

Review of Operations



The Group's turnover for the year ended 31 March 2013 totaled S\$721 million, a drop of 7% over the last year. Sales of rechargeable batteries decreased by 22% while sales of primary batteries rose by 2%. In terms of market by region, sales in Europe and the Greater China decreased by 12% and 3% respectively while sales in the Americas rose by 10%.

Gross profit margin improved marginally by 0.4% despite labour cost increases and the appreciation of Renminbi. Rationalization of the nickel metal hydride ("NiMH") plants and investment in automation were able to set off the negative impacts.

Distribution expenses decreased by 11% to S\$50 million over last year primarily due to streamlining effort of the sales operation in Europe. Finance costs for the year amounted to S\$8.7 million, an increase of 5% over last year due to higher cost of borrowing.

Share of loss of associates for the year amounted to S\$12.2 million, compared to S\$1.7 million of last year. The loss was mainly due to operating loss incurred by the Vectrix Group, provision of additional tax assessment and impairment on plant and machinery on STL Group.

Profit before taxation for the year fell to S\$1.4 million from S\$18.8 million last year. This is due mainly to impairment loss of S\$10 million on investment in the Vectrix Group and impairment loss of S\$2.9 million receivables from an associated company that manufactures lithium polymer batteries.

REVIEW BY PRODUCTS

Primary Batteries

Sales of primary batteries reported a growth of 2% over last year. Alkaline cylindrical continued to show strong growth while sales of carbon zinc batteries remained stable. During the year, the Group continued to invest in expanding the alkaline batteries capacity of the Ningbo factory to cope with the increasing demand.

9-volt alkaline and lithium batteries saw respectable growth during the year. The outsourcing demand for the 9-volt alkaline batteries from other battery manufacturers started to kick in and the planned expansion of the 9-volt alkaline production capacity was well in progress. Lithium primary batteries from the Ningbo GP Energy factory registered double digit growth and this trend is expected to stay strong as more consumer electronic gadgets switch to lithium.



Rechargeable Batteries

Sales of rechargeable NiMH batteries shrank by 22% due to lack of new demand drivers. The stabilization of prices of metal such as nickel and rare earth, coupled with cost reduction measures taken during the year, has helped maintain gross margin in the nickel-based battery business. Streamlining of factory operations and investment in automation to counter the ever increasing labor cost are bearing fruit as evident in productivity increase.

Sales of rechargeable lithium batteries to the electric bicycle sector remained stable. Last year saw further integration of the lithium facilities into one single location in Longgang, Shenzhen of China. This has resulted in further cost savings. As Boston Power Inc of the US had prematurely terminated the subcontract manufacturing agreement, the Group is able to refocus its attention on key applications, such as eBike and Energy Storage System.

The Portable PowerBank series of mobile chargers have continued to grow. New series with appealing design features for different segments of the market were also introduced during the year. The growth in smartphones which requires high energy consumption will fuel the demand for such back-up power banks.

Electric Vehicle Batteries

The demand in the electric vehicle battery sector continued to be weak. In co-operation with Vectrix, the electric motorcycle manufacturer, our EV group has developed several new and upgraded battery packs for Vectrix' existing and future products. The interchangeable lithium battery pack developed for Daimler could become an important feature for future electric motorcycles. The Group has also entered into a joint venture agreement with a partner in China to produce heavy vehicle nickel-based batteries using the Group's existing machinery in China.

REVIEW BY MARKET SEGMENTS

Consumer Market

Sales growth in the consumer market remained stable despite the weak economic situation in Europe. Alkaline batteries business continued to bring growth to the Group. Sales in the Middle East had also started. Nonetheless, the Middle East and Africa being a non-traditional market for the Group, offer immense opportunities for growth. During the year, the Group has also launched its on-line store with encouraging results.

Review of Operations (Cont'd)



Industrial Market

The Group has started to appoint electronic component distributors as a new market channel to complement the overall sales efforts of this segment. This approach has enabled the in-house sales team to focus on strategic customers while broadening our reach in the market.

BUSINESS PROCESS RE-ENGINEERING

Phase 3 of the SAP implementation has commenced in some of the sales offices early this year. The planned roll-out in two major factories is at its final stage of preparation and it is expected to complete by the first quarter of the financial year 2013. Survey indicated improvement in most areas of the business process. A Business Intelligence Competency Centre was established as a virtual organization within the Group to centralize and standardize all reporting requirements, to provide the necessary information intelligence to enhance business decisions, and to highlight risk and opportunities for achievement of greater success.

ENVIRONMENT, HEALTH & SAFETY

During the year, the Group's Environment, Health and Safety ("EHS") Management Joint Committee continued to organize regular EHS trainings for employees and participate in various EHS programs and campaigns.

Two factories in China received funding from the Hong Kong Productivity Council for their projects which demonstrated outstanding performance in meeting the standard of clean production set by the campaign. The hard work was well rewarded.

The Group continued to receive numerous environmental awards in recognition of its waste reduction and environment protection efforts. Seven factories in China were again named "Green Medalists" of the Hang Seng Pearl River Delta Environmental Awards by the Federation of Hong Kong Industries. Among the seven factories, three were also named "3 Years+ Entrants" to recognize their continuous participation in the Awards for three consecutive years.

COMMUNITY INVOLVEMENT

The Group continued to advocate corporate social responsibility to and share environmental awareness with the industry and general public through educational seminars and roadshows. Employees continued to show their support and participate actively in community projects like blood donation drives and visits to the nursing homes organized by the Group. "Nursing Home with Love" event has been held for the sixth consecutive year.