

A new player

in rechargeable Lithium Ion battery market



GP Batteries has expanded
into the manufacture of
rechargeable Lithium Ion
batteries, currently the
most fast-growing
battery system in the
marketplace.



Chairman's Statement



Financial Performance

In 1998/99, the Group managed to increase turnover by 5.4% to S\$464.5 million. However, the consolidated net profit after taxation and minority interests but before extraordinary items decreased by 8.2% to S\$26.2 million. Earnings per share was 25.29 Singapore cents compared to 30.75 Singapore cents of last year.

The Board of Directors recommends a final tax-exempt dividend of 6.2 Singapore cents per share. Together with the interim tax-exempt dividend paid, the total tax-exempt dividend per share for the year amounted to 11.0 Singapore cents.

Business Review

The Group faced an extremely difficult year as a result of the economic crisis in Asia and drastic currency fluctuations. The first half was one of intense price competition in the global battery markets due to a weakened Japanese Yen while in the second half of the fiscal year, the sudden drastic appreciation of the Japanese Yen created additional pressure on our raw material costs. Overall demand for battery products in the global market also slackened unexpectedly in the second half. Despite the highly competitive market conditions, especially in rechargeable batteries, the Group managed to maintain its market share though at the expense of squeezed operating margins. To sustain our competitiveness and further improve our cost structure, major restructuring at our Taiwan and Hong Kong factories was undertaken during the period.

Rechargeable Batteries - Nickel Metal Hydride and Nickel Cadmium

The Nickel Metal Hydride and Nickel Cadmium rechargeable batteries continued to be our core products, accounting for about 50% of the Group's turnover. The Group has become one of the world's major suppliers of batteries to the telecommunications, toys and portable electronics industries.

During the year, price competition from Japanese manufacturers remained keen. The Group upgraded its Nickel Metal Hydride batteries to capitalise on the market trend of Nickel Cadmium conversion. The development of new applications for rechargeable batteries such as Emergency Lighting and Power Tools has been progressing well. The newly launched, GP PowerBank for the consumer market, has also received encouraging response.

The Group achieved significant results for the development of electric vehicle batteries. In May 1999, an electric car powered by GP Nickel Metal Hydride batteries captured first place overall in the 11th Annual Northeast Sustainable Energy Association's American Tour de Sol Electric Vehicle Championship in the U.S. In the same race, an electric scooter powered by GP Nickel Metal Hydride batteries also captured the record for the longest ride on one charge.

Rechargeable Batteries - Lithium Ion

Lithium Ion battery is currently the fastest growing segment of the rechargeable battery market. In October 1998, the Group entered into an agreement with China Development Corporation ("CDC") of Taiwan whereby CDC invested approximately US\$10.6 million, equivalent to a 16% interest in the Group's Lithium Ion operations.

The Group decided to move the Lithium Ion manufacturing facilities previously purchased from Duracell from Waterbury, Connecticut, USA to Taiwan. The relocation started in August 1998 and has been progressing steadily. The R&D group for advanced battery development and Lithium Ion manufacturing support is now operational in our facilities in San Diego. Trial production in the Taiwan plant commenced in the second quarter of the current year and commercial production is expected in the year 2000. The availability of Lithium Ion products will enhance the Group's market position in the global rechargeable battery industry.

Primary Batteries

The Group's production of Carbon Zinc and Alkaline 9-volt batteries continued to increase. Sales of Alkaline 9-volt batteries were particularly strong due to the upsurge in private label demand and increased applications for electronic toys.

In China, the Group's button cell factory in Shanghai and Alkaline cylindrical joint venture with STC of Korea in Huizhou reached full production capacity. Sales of Carbon Zinc cylindrical batteries were steady despite keen competition from other Asian manufacturers with devalued currencies.

Business Outlook

The Asian economies have shown some signs of recovery and demand for battery products worldwide is gradually picking up. However, price competition is expected to remain severe. Demand from battery companies under private labels is expected to continue. With the announced exit of competitors in the rechargeable battery market, supply will hopefully be reduced and prices will be stabilized. The development of the Lithium Ion operation in Taiwan is progressing steadily and will broaden the Group's product range and customer base. Continual efforts will be put in the development of electric vehicle and scooter batteries in preparation for mass production in the future. The Group will continue to streamline and rationalise its operations in order to reduce cost. It will also continue with its distribution efforts in Asia to capitalise on the market recovery.

Vote of Thanks

On behalf of the Board of Directors, I would like to express heartfelt appreciation to all our shareholders, business partners and employees for their dedication and support during this difficult period. We look forward to improved market conditions as Asia starts to gradually recover from the economic chaos.



Andrew S.O. Ng
Chairman and Chief Executive

2 August 1999