

Review of Operations



The Group's turnover for the twelve months ended 31 March 2010 declined marginally by about 8% to S\$799.4 million over the corresponding year mainly due to the drop in sales to Europe particularly in the first half of the financial year. Profit after tax attributable to equity holders of the Company was S\$37.1 million, compared to S\$0.2 million for last year.

Without taking into account the effect of commodity hedging contracts in the last financial year, gross profit margin was higher at about 23%, compared to 21% for last year mainly due to sales mix with better margin as well as effective cost-control measures implemented across the Group.

Other operating income was S\$21.9 million, a decrease of 49% over the corresponding period last year. In the last financial year, a subsidiary of the Group in Ningbo, China received a government subsidy of S\$14.2 million, but this subsidy income dropped to S\$2.6 million for the year under review. In addition, there was no unrealized fair value gain included in other operating income this year as compared to a gain of S\$11.6 million last year.

Distribution expenses were S\$58.6 million, an increase of 18% over last year due to the stepping-up of brand-building efforts, which was substantially reduced and held-back during the outbreak of the financial turmoil in late 2008.

REVIEW BY PRODUCTS

PRIMARY BATTERIES

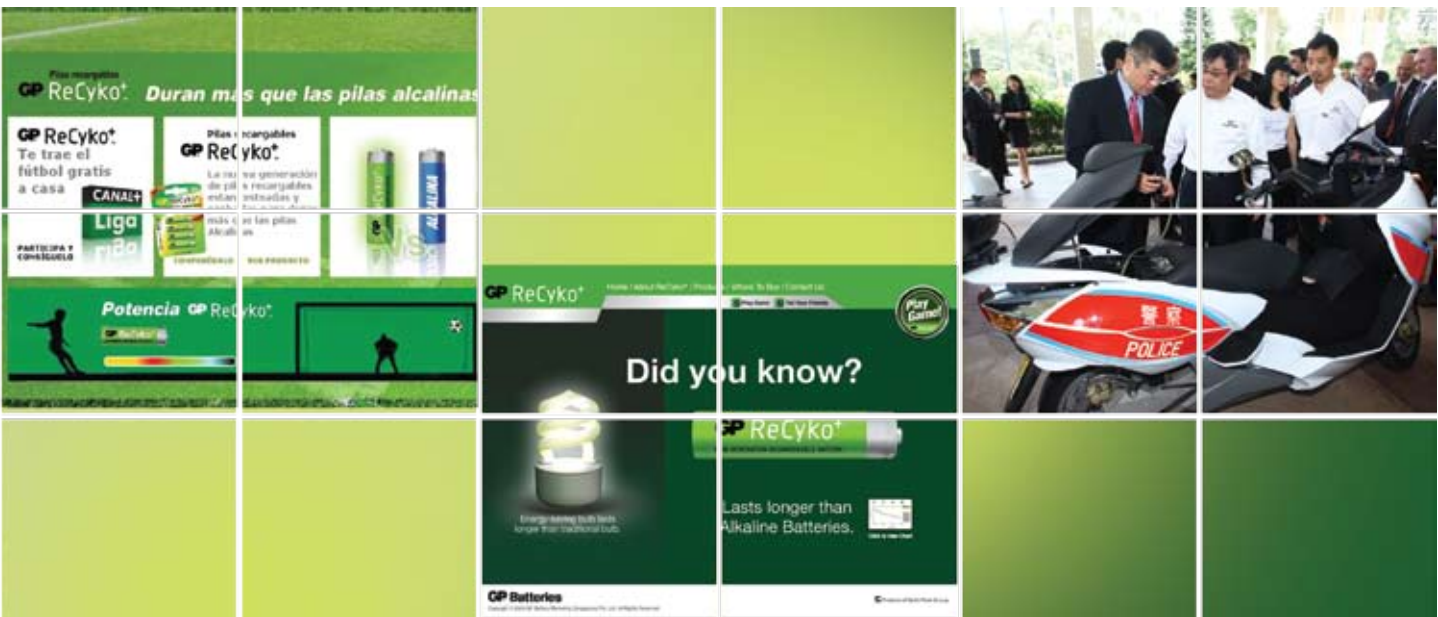
Sales of primary batteries increased by 16%. During the year under review, the Group maintained its leadership position in Asia, in particular China.

The plant of Ningbo GP Energy Co., Ltd (formerly "Ningbo GP Sanyo Energy Co. Ltd"), a 90%-owned subsidiary producing primary Lithium batteries, which had most of its facilities damaged in a fire a few years ago has started to contribute positively to the Group's results. This is timely as it will help meet surging demand for security and safety applications which require high power consumption that primary Lithium batteries can provide.

