

REVIEW OF OPERATIONS

The Group's turnover for the year ended 31 March 2009 was S\$864.1 million, 11.5% lower than that of the corresponding period last year, mainly attributed to the decline in sales of Nickel Metal Hydride ("NiMH") rechargeable batteries by about 15% and micro batteries, 20%.

Turnover across regions was steady except for the Americas and Europe where it recorded a dip by about 26% and 18% respectively.

Excluding the gain and loss arising from commodity hedging contracts which had all matured during the year, full year profit margin would have improved to 20.6% from 15.7% last year.

Finance cost reduced by 35.6% to S\$11.7 million as a result of lower interest rates.

Other revenue increased from S\$11.5 million to S\$43.4 million due to a S\$14.2 million government grant received by a subsidiary in Ningbo, PRC; a technical fee income of S\$3.9 million received by a subsidiary in Taiwan; and a gain of S\$1.4 million due to the divestment in STL Group.

Other operating expenses of S\$33.8 million included an impairment loss on property, plant and equipment of S\$11.2 million, exchange loss of S\$12.2 million and impairment loss on available-for-sale investments of S\$6.4 million. Exchange loss was mainly due to unrealized losses on revaluation of US dollar-denominated bank borrowings.

PRIMARY BATTERIES

Turnover for primary alkaline cylindrical and 9-volt batteries increased while sales of Carbon Zinc batteries are affected mainly by a decline in demand in the toy market. Cost improvement initiatives have however enhanced our cost competitiveness and enabled the Group to further increase its market share. Our subsidiary in Shanghai, PRC, has started delivery of Lithium coin batteries in the second quarter of the year,

with a monthly production capacity of about 3 million cells.

In Hong Kong, according to the Nielsen's MarketTrack Report, GP Ultra Alkaline battery was ranked No. 1 for five consecutive years from 2004 to 2008 in terms of sales volume.

RECHARGEABLE BATTERIES

Sales of rechargeable batteries accounted for about 45% of the Group's turnover. Despite strong competition, the Group has maintained its market share, and encouraging improvements were seen in some product mix. This is a result of the Group's consistent effort to enhance its GP brand name especially in the key markets.

The introduction of GP solar charger for NiMH rechargeable batteries has gained recognition amongst consumers. The continuous efforts in promoting GP ReCyko⁺ batteries has further positioned this new generation rechargeable batteries in the consumer market. Under the Hong Kong Awards for Environmental Excellence Scheme, a government-initiated award to promote environmental awareness, GP Battery Marketing (H.K.) Limited was awarded the "Class of Good" Productwise Label for its range of GP ReCyko⁺ products. During the year, an online interactive campaign "I Change for a Greener Tomorrow" was launched at Yahoo! Hong Kong. GP ReCyko⁺ was promoted as a "green battery", particularly among the younger generation. This online green campaign has strengthened GP's brand positioning as "Powering a Greener Tomorrow".

In China, GP PowerBank charger continued to rank No. 1 in charger sales in 2008, according to a survey conducted by the China Industrial Information Issuing Centre. In Hong Kong, according to the Nielsen's MarketTrack Report, GP rechargeable batteries and charger were ranked first in sales volume and value for their respective category for five consecutive years from 2004 to 2008.



During the year, the Group has strengthened its product management and improved its quality systems which had enabled us to gain tremendous inroad into the industrial market. Sales to first-tier OEM customers including high-end electric bicycles and cordless phone manufacturers have increased.

The Group has continued to develop Lithium technology, including Lithium Ferro Phosphate rechargeable batteries, to meet the ever-increasing demand for high power and long cycle life rechargeable batteries. We have established a Technical Centre in the Southern China comprising a team of research and development professionals to focus on the development of different Lithium chemistries.

The Group's subsidiary in Taiwan has signed a five-year subcontracting agreement with Boston-Power Inc., US to produce Lithium-ion batteries which are used in notebook computers and electric vehicles. This alliance will provide a positive impact to the Group in the area of Lithium-ion development and improve utilization of the manufacturing facilities in Taiwan.

ELECTRIC VEHICLE BATTERIES

The Group has been working on several new electric vehicle battery projects which have the potential to translate to greater opportunities in the coming year.

One such project was the hybridization of the diesel gantry cranes in a container terminal in Hong Kong where fuel savings of more than 50% were reported. The current volume supplied may have yet to be significant but the project demonstrates the Group's technology know-how and capability. Immense potential remains to be tapped.

Preparation for the joint-venture factory with Hunan Corun New Energy Company Limited to produce NiMH batteries for hybrid electric vehicles in China is continuing.

The Group has entered into a new strategic partnership with Plug-in Conversions Corporation, US to develop and market a conversion kit to convert standard Toyota Prius hybrids to operate as plug-in hybrid electric vehicles ("PHEVs"). PHEVs increase performance and fuel efficiency while reducing emissions.

Sales of batteries for high-end electric bicycles remained strong. The Group's ability to customize batteries according to the shape and style of the bicycles put it in good stead against competitors. It is currently adapting new battery chemistries for use in electric bicycles.

If the present trend continues, the Group expects significant contributions from the e-mobility business.

REVIEW OF OPERATIONS



ENVIRONMENT, HEALTH & SAFETY

Consistent effort expended on environment, health and safety (“EHS”) has ensured a safe and conducive work environment for our employees. The Group continued to ensure that all its factories maintain its EHS systems and quality certifications.

In a “Shenzhen Workers’ Health Knowledge Competition” organized by a Shenzhen television station in October 2008, the Group’s team competed with six others to emerge runner-up. The team answered questions relating to work and general health safety, demonstrating the Group’s value and emphasis on EHS.

COMMUNITY INVOLVEMENT

In the region, the Group continued to conduct various programs, seminars and activities in educational institutions to instill awareness and environment consciousness in the young.

During the year, in addition to setting up “GP Solar Station” in several primary schools in Hong Kong, a “Green Living” drawing and video competition was also organized. Not only did this event provide a new platform for the students to demonstrate creativity, it instilled greater “green” consciousness among them. These programs were well-received by the students and teachers.

As a responsible corporate, the Group continued to actively participate in many community projects like cleaning up public beaches, tree planting, visits to elders’ homes and blood donation drives.

