Overview

The Group overall performed satisfactorily despite the slowdown in the US economy towards the last quarter of the fiscal year. Following its acquisition of GP Batteries and Clipsal Industries in June 2000, we are pleased to announce that both companies have been able to contribute significantly towards the earnings of the Group for the financial year ended 31 March 2001.

Financial Highlights

The Group's turnover increased by 33.3% to S$339.8 million whilst profit attributable to shareholders decreased by 60.6% in the absence of exceptional items. During the