



Chairman's Statement



Andrew S.O. Ng
Chairman and Chief Executive

“Operating conditions will continue to be challenging in China. Nevertheless, given nearly all other players in the industry are operating under similar conditions, we believe we can effectively compete and prosper.”

The first quarter of the financial year 2010/2011 began with encouraging signs of recovery. However, as the year progressed, the business outlook became more uncertain due to erratic foreign exchange market and surging commodity prices. Margins were squeezed as a result of wage hike in China, appreciation of Renminbi and rising materials costs.

Turnover for the twelve months ended 31 March 2011 increased slightly by about 4% to S\$831.7 million. Profit after tax attributable to equity holders of the Company declined from S\$37.1 million to S\$19.2 million this year. Gross profit margin decreased to 21.2% as compared to 23.6% for the previous year. Earnings per share were 17.49 Singapore cents, compared to 33.82 Singapore cents last year.

The Board of Directors recommended a final tax-exempt dividend of 3 Singapore cents per share. Together with the interim tax-exempt dividend paid, the total tax-exempt (one-tier) dividend per share for the year amounted to 5 Singapore cents.

The lacklustre performance of the Group during the second half of the year was mainly due to rising costs of raw materials and labour. The process of price increases to recover lost margins for our business generally lags cost increases by several months. In periods of instability, by the time the new prices become effective, we are faced with yet another round of cost increases; and the whole exercise has to be restarted. To reduce the impact of such uncontrollable cost increases, we have started to institute price adjustment adders with our major customers to reflect the changing prices of our major raw materials. When the prices become more stable, we are hopeful that we can gradually recover the lost margins. To avoid major disruption to our business and adverse impact on our relationship with customers, we have chosen to be patient and conservative in adjusting prices.

The traditional consumer battery markets in developed countries are very mature. It is impossible

to achieve significant penetration in these markets without major expenditure on advertising and promotion. As such, we have chosen to take a longer term approach to invest in emerging markets to look for growth. In the past twenty years, our focus had been China, Russia and the Eastern European markets. As these economies grew, our "GP" brand became firmly established in these countries. We intend to continue with this strategy and will concentrate our efforts in other emerging markets such as India, Vietnam and the Middle East.

During the year, the Group acquired a 30% equity interest in Hanoi Battery Joint Stock Co ("Habaco"), a major battery manufacturer in Vietnam. This investment enables us to tap into the marketing channels of Habaco in Vietnam as well as to increase our presence in the surrounding countries. In India, major marketing initiatives were launched with Godrej & Boyce Mfg. Co. Ltd. who is our local partner. A new joint venture sales company is being established in Dubai to increase our presence in the Middle East.

Vectrix has been the focus of our attention after we acquired the company from bankruptcy in 2009. Sales and marketing efforts have been reorganized to focus on fleet sales, such as the police and law enforcement agencies around the world. Our product lineup has been increased to include a smaller electric scooter VX-2, as well as a revolutionary three-wheel scooter VX-3. Furthermore, lithium ion batteries have been introduced into our motorcycles, lowering the weight and improving the range and performance of our products. The flagship product VX-1 and VX-2 were named "European e-Scooter of the Year" in the "above 45km/h" and "below 25km/h" categories respectively, making Vectrix the undisputed leader in the industry. It is our intention to mobilize our resources to provide the best battery for the Vectrix products.

Looking ahead to the coming year, we are hopeful that our investment in enhancing our manufacturing system would help streamline our daily operations.

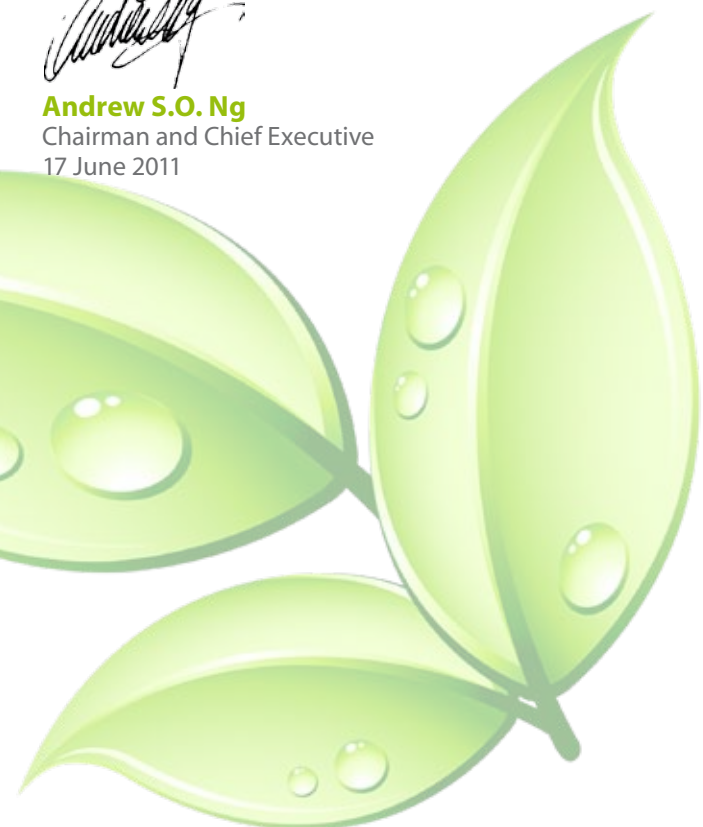
We believe SAP will improve our information technology management and work processes, generating monetary and time savings in return.

Worldwide macro economic conditions remain uncertain. We hope that the end of QE2 in the US will provide a more stable commodity and currency platform in the coming year. There are already signs that commodity prices are stabilizing in the coming months. Operating conditions will continue to be challenging in China. Nevertheless, given nearly all other players in the industry are operating under similar conditions, we believe we can effectively compete and prosper.

On behalf of our Board of Directors, I would like to express my sincere appreciation to our shareholders, business partners and customers for their continued support. I would also thank our employees for their contribution and dedication during these turbulent times.



Andrew S.O. Ng
Chairman and Chief Executive
17 June 2011



GP Solar Charger enables electronic devices to run on clean and renewable energy.



The GP PowerBank Eco-friendly charger is developed with environment in mind and proved to reduce carbon footprint by 60%.



GP ReCyko+ new generation rechargeable batteries have received accolades and recognition from technical organizations and consumer authorities around the world.

**POWERING
A GREENER TOMORROW**



Following the trend of switching to a cleaner energy source, the Group sees good market opportunities of Nickel Metal Hydride batteries for use in electric bicycles, especially in China.



The Group continues to invest in the development of the best battery for the award-winning Vectrix electric scooters to enhance their performance.

Sustainability is an issue of growing global concern. GP Batteries is dedicated to the development of green power solutions to advocate a greener lifestyle.