

## MEDIA RELEASE

30 May 2007

### GP Batteries Announces its Unaudited Fourth Quarter and Full Year Results

Highlights of mainboard-listed GP Batteries International Limited's unaudited fourth quarter and full year results:

	<b>Q4 Ended 31/03/07 S\$'000</b>	<b>% + / (-)</b>	<b>YTD Ended 31/03/07 S\$'000</b>	<b>% + / (-)</b>
Revenue	205,676	3.5	819,722	(7.5)
Profit attributable to Equity holders of the Company	4,103	46.2	12,119	(10.8)
Basic Earnings Per Share ( <i>S Cents</i> )	3.74	46.1	11.06	(10.8)
Dividend Per Share				
- Interim	1.1 <i>S Cents</i>			
- Proposed Final	2.5 <i>S Cents</i>			

### Business Review of GP Batteries

The Group's turnover for the three months ended 31 March 2007 was S\$205.7 million, an increase of 3.5% over the corresponding period last year. The profit after tax attributable to equity holders of the Company for the fourth quarter rose to S\$4.1 million, compared to S\$2.8 million for the corresponding quarter last year.

For the year ended 31 March 2007, the Group's turnover was S\$819.7 million, a decrease of 7.5% over the previous year. The profit after tax attributable to equity holders of the Company decreased by 10.8% to S\$12.1 million.

Turnover for most of the products remained steady except for Nickel Metal Hydride (NiMH) and Lithium Ion rechargeable batteries, which registered a decrease of about 21% and 30% respectively. However, sales of primary cylindrical batteries increased by about 6%. The sales spread across different regions was stable with little fluctuations.

Gross profit margin decreased due to the surge in raw material prices especially Nickel, Zinc but this was mitigated by our forward hedging policy. The persistently record high Nickel prices had triggered a significant market consolidation. Many competitors had either scaled-down production or exited from the industry entirely and this has made further price increases possible.

The Group had entered into commodity swap contracts to manage potential profit erosion due to rocketing raw material prices. All these contracts had been marked to market in accordance with FRS39 resulting in a total gain of S\$41.6 million with S\$15.6 million and S\$26.0 million recognized as Cost of Sales and Other Income respectively in the profit and loss account.

Finance cost for the financial year ended 31 March 2007 were S\$17.6 million, an increase of 10.6% over last year due to higher interest rates.

The Group recognised an exchange gain of S\$10.0 million, reported under other operating income, mainly due to the translation of bank loans denominated in US\$ to S\$ at balance sheet date.

Included in other operating expenses were impairment loss on property, plant and equipment of S\$8.0 million, product development expenditure written off of S\$2.1 million and loss on share reform of available-for-sale financial assets of S\$1.9 million.

The Group's subsidiary, Ningbo GP Energy Co., Ltd which was partially destroyed by fire in 2005 will resume operation in fiscal year 2007/2008.

Danionics Asia Limited, the Lithium Polymer joint venture with our Danish partner has progressed slower than expected because of delays caused by the restructuring of its major potential customer.

The joint venture with Vectrix Corporation for the production of electric vehicle NiMH battery packs is progressing. In view of the high nickel cost, the Joint Venture will explore another chemistry system to power the electric motor cycles.

The One Laptop Per Child program is in progress but the cost of NiMH battery system was affected by the high raw material prices. The Group is currently exploring alternate battery systems with the principal.

The initial launch to selective markets of the GP ReCyko batteries, a new breed of rechargeable batteries with low self discharge rate has received encouraging consumer response.

There are no further updates on the Cadmium issue other than the outstanding court cases which are not expected to have any significant financial impact on the Group.

In May 2007, the Group disposed of its entire investment in TCL Corporation via a series of sales in the open market. Proceeds from these sales will be used as working capital for the Group.

### **Prospects of GP Batteries**

The general business outlook is uncertain as Renminbi continued to strengthen and raw material prices persisted at record high levels. The performance of the Group will be susceptible to volatility of material prices.

The Group will continue its prudent forward hedging policy on Nickel and to take advantage of the industry-wide market consolidation to capture more market share. Further industry-wide price increase is expected and margins will slowly improve. The Group will speed up the development of alternate battery systems, to prepare for the demand migration caused by the high Nickel prices.

The Group will focus on aggressively marketing of GP ReCyko batteries and expend its efforts to develop new products to meet the changing needs of market. It will continue to further strengthen its distribution network and actively promote its GP brand.

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