

Review of Operations

The Group's turnover reached S\$774.5 million for the year ended 31 March 2012, which was marginally lower than last year by 6.9%. The Singapore dollar continued to strengthen against the US dollar during the year, hence in US dollar terms, the decline was less than 1%.

Profit after tax attributable to equity holders was S\$6.5 million as compared to S\$19.2 million of the previous year.

Gross profit margin fell from 21.2% in the previous year to 20.5% in the year under review. The decline in gross profit margin was due to price adjustments lagging behind increases in material costs primarily for rare earth, escalating wages in China and the strengthening of the Renminbi against the US dollar.

Selling and distribution expenses fell by 8% against last year to S\$55.8 million and likewise administrative expenses fell by 4.6% to S\$81.2 million on account of continuous cost rationalization. Financing costs were marginally lower than those of last year, despite higher cost of borrowing in the last quarter of the year.

The Group recorded a gain of S\$18.8 million under other operating income as a result of the re-structure of Vectrix International Limited. An impairment loss amounting to

S\$11.9 million arising from receivables from an associated company and investment in an associate that manufactures battery packs was reported.

Share of loss of associates amounted to S\$1.7 million against a gain of S\$6.1 million last year was recorded. The results of Ningbo Fubang Battery Co Ltd in China ceased to be accounted for under share of results of associates from January 2011 when the company was changed from an associate to a subsidiary. In addition, as tablet computers have penetrated into and gradually cannibalized the notebook computer market, the Group's associated company that manufactures battery packs for notebook computers continued to incur a loss during the year.

The Company entered into a S\$60 million syndicated term loan facility in March 2012 to re-finance some of its borrowings.

REVIEW BY PRODUCTS

Primary Batteries

Sales of primary batteries as a whole remained flat. Sales of alkaline cylindrical batteries rose strongly while carbon zinc batteries fell. Lithium primary batteries from Ningbo GP Energy factory grew steadily.



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GP ReCyko+

One Charge
Lasts Longer
Than Alkaline Batteries*

RECHARGEABLE UP TO 1000X - GREATER SAVINGS - SUPERIOR POWER RETENTION

The Power and convenience of alkaline batteries are made the ReCyko+ battery. ReCyko+ has superior power retention, can be used immediately upon purchase. Unlike other ordinary rechargeable batteries, even when left unused for 24 months, ReCyko+ retains up to 90% of its "Power Capacity". Each charge lasts longer than alkaline batteries* can recharge up to 1000X. You can be green and enjoy greater savings. *Reduce, Reuse, ReCyko+!*

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GP Ultra Plus Alkaline Battery
Experience the Excellence
Long-lasting Power

GP Ultra Plus Alkaline Battery delivers superb lasting power whenever you need it. Use GP Ultra Plus Alkaline Battery Now. Infinite Power. Year After Year.

GP Batteries
Powering up Consumer Satisfaction

9-volt alkaline and carbon zinc batteries reported negative growth in the year under review. However, in anticipation of the strong outsourcing demand for 9-volt alkaline batteries from other battery manufacturers in the coming year, the Group planned to expand production capacity of this type of batteries. Despite slowdown in worldwide demand for 9-volt batteries, the Group remained a dominant player in this market segment.

Sales of button cells grew during the year. With the new plant in Shanghai becoming fully operational in the year under review, the Group was able to increase the output for lithium coin cells. The year also saw the launch of a full range of zero mercury silver-zinc and manganese-zinc button cells which also attributed to the increase in revenue in this sector. Margins for silver oxide cells improved as the Group implemented a price adder for silver during the year.

Rechargeable Batteries

Sales of rechargeable batteries decreased by 19.6%. The Nickel Metal Hydride ("NiMH") business recorded a significant drop due to the lack of new market driving forces and new applications. The market has been hurt by demand destruction during the past few years with the wild fluctuations in nickel and rare earth prices. Migration from NiMH to lithium ion continues in new applications. The promotional campaign and award-winning television commercial for GP ReCyko+ during the year resulted in expanded distribution outlets and sales in target markets. The Group continued to invest in automation for higher production efficiency in order to counter increasing labour cost in China.

The rechargeable lithium business continued to score positive growth from sales in the electric bike sector. The amalgamation of production facilities completed during the year had brought synergies in areas of process flow efficiency and cost effectiveness. The Group's co-operation with Boston Power Inc of the US continued with higher capacities series being developed and produced during the year.

The Portable PowerBank series of mobile chargers for cell phones and other hand-held applications were introduced with resounding success in the second half of the year. Latest smartphones demand very high energy, but the built-in batteries are limited by their slim styling. Recognizing this demand, new designs with various market appeals were launched during the year.

Electric Vehicle Batteries

Demand for electric vehicle batteries slowed down during the year. Efforts were focused on developing new chemical platforms for higher energy density and better power performance for both electric vehicles and industrial markets such as portable power supply, heavy transportation vehicles, material handling and turn-key energy storage systems.

Review of Operations



During the year, the restructuring exercise of the Vectrix group of companies was completed, allowing R&D, production and business development activities to be managed under a single team.

REVIEW BY MARKET SEGMENTS

Consumer Market

Sales in the consumer market continued to be strong with alkaline batteries leading the pace of growth. The Group intensified its marketing activities through advertising and promotional programs. Sales to emerging markets such as Vietnam, the Middle East, Latin America and Oceanic regions gained momentum. During the year, the Group had also invested in enhancing the GP brand through new marketing approaches such as e-commerce and social media to facilitate consumer engagement. The Group has committed to an outdoor LED animated signage at a site on Victoria Harbour in Hong Kong to advertise the brand prominently at a premium location.

Industrial Market

Sales to the industrial market dropped as a result of slowdown in demand from the OEMs / ODMs. The Group continued to focus on high growth markets and invested in specific segments such as electric bikes. The Group also started to expand market coverage by developing new market channels such as electronic component distributors with worldwide networks.

CUSTOMER SERVICE

With the completion of the SAP Phase 1 during the year under review, the Group has been able to benefit from improved productivity and market responsiveness. On-time-

delivery to customers, lead time performance, shipment linearity and ability to meet customers' delivery requests can be tracked and measured on one platform. These are critical success factors that the Group has committed to undertake as its corporate initiative "Easy to do Business with".

ENVIRONMENT, HEALTH AND SAFETY

During the year, the Group continued to receive numerous environmental awards in recognition of its waste reduction and environment protection efforts. Eight factories in China were named Green Medalists of the Hang Seng Pearl River Delta Environmental Awards by Federation of Hong Kong Industries.

The Group's Environment, Health and Safety ("EHS") Management Joint Committee continued to hold EHS trainings across factories to instill employees' safety awareness. The Group also organized a first aid certificate course in Hong Kong to enhance employees' preparedness for accidents at the workplace.

COMMUNITY INVOLVEMENT

As a responsible corporate citizen, the Group organized and participated in tree planting activities, blood donation drives and visits to nursing homes. In China, the Group conducted educational seminars to instill environmental protection among the younger generation. Advertising campaigns on "ReCyko+ Lasts Longer Than Alkaline Batteries" were launched aggressively to raise public environmental awareness on using rechargeable batteries in order to reduce wastage due to batteries disposal.