

## REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 1999.

### 1 Directors

The directors of the Company in office at the date of this report are:

*Executive:*

Andrew Ng Sung On, Chairman and Chief Executive

Richard Ku Yuk Hing, Vice Chairman

Hui Wing Sun

Lu Tse Wan

Tsang Kwan Lung

Raymond Wong Wai Kan

*Non-executive:*

Cheng Wai Keung

Phua Bah Lee

Harald E Kading

### 2 Audit committee

The members of the audit committee at the date of this report are:

Phua Bah Lee, Chairman

Harald E Kading

Tsang Kwan Lung

### 3 Principal activities

The principal activities of the Company are those of an investment holding company and carrying out the functions of the regional headquarters of the Group.

The principal activities of the subsidiaries consist of the development, manufacturing, distribution and trading in batteries and battery related products.

There have been no significant changes in the nature of these activities during the financial year.

#### 4 Acquisitions and disposals of subsidiaries

During the financial year:

a) The Group incorporated the following subsidiary:

Name of subsidiary	Net tangible assets	Consideration paid	Resultant Group's effective interest %
GP Battery Technologies LLC	US\$1,000	US\$1,000	84

b) A wholly owned subsidiary, Gold Peak Industries (Taiwan) Limited issued 141,100,000 new ordinary shares of NT \$10 each for cash at NT\$12 per share. The Company subscribed for 110,900,000 shares and waived its entitlement to subscribe for the balance of 30,200,000 shares which were subscribed for by other joint venture partners in Taiwan. The Group's effective interest in this subsidiary and its directly held entities is accordingly diluted from 100% to 84%.

#### 5 Results and appropriations for the financial year

	The Group S\$'000	The Company S\$'000
Profit before extraordinary items	26,165	22,755
Extraordinary items	(5,562)	-
Profit attributable to shareholders	20,603	22,755
Retained profits brought forward	80,906	35,645
Profit available for appropriations	101,509	58,400
Dividends (Note 6)	(11,381)	(11,381)
Transfer from non-distributable reserves (Note 25)	(190)	-
Retained profits carried forward	89,938	47,019

#### 6 Material transfers to/from reserves or provisions

There were no material transfers to or from reserves or provisions other than those disclosed in the accompanying financial statements.

#### 7 Issue of shares or debentures

During the financial year,

a) The Company issued the following ordinary shares:

218,000 ordinary shares of S\$0.80 each for cash pursuant to the exercise by warrant holders at the exercise price of US\$2.10 per warrant;

b) The following subsidiaries issued ordinary shares on terms and for purposes stated below:

Name of subsidiaries	Number and class of shares issued	Purposes, consideration and terms
Gold Peak Industries (Taiwan) Limited	167,400,000 ordinary shares of NT\$10 each	Issued 141,100,000 ordinary shares at NT\$12 per share for cash for purchase of plant and machinery and additional working capital; and  Issued 26,300,000 ordinary shares at par by way of capitalisation of retained earnings
GP Battery Marketing (Singapore) Pte Ltd	300,000 ordinary shares of S\$1 each	Issued 300,000 ordinary shares at par for cash to provide for additional working capital

c) The Group made capital contribution to the following subsidiaries:

Name of subsidiaries	Capital contribution	Purposes
Advanced Battery Technology Limited	US\$12,500,000 by cash	To provide funds for acquisition of a technology licence
Dongguan Chao Ba Batteries Co. Ltd	HK\$5,720,059 in the form of fixed assets	To increase production capacity
GP Batteries (China) Limited	US\$740,039 by cash and US\$109,961 by capitalisation of retained earnings	To provide funds for acquisition of plant and machinery to increase production capacity
GP Battery Technologies LLC	US\$1,000 by cash	To provide for initial capital
Huizhou Power Pack Co. Ltd	HK\$724,422 by cash	To provide for additional working capital

Except for the above, the other subsidiaries did not issue any shares during the financial year. No debentures were issued by any corporations in the Group.

## 8 Arrangements to enable directors to acquire benefits by means of the acquisition of shares or debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the Company's Executives' Share Option Scheme as set out in paragraph 21.

