

REVIEW OF OPERATIONS

The Group's revenue for the year ended 31 March 2014 was S\$695.4 million, marginally lower than that of last year by 3.6%. Sales of primary batteries remained steady while sales of rechargeable batteries decreased by 11.5%. Sales in Europe and Asia decreased by 7.8% and 6.4% respectively whereas sales in the Americas increased by 10.6%. The core battery manufacturing business of the Group remained stable. Productivity increase has partly offset the rise in labour costs, improving the gross profit margin by 1.6% to 22.5%.

Distribution expenses increased by 2.2% to S\$51.0 million as compared to last year. Administrative expenses were S\$78.7 million, a decrease of 5.9% over last year due to the Group's continuous effort to streamline and rationalize its operations.

Finance costs decreased to S\$7.4 million as a result of reduced bank borrowings and lower costs of borrowing. Net other operating expenses of S\$51.8 million mainly comprised provisions for (i) impairment loss on fixed assets and goodwill in respect of Gold Peak Industries (Taiwan) Limited; (ii) compensation arisen from the winding down of the Vectrix Group; and (iii) impairment loss on investment in and receivables from the Vectrix Group.

Share of loss of associates was S\$4.7 million as compared to S\$9.6 million last year. The reduction in loss was mainly due to (i) cessation of operations by the Vectrix Group, and (ii) impairment provisions made in the third quarter of last financial year on the plants and machinery and inventories of the STL Group.

Loss before income tax was S\$37.3 million as compared to a profit of S\$4.1 million last year. However, the Group's gearing ratio was at a record low of 23% as at 31 March 2014 while its net bank borrowings fell significantly to S\$57.9 million from S\$125.8 million last year. Before impairments and provisions against Vectrix and the rechargeable



lithium plant in Taiwan, the Group made a profit before tax of approximately S\$20 million.

Focusing on key strategic market segments started to take effect in the year under review. Sales momentum has improved and is expected to continue in the coming year.

REVIEW BY PRODUCTS

Primary Batteries

Sales of primary batteries as a whole remained flat. Sales of alkaline cylindrical batteries remained steady while carbon zinc batteries reported a slight growth over last year. A new production line was invested in the carbon zinc factory to increase productivity.





Despite the overall market slowdown, demand from other battery manufacturers for the Group's 9-volt batteries continued to be strong.

Primary button cells recorded a slight growth over last year and primary lithium batteries from Ningbo GP Energy factory grew steadily.

Rechargeable Batteries

Sales of rechargeable batteries decreased by 11.5% during the year. The rechargeable nickel metal hydride ("NiMH") business reported a significant drop due to the shrinkage in the consumer market. With new product applications, cost reduction and productivity improvements, the margin was maintained. The Group will continue to invest in automation to offset the increasing labour cost in China while improving the product performance and competitiveness.

Sales of rechargeable lithium batteries decreased mainly due to the drop in sales of the electric vehicle sector. Following the termination of the subcontract manufacturing agreement with Boston Power Inc of the US, the Group decided to combine the two rechargeable lithium battery plants in Taiwan and Shenzhen into one major plant. The Shenzhen plant will be developed to become the centre of excellence for rechargeable lithium batteries in the Group.

Sales of the Portable PowerBank series of mobile chargers recorded a significant growth, especially in the European region. High growth in sales is expected to continue in the coming year due to increasing demand for smart phones and digital gadgets.



REVIEW OF OPERATIONS (CONT'D)



REVIEW BY MARKET SEGMENTS

Consumer Market

Overall sales in consumer market remained steady with the drop in rechargeable batteries sales offset by the growth in primary batteries. According to the Nielsen's Report, GP ultra alkaline battery as well as rechargeable battery and charger were ranked No.1 in volume sales in Hong Kong for ten consecutive years (2004 – 2013).

Industrial Market

Industrial market sales decreased by 10% over last year, especially in the high-end e-bike market while the Group re-gained share in the cordless phone market. In the coming quarters, the Group will focus on key strategic growing market segments.

BUSINESS PROCESS RE-ENGINEERING

The SAP system has been implemented in major NiMH factories and regional sales offices in Asia which started to bring in fruitful results through the streamlined factory operations. The system also helped provide better service to customers. Upon successful implementation, the system will be extended to primary battery factories and sales offices in Europe in the coming year.

ENVIRONMENT, HEALTH & SAFETY

During the year, the Group's Environment, Health and Safety Management Joint Committee organized regular trainings on first aid, occupational health, fire and safety, etc. to ensure all employees are updated.

The Group continued to receive awards in recognition of its waste reduction and environment protection efforts. One of the factories received "Hong Kong – Guangdong



Cleaner Production Partner (Manufacturing)" award from the Government of the Hong Kong and Economic and Information Commission of Guangdong Province, China.

Five factories in China were once again named the Green Medalists of the Hang Seng Pearl River Delta Environmental Awards 2013. Amongst which, three were also named "3 Years+ entrants" to recognize their participation in the Awards for three consecutive years. Three factories in China were certified as work safety standardization certificate holders.

The Group was presented the Hong Kong Most Admired Knowledge Enterprise (MAKE) Award 2013 which best demonstrated the commitment of the Group in knowledge management ("KM") deployment and execution. KM initiative will continue in the coming years to further strengthen the Group's competitiveness in the market.

COMMUNITY INVOLVEMENT

As a responsible corporation, the Group continued to organize various community caring events such as blood donation, tree planting and visits to the elderly community centers. GP warming scarf and foot warmer products were distributed to the elderly during the winter to share warmth and love. In China, educational seminars were conducted at schools for the 8th consecutive year to educate the youth on the knowledge of environmental protection.

The Group has been accredited ISO26000, an international standard of social responsibility of businesses and organizations. It has also received the "CSR Advocate Mark" from Hong Kong Quality Assurance Agency (HKQAA). Both accomplishments manifest its commitment in practising good social responsibilities.