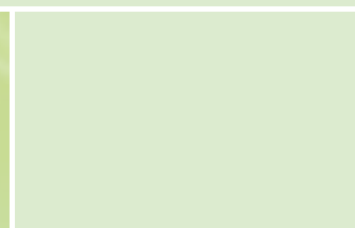
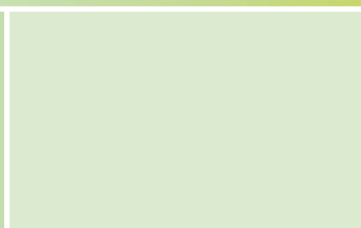
Sales in North America decreased by 24% due to continual weaker sales of Lithium Ion products. The Group is exploring new OEM opportunities in the US with the introduction of the GP ReCyko⁺ batteries. Sales in Central and South America decreased by 5% amidst uncertainties in the political future of Venezuela which may affect other South American countries.

Corporate Finance

In October 2006, the Group signed a 3-year term loan facility agreement with a syndicate of international banks to raise S\$60 million and US\$45 million respectively.

Subsequent Event

In May 2007, the Group disposed of its entire investment in TCL Corporation via a series of sales in the open market. Proceeds from these sales will be used as working capital for the Group.

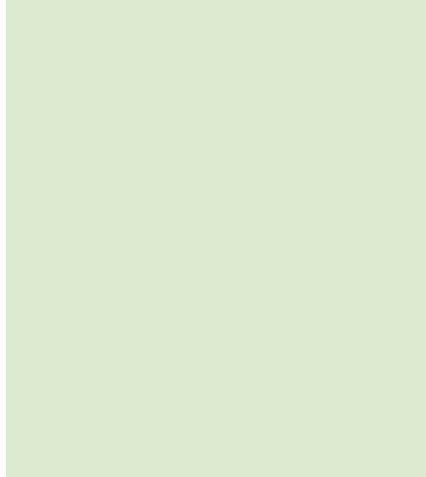


Electric Transportation

As concern over increasing air pollution and greater environmental awareness rises, electric transportation will be the way forward. As one of the leading suppliers for high performance Nickel Metal Hydride rechargeable batteries for use in electric powered public transport, motorcycles and bicycles, the Group is well poised to participate in this exciting market.

High Power Applications

The Group's Super High Power Lithium Polymer and Lithium Ion batteries outperform batteries of other chemistries in terms of energy density, high drain performance and cycle life. They offer optimum discharge rate and stable operating voltage to power-draining tools. They are more compact, weigh less and can be customized to fit all types of power tools, electric bicycles and portable battery driven devices.



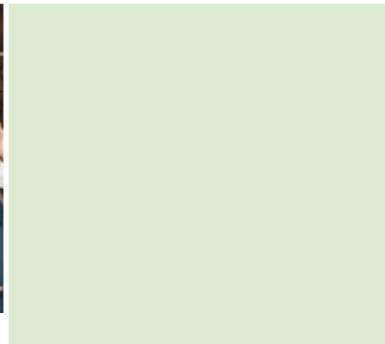
Community Involvement

The Group continued to proactively organize “green” programs for schools and tertiary institutions in Singapore, Hong Kong and China to foster students’ awareness on the need to reduce, recycle and reuse in order to conserve the environment and the ecology.

In late 2006, 200 bins were placed at 26 universities in China to collect used batteries. The Group also partnered with the Hong Kong Institute of Vocational Education to organize a contest named “GP Live A Green Lifestyle Robot League”. It has also organized talks and quizzes for schools in Singapore, Hong Kong and China, to enhance awareness of environmental issues and ecological preservation in the young minds. In its effort to extend such awareness beyond schools, GP Batteries placed recycling bins in residential areas in China. Employees of its factories in Huizhou, China also participated in a “tree-planting” campaign, playing an active role in contributing to the community.



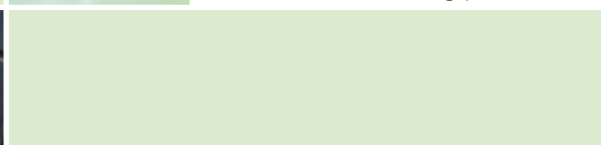
The “Robot League” contest in Hong Kong



School talk in Singapore



The battery collection bin placed at universities in China



Seminar on “Green knowledge” at primary schools in China





The green manufacturing seminar organized for the Group's suppliers



6 factories in China received recognition in the 1-1-1 program



A public conference on green directives sponsored by the Group

Environment, Health & Safety (“EHS”)

The Group is committed to implementing and maintaining policies and systems that balance its business goals and the achievement of environmental protection, health and safety of employees, customers and the society.

To reinforce the EHS measures across the Group, an EHS Management Joint Committee comprising representatives from various factories in China has been established since 2005 with all levels of employees represented. Regular meetings were conducted to discuss, implement, maintain and audit procedures to ensure effectiveness of the system, as well as to share best EHS practices and experiences. With the operation of the committee, rapid progress has been made in upgrading the operations with regard to EHS.

Ten of the Group's factories are now ISO14001 certified, and nine factories are OHSAS18001 accredited, reflecting the Group's commitment to protecting the environment and ensuring occupational health and safety standard at the workplace.

During the year, four of the Group's manufacturing operations in China were awarded the “Green Medalist” and another two the “Green Participant” in the “One Factory-One Year-One Environmental Project” (“1-1-1 program”) organized by the Federation of Hong Kong Industries, further attesting the Group's EHS efforts.

To play its corporate role in and drive towards green manufacturing, the Group organized seminars for its business partners and suppliers to update them on the green directives that have been implemented in the European Union countries and China. The Group also sponsored a public conference on the topic, which attracted more than 700 participants from the electronics industry.