

REVIEW OF OPERATIONS

BUSINESS REVIEW





The Group's revenue for the financial year ended 31 March 2017 was S\$760 million which was comparable to S\$765 million last year. Sales of primary batteries increased by 1.3% over last year while sales of rechargeable batteries decreased by 10.4%. The drop in the revenue of rechargeable batteries was mainly due to the discontinuation of a contract with a major customer of the Group's Taiwan plant, which has ceased production.

Sales in the Americas and Asia decreased by 24.3% and 2.4% respectively while sales in Europe increased by 32.2% over last year. The decrease in sales in the Americas and increase in sales in Europe were largely due to the relocation of the procurement office of a major customer from the US to Europe.

Profit before income tax for the year was S\$29.2 million as compared to S\$28.6 million last year. Gross profit margin was 22.4% as compared to 23.2% last year, mainly due to loss of income of the Taiwan plant.

Distribution expenses were S\$66.9 million as compared to S\$61.6 million last year, mainly due to (a) an increase in advertising and promotion expenses of S\$2.0 million; and (b) an increase in freight cost and customs duty of S\$1.1 million as a result of the change in incoterms of shipment to a major customer. Administrative expenses were S\$88.9 million which was comparable to the S\$88.4 million last year.

Finance costs for the year were S\$6.8 million which was comparable to the S\$6.9 million last year.

Net other operating income was S\$14.6 million as compared to S\$3.0 million last year, mainly due to (a) a higher gain of S\$10.6 million from disposal of property, plant and equipment was recorded this year as compared to S\$4.0 million last year; (b) a higher net foreign exchange gain of S\$7.4 million was recorded this year as compared to S\$3.5 million last year; (c) a payment of US\$1.45 million made in the third quarter this year pursuant to a customer's quality dispute on Lithium rechargeable batteries which were returned in 2014 and 2015; and (d) lower impairment losses of goodwill and property, plant and equipment this year although there were closure costs incurred for the Shanghai and Taiwan factories.

Share of profits of associates was S\$6.8 million as compared to S\$4.9 million last year, mainly due to the improved performance of AZ Limited, the Group's 40%-owned associate in Russia; and T.G. Battery Co. (Hong Kong) Limited, the Group's 50%-owned joint venture for manufacturing cylindrical Carbon Zinc batteries.

REVIEW BY PRODUCTS





Primary Batteries

Sales of primary batteries increased by 1.3% over last year. Batteries sales including Alkaline, Carbon Zinc and primary Lithium batteries reported growth. Primary button batteries business was undergoing a period of restructuring. The Group has consolidated the primary button batteries production in Shanghai to the bigger plant in Ningbo to improve cost competitiveness.

New production facilities in Malaysia and Vietnam are coming on stream and are expected to start bringing in additional revenue to the Group.

Rechargeable Batteries

Sales of rechargeable batteries decreased by 10.4% over last year. The drop in revenue was mainly due to the expiry of a contract with a major customer of the Group's Taiwan plant, which has ceased production.

The rechargeable Lithium battery business, while representing a small portion of the Group's business currently, will require some time to develop new applications and new key customers to replace the contract lost by the Taiwan plant.

Sales of Nickel Metal Hydride rechargeable batteries were flat during the year. Consumer awareness on environmental issues and battery safety was gradually increasing. The Group will promote the Nickel Metal Hydride rechargeable batteries as an environmentally friendly and a cost-saving alternative for primary batteries.

Sales of portable PowerBank products increased during the year. However, rapid price erosion of this market segment remains a challenge.



REVIEW BY MARKET SEGMENTS



Consumer Market

Although price competition was keen in consumer market segment, the increasing dependence on mobile applications and the growing use of the Internet of Things and rechargeable wearable devices generated demands for mobile power. Since some consumers' buying behavior was shifting from offline to online channels, the Group has been developing the e-commerce channels to reach out to more consumers.

According to the Nielsen's MarketTrack Report, GP Alkaline as well as rechargeable batteries were ranked No. 1 in volume sales in Hong Kong for thirteen consecutive years (2004-2016).

Industrial Market

Sales in the industrial market segment declined during the year, mainly due to the loss of business from the Taiwan plant. Continuous efforts in driving segment strategies started to pay off and offset the decline in some market segments like cordless phone. More resources were allocated to penetrate the high growth application segments.



CORPORATE SOCIAL RESPONSIBILITIES



Sustainability, Health and Safety

The Group continued to invest resources in promoting and protecting environment, health and safety. During the year, the Group received a number of awards in recognition of its environmental protection efforts.

The Group received the “Hong Kong–Guangdong Cleaner Production Partner (Manufacturing)” and “Hong Kong–Guangdong Cleaner Production Partner (Supply Chain)” awards jointly presented by the Economic and Information Commission of Guangdong Province, China and the Environment Bureau of the Hong Kong Special Administrative Region.



Corporate Citizenship

The Group has organized and participated in various social caring events such as blood drive, charity fundraising, and cleaning campaign in coastal areas.

Two factories were awarded the “Shenzhen Corporate Social Responsibility Rating Certificate” from the Shenzhen Corporate Social Responsibility Promotion Association in recognition of their fulfillment of social responsibility in the development and production of batteries.

As a socially responsible organization, the Group sustained the standard of ISO26000 and has received the CSR Advocate Mark from Hong Kong Quality Assurance Agency (HKQAA) for four consecutive years as recognition for its strong commitment in practising good corporate citizenship.

