

Announcement of First Quarter Financial Statement

The Board of Directors of GP Batteries International Limited is pleased to announce the unaudited financial statement of the Group for the first quarter ended 30 June 2003 as set out below:

		The Group		
		2003	2002	%
		S\$'000	S\$'000	+ / (-)
1.	Revenue	189,558	156,485	21.1
	Cost of sales	(143,377)	(123,858)	15.8
	Gross profit	46,181	32,627	41.5
	Other operating income	852	403	111.4
	Distribution expenses	(9,531)	(7,379)	29.2
	Administrative expenses	(21,168)	(15,928)	32.9
	Other operating expenses	(1,500)	(1,212)	23.8
	Profit from operations	14,834	8,511	74.3
	Finance costs	(2,688)	(2,803)	(4.1)
	Profit before share of results of associates	12,146	5,708	112.8
	Share of results of associates	2,442	1,972	23.8
	Profit before income tax	14,588	7,680	89.9
	Income tax expense	(2,146)	(1,003)	114.0
	Profit after income tax	12,442	6,677	86.3
	Minority interests	(1,077)	378	N/M
	Profit attributable to shareholders	11,365	7,055	61.1
N/M: not meaningful				
2.	Earnings per ordinary share of S\$0.80 each			
	(a) Basic	10.96 cents	6.82 cents	
	(b) Fully diluted	10.78 cents	6.79 cents	

3. Review of Performance

The Group's turnover for the three months ended 30 June 2003 was S\$189.6 million, an increase of 21.1% over that of the same period last year. The consolidated net profit after taxation and minority interests attributable to members of the Company was S\$11.4 million, an increase of 61.1%.

The increase in turnover was attributable to the continued increase in sales of rechargeable Li-ion batteries, alkaline 9-volt batteries and inclusion of sales of Zhongyin Ningbo Battery Co. Ltd ("Ningbo Batteries") in China which the Group acquired a 75% stake in November 2002.

In terms of market performance, export sales to America and Europe increased by over 21% and 28% respectively. However, due to SARS, sales in Asia increased by only 19% after the inclusion of sales of Ningbo Batteries.

Gross profit was S\$46.2 million, an increase of 41.5%. This was mainly due to steady selling price and, contribution from Ningbo Batteries and continued cost reduction through operational rationalization. Overall operating margin improved from 4.5% to 6.0%.

Other operating income was S\$0.9 million, an increase of 111.4%. The Group recorded a net exchange gain of S\$0.5 million against a net exchange loss of S\$1.0 million recorded in the same period last year.

Distribution expenses increased by 29.2% to S\$9.5 million as the Group invested aggressively in advertising and promotional activities to strengthen its market position. The increase in administrative expenses by 32.9% was mainly due to the inclusion of Ningbo Batteries' expenses.

Interest on borrowings decreased by 4.1% mainly due to lower interest rates despite an increase in bank borrowings from S\$269.0 million to S\$314.0 million to finance the acquisition of Ningbo Batteries.

The income tax expense of S\$2.1 million was in line with the increase in profit to S\$14.6 million. As a result, the effective tax rate for the quarter was 14.7% of the total reported profit as compared to 13.1% during the same period last year.

Income from associated companies improved by 23.8% to S\$2.4 million due to the increase in profitability of the Group's joint ventures in China.

Depreciation and amortisation charges for the quarter amounted to S\$11.1 million, an increase of 17.1% over same period last year. The increase was mainly due to the inclusion of the depreciation and amortisation charges of Ningbo Batteries.

The relocation of the primary alkaline cylindrical battery production at Huizhou Modern Battery Limited ("HMBL") to Ningbo Batteries to improve production efficiency has been completed and the facility in HMBL will now be reorganized to cater for the production of Nickel Metal Hydride rechargeable batteries.

Sales of Li-Ion rechargeable batteries increased substantially as compared to the same period last year, when the Group had just started its commercial production. However, it is still behind expectation due to the outbreak of SARS.

4. Prospects

The business outlook remains steady. The Group will continue to strengthen its distribution network, especially in China. Production capacity for Nickel Metal Hydride rechargeable batteries will be increased from next quarter to meet an expected increase in demand. The Group will step up its effort to promote its Li-Ion rechargeable batteries.

The Group is currently working closely with its lawyers to defend the United States International Trade Commission action initiated by Energizer Holdings, Inc and Eveready Battery Company, Inc ("EBC") for infringement of their patent in zero-mercury-added alkaline batteries. The investigation is likely to take over one year before the final verdict is known.

By Order of the Board
Andrew Ng Sung On
Chairman and Chief Executive
Singapore, 26 August 2003