**9 Directors' interests in shares or debentures**

According to the register of directors' shareholdings kept by the Company for the purpose of Section 164 of the Companies Act, the undermentioned persons who were directors of the Company at 31 March 1999 had an interest in the shares of the Company:

	Shareholdings registered in the name of directors			Shareholdings in which directors are deemed to have an interest		
	At beginning of year	At end of year	At 21 April 1999	At beginning of year	At end of year	At 21 April 1999
<b>Interest in the Company's ordinary shares of par value S\$0.80 each</b>						
Andrew Ng Sung On	80,000	80,000	80,000	533,332	533,332	533,332
Richard Ku Yuk Hing	70,000	20,000	50,000	-	-	-
Hui Wing Sun	90,028	90,028	90,028	-	-	-
Lu Tse Wan	24,000	24,000	24,000	-	-	-
Tsang Kwan Lung	30,000	30,000	30,000	-	-	-
Raymond Wong Wai Kan	4,000	4,000	4,000	-	-	-
<b>Options to subscribe for the Company's ordinary shares of par value S\$0.80 each</b>						
Andrew Ng Sung On	365,000	285,000	285,000	-	-	-
Richard Ku Yuk Hing	280,000	230,000	230,000	-	-	-
Hui Wing Sun	280,000	230,000	230,000	-	-	-
Lu Tse Wan	225,000	185,000	185,000	-	-	-
Tsang Kwan Lung	130,000	100,000	100,000	-	-	-
Raymond Wong Wai Kan	95,000	95,000	95,000	-	-	-
<b>Warrants to subscribe for the Company's ordinary shares of par value S\$0.80 each</b>						
Andrew Ng Sung On	1,000	1,000	1,000	134,000	134,000	134,000
Richard Ku Yuk Hing	17,500	-	-	-	-	-
Hui Wing Sun	12,500	12,500	12,500	-	-	-
Lu Tse Wan	6,000	6,000	6,000	-	-	-
Tsang Kwan Lung	5,000	5,000	5,000	-	-	-
Raymond Wong Wai Kan	1,000	1,000	1,000	-	-	-

## 10 Dividends

Dividends paid, declared or proposed since the end of the Company's last financial year were as follows:

- a) A final tax-exempt dividend of 8.4 Singapore cents per share of S\$0.80 each amounting to S\$8,690,738 paid on October 13, 1998 in respect of the year ended March 31, 1998.
- b) An interim tax-exempt dividend of 4.8 Singapore cents per share of S\$0.80 each amounting to S\$4,966,137 paid on January 21, 1999 in respect of the year ended March 31, 1999.
- c) A proposed final tax-exempt dividend recommended by the directors of 6.2 Singapore cents per share of S\$0.80 each amounting to S\$6,414,592, to be paid on October 15, 1999 in respect of the year ended March 31, 1999.

The Company has been awarded Operational Headquarters status by the Economic Development Board. Under this scheme, the dividend income received from approved qualifying corporations within the Group is exempted from Singapore tax.

## 11 Directors' actions relating to bad and doubtful debts

Before the profit and loss statement and the balance sheet were made out, the directors of the Company took reasonable steps to ascertain that proper action had been taken in relation to the writing off and providing for bad and doubtful debts of the Company and have satisfied themselves that all known bad debts, if any, of the Company have been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the directors of the Company are not aware of any circumstances which would render any amounts written off or provided for bad and doubtful debts for the group of companies in the consolidated financial statements of the Company inadequate to any substantial extent.

## 12 Directors' actions relating to current assets

Before the profit and loss statement and the balance sheet were made out, the directors of the Company took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or were adequately provided for.

At the date of this report, the directors of the Company are not aware of any circumstances which would render the values attributable to current assets in the consolidated financial statements misleading.

## 13 Charges on assets and existence of contingent liabilities after year end date

At the date of this report:

- a) There does not exist any charge on the assets of the Company or any corporation in the Group which has arisen since the end of the financial year which secures the liability of any other person; and
- b) There does not exist any contingent liability of the Company or any corporation in the Group which has arisen since the end of the financial year.

#### **14 Ability to meet obligations**

No contingent or other liability of the Company or any corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors of the Company, will or may substantially affect the ability of the Company and of the Group to meet its obligations as and when they fall due.

#### **15 Other circumstances affecting financial statements**

At the date of this report, the directors of the Company are not aware of any circumstances not otherwise dealt with in the report or consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

#### **16 Unusual items**

In the opinion of the directors of the Company, the results of the operations of the Company and of the Group have not been substantially affected by any item, transaction or event of a material and unusual nature during the financial year except as disclosed in the financial statements.

#### **17 Unusual items after year end date**

In the opinion of the directors of the Company, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

#### **18 Directors' receipt of and entitlement to contractual benefits**

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations and except as disclosed in the financial statements.

#### **19 Option to take up unissued shares**

During the financial year, no option to take up unissued shares of the Company and subsidiaries were granted.

#### **20 Option exercised**

During the financial year:-

- a) The Company issued 218,000 ordinary shares of S\$0.80 each upon the exercise of warrants at the exercise price of US\$2.10 per warrant and no shares of the Company were issued by virtue of the exercise of an option to take up unissued shares under the Company's Executive Share Option Scheme; and
- b) No shares of subsidiaries were issued by virtue of the exercise of a warrant or an option to take up unissued shares.