RECHARGEABLE BATTERIES

Sales of rechargeable batteries declined by 18%, a trend that is predominant in developed countries. However, with market consolidation and focused brand building efforts, the Group will continue to maintain its leadership position in Nickel Metal Hydride ("NiMH") rechargeable batteries.

During the year, the Group has developed new products and accessories like torches and energy saving lamps to meet varying customer needs. It has also implemented new marketing campaigns "Lasts longer than Alkaline Batteries" to encourage conversion from primary Alkaline batteries to GP ReCyko+. The campaigns have received strong response from the consumer markets as this new



generation rechargeable batteries outshine the primary Alkaline batteries in terms of economic and environmental advantages.

“GP NiMH rechargeable lantern battery”, a green battery ideal for alert lights, signal lights, street lamps and road lamps was launched during the year. This alternative to the commonly-used disposable Carbon Zinc battery is definitely more durable, economical and environmentally-friendly.

For its Lithium polymer batteries, the Group has realigned resources to better position itself in this business area to compete and meet market demand.

To strengthen its collaboration with Boston Power Inc. (“BP”) of the US, the Group has entered into a worldwide distribution agreement with BP to utilize the Group’s extensive distribution network to promote BP’s Sonata products. Swing, a new product for electric vehicle application, was also launched during the year.

The Group has established worldwide market presence especially in Greater China with its comprehensive range of industrial batteries. Currently, the industrial business is developing and marketing products for targeted applications such as Pedelec bikes, Ebooks and Netbooks.

ELECTRIC VEHICLE BATTERIES

To focus on the plug-in vehicles conversion market, the Group acquired a 40% interest in the US-based Plug-In Conversions Corporation during the year. This acquisition allows the Group to sell the pioneering plug-in conversion system for hybrid EVs directly into the conversion market.

The acquisition of Vectrix Corporation which produces electric motorcycles was completed during the year. This new venture will provide the Group with a direct channel into the electric transportation market.

REVIEW BY MARKET SEGMENTS

CONSUMER

For the consumer business segment, the Group gained more market share in China and Hong Kong. According to the Nielsen’s MarketTrack Report in 2009, GP Ultra Alkaline battery was again ranked No. 1 in Hong Kong in terms of sales volume, for the sixth consecutive year since 2004, while in China it was one of the top three brands of Alkaline batteries. The Group’s rechargeable batteries and chargers were also ranked the No.1 brand in both Hong Kong and China.

Sales in emerging markets continued to be strong as a result of its branding activities and established distribution network.

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INDUSTRIAL

Sales to the industrial market decreased for the year. However, the Group continued to be a major player for applications like electric bicycles and cordless phones. It will focus on exploring new applications for this business segment.

OPERATIONS RE-ENGINEERING

During the year, the Group has been advocating change management, for both the organization and its people. It has implemented changes to its processes, business plans, systems and trainings, resulting in a more cost-effective organization, stronger rapport with key and strategic customers, and enhanced productivity.

To enhance two-way communication, the Group's Management has initiated "All Hands Communications Meetings" across all plants and sales offices to share with employees its management objectives, corporate development and product strategy. At the same time, through these meetings, the Management received feedback directly from all levels of employees. The three main corporate initiatives, "Being a cost effective organization", "Easy to do business with" and "Enhancing GP brand", were rolled out. The Group has also engaged SAP for a 3-year Enterprise Resource Planning project to enhance the Group's information technology management and work processes. The Group believes that with a sound infrastructure in place and everyone working together towards shared goals and objectives, it will be able to reach new heights.

EHS AND COMMUNITY INVOLVEMENT

During the year, the Group's EHS Management Joint Committee has organized training courses, ranging from safety management to first-aid and fire-prevention to instil safety awareness and ensure a safe workplace. Most of the Group's factories have adopted various quality management models that comply with international standards such as the ISO9001 quality management system, ISO14000 environmental system, OHSAS18001 occupational health and safety management system, SA8000:2008 social accountability system and IECQ HSPM QC080000 hazardous substance process management.

In addition to environmental management in manufacturing processes, the Group advocates environmental awareness in the industry and public in Singapore, Hong Kong and China by supporting and organizing activities such as green seminars, road shows, school talks, planting of trees and cleaning up of beaches. As a responsible corporate citizen, it has also conducted blood donation drives and organized visits to elderly homes.

The Group also participated in the 17th "Green Power Hike for a Green Future", one of the largest charitable walkathons in Hong Kong to inspire the public to treasure the nature as well as to raise funds for environmental educational programs in local community and schools.