



Review of Operations

The Group recorded a turnover of S\$832 million for the year ended 31 March 2011, which was an increase of 4% over the previous year. In US dollar terms, the Group's revenue increased by about 11%. The revenue increase came from both the consumer and industrial segments.

Profit after tax attributable to equity holders was S\$19 million, compared to S\$37 million of the previous year.

Gross profit margin fell by 2.4% against the previous year to 21.2%. The decline was mainly due to continuous rising wages in China, appreciation of Renminbi and escalating raw material costs. In addition, there was an exchange loss of S\$0.5 million as compared to an exchange gain of S\$8.4 million in the previous year.

Finance costs were reduced by 9.8% as positive operating cash flow had resulted in lower average bank borrowings in the financial year. Administrative expenses were increased by about 6% due to the increased sales support functions and SAP start-up. As a result of reduction in promotional expenses and the streamlining of sales channels, distribution expenses were reduced by 12% to S\$61 million.

During the year, the Group continued to secure market shares of its core products while keeping momentum to better position itself in the emerging markets. In the long run, the Group's investment in automation and information technology management should result in lower operating cost.

REVIEW BY PRODUCTS

Primary Batteries

Sales of primary batteries increased by 5%. The Group was able to capture some additional business as the last carbon zinc producer withdrew production in Japan. A new high speed carbon zinc AA battery production line was installed to provide additional capacity.

The Ningbo GP Energy plant which has been rebuilt after the fire damage in 2005 has begun production of a new 9-volt lithium battery. This will form the basis of a new GP product range as the world moves to higher energy density of lithium primary batteries.

The Group relocated its button cell plant in Shanghai to new premises nearby of more than 20,000 square metres. After five years' development, the plant had started to supply mercury-free silver-zinc and

manganese-zinc button cells to major customers. This coincides with the European Union battery directive to eliminate mercury from all button cells starting from July 2011. Production of lithium coin cells is expected to double in the coming months.

Rechargeable Batteries

During the year under review, sales of rechargeable batteries increased by 5% which were attributed to its superior product quality and continuous branding efforts by the Group throughout the year. Part of the increase was derived from rise in the selling price as the Group adjusted prices to reflect the rising costs.

GP ReCyko⁺ had been featured in a series of marketing campaigns targeting the consumers and environmental awareness programs in selected markets. This product has received well-deserved accolades from consumer group tests in different countries and ranks among the top along with other Japanese brands.

The European Commission has mandated that all future phones will have the same charging sockets. By having a standardized receptacle, the need to supply different plugs to go with the "Instant Power" product is eliminated. A new product program has been created and will be introduced into different markets in the coming year.

The rechargeable lithium business had improved significantly against last year. The Group is benefiting from the worldwide trends towards e-books and electric bicycles. It is expected that the Group's years of investment in lithium batteries will start to make a significant impact on its profitability in the coming years.

Electric Vehicle Batteries

The Group continues to invest its efforts in electric vehicle (EV) batteries. As the price of oil continues to edge upwards, there is increased awareness of the potential of advanced batteries in energy savings and carbon footprint reduction.

Most of the effort in the year under review was devoted to ramping up the production of lithium batteries for the newly-acquired Vectrix Corporation. The introduction of lithium batteries reduces nearly one-third of the weight of the Nickel Metal Hydride pack while providing the same range. The lighter weight takes almost one second off (6.0 seconds

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versus 6.8 seconds) the speed of a scooter going from 0km/h to 80km/h. Sales of the Vectrix scooters are forecasted to increase steadily in the coming year and Vectrix Corporation will become a major “in-house” customer for the EV batteries.

The Group has entered into memorandums of understanding with the National University of Singapore, the Republic of Polytechnic and members of A*Star for collaborative research in different areas including battery chemical and battery management systems for EVs. These collaborations will further strengthen the Group’s R&D efforts in the development of EV batteries and the Group’s presence in Singapore.

REVIEW BY MARKET SEGMENTS

Consumer Market

Sales in the consumer markets continued to be strong, which was a result of the continuous GP branding efforts and the Group’s well-established distribution

network. The Group has also started venturing into new markets such as Vietnam, India and the Middle East.

According to The Nielsen’s MarketTrack Report, GP Ultra Alkaline Battery continued to rank as the number one battery in terms of sales volume in the alkaline battery segment in Hong Kong for the seventh consecutive years (2004-2010). “GP” also ranked No.1 in both volume sales and value sales in the rechargeable battery and charger market in Hong Kong for a 7-year period.

Industrial Market

Sales to the industrial market increased as the Group continued to be a major player for applications such as electric bicycles and cordless phones. With the introduction of tablets in the PC market and a switch in consumers’ demand and preference, the development of lithium battery for tablet PC and e-book will be high on the Group’s priority for new products.



OPERATION RE-ENGINEERING

After two years' efforts, the SAP system is expected to go "live" in the coming months. The shift to a business process organization and investment in automation is in line with the Group's corporate initiatives of "Being a cost effective organization" and "Easy to do business with".

ENVIRONMENT, HEALTH & SAFETY

The Group's Environment, Health & Safety (EHS) Management Joint Committee continued its efforts to ensure that all factories maintain their EHS systems and quality certifications. Trainings covering EHS were held on a regular basis to instill safety awareness and ensure a safe workplace. The efforts were very well paid off as the Group had received numerous environmental awards through a number of its factories in China in recognition of their efforts in waste reduction and EHS improvement during the production processes.



COMMUNITY INVOLVEMENT

In Singapore, the Group participated in the "Recycling Week 2010", which was organized by the National Environment Agency to promote the 3Rs – Reduce, Reuse and Recycle. The Group took the opportunity to educate the general public and promote the use of rechargeable batteries and solar chargers as a way to reduce waste.

In China, the Group continued to advocate corporate social responsibility and share environmental awareness to the general public through educational seminars in schools, beach cleaning and tree planting activities, blood donation drives and visits to nursing homes. Over the past five years, the Group's employees planted more than 2,500 trees.



In the aftermath of the earthquake and tsunami in Japan, the Group together with employees supported the relief work by donating 250,000 pieces of batteries and 33,000 flashlights to Japan.