## 21 Unissued shares under option

At the end of the financial year, unissued ordinary shares of S\$0.80 each of the Company under warrant and the option scheme pursuant to the Company's Executives' Share Option Scheme were as follows:

	Date of issue	Expiry date	Exercise price per share	Number granted	Number outstanding
Warrants	16 November 1995	15 November 2000	US\$2.10	19,940,562	12,678,644
<b>Share options</b>					
No. 3	22 August 1994	21 August 1999	US\$3.016	868,000	758,000
No. 4	17 July 1995	16 July 2000	US\$2.538	900,000	736,000
No. 5	16 January 1997	15 January 2002	US\$3.312	931,000	928,000
No. 6	29 July 1997	28 July 2002	S\$4.448	935,000	935,000
				3,634,000	3,357,000
				23,574,562	16,035,644

There were no unissued shares of subsidiaries under option at the end of the financial year.

## 22 Corporate governance

### a) Board of Directors

The Company places great importance in selecting members with appropriate experience to its Board of Directors ("The Board"). This is achieved by appointing to its Board, individuals who have good track record in the public and/or corporate sectors. The diversity of our directors' skills, expertise and knowledge is highly beneficial to the future development of the Company.

The Board has always been mindful of the need to maintain a standard of corporate governance that protects the interest of its shareholders. It has in place a corporate governance system that best suits the Company's needs.

At present, the Board comprises nine members, including 3 non-executive directors. It meets at least three times a year in addition to ad-hoc meetings. Apart from its statutory responsibilities, the Board sets the overall strategy of the Group, approves major investments and funding decisions and reviews financial performance of the Group and system of internal control.

The Board fully supports the Best Practices Guide on corporate governance as recommended by the Stock Exchange of Singapore Limited.

b) Audit Committee

The Audit Committee (the "Committee") comprises 3 members, of whom 2 are independent persons. The Committee performs the following functions:

- i) reviews the audit plan of the Company's external auditors;
- ii) reviews the results of the external auditors' examination and their evaluation of the Group's internal control system;
- iii) recommends to the Board, subject to shareholders' approval, the re-appointment of the Company's external auditors;
- iv) reviews the plan and results of internal audit and management's response to the internal auditors' recommendations;
- v) reviews the announcement of the Group's interim and final results before submission to the Board; and
- vi) reviews interested person transactions.

The Committee has full access to and co-operation of the management. The auditors have unrestricted access to the Committee.

The committee has recommended Messrs Deloitte & Touche as auditors of the Company to be approved and appointed by the Company at the forthcoming annual general meeting.

c) Securities Transactions

The Company endorses the recommendations of the Best Practices Guide introduced by the Stock Exchange of Singapore Limited and has adopted a Code of Conduct on Transactions in the Company's shares.

Share trading guidelines have been issued to all officers. These guidelines :

- i) define window period during which trading in the Company's shares by officers may occur and prohibit trading outside the "closed" window period;
- ii) discourage officers from dealing in the Company's shares on short-term consideration and remind officers to be mindful of the law on insider trading; and
- iii) requested that officers confirm annually that they have complied with and are not in breach of the provisions of this code.

### 23 Year 2000 ("Y2K") compliance

The Group defines Y2K compliance as ensuring that the performance and functionality of the Group's hardware, software, products and services will not be adversely affected by dates during and after Year 2000.

A Steering Committee, supported by in-house IT personnel and external consultants has been set up to address the Y2K issue. This Committee has formulated plans and established procedures for all the companies within the Group to implement. Some of the procedures include taking inventory of all systems, equipment and machinery which may be affected by the Y2K problem, and where appropriate, modification, upgrading or replacement will be implemented to render them Y2K compliant.



The implementation of the above plans and procedures is in progress and the Steering Committee expects the systems to be Y2K compliant by around September 1999. The Group is also obtaining confirmation from suppliers, customers and other relevant parties to ensure that they are Y2K ready.

Based on current assessment, the Group believes that the above Y2K measures will adequately address and reduce the impact of the Y2K issue on its business, cost and revenues to an insignificant level.

The Group has been taking the Y2K issue into consideration a few years back in order to ensure that purchases or upgrades of all systems, equipment and machinery are Y2K compliant. The Group estimates that an amount of approximately S\$500,000 will be incurred for replacement and upgrading of equipment and software for Y2K compliance purpose in the current and next financial year. Such expenditure will be charged to the profit and loss account when incurred or where they relate to new hardware they will be capitalised and amortised according to the Group's accounting policy.

## 24 Auditors

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



**Andrew Ng Sung On**  
Chairman and Chief Executive



**Richard Ku Yuk Hing**  
Vice Chairman

Singapore  
12 August 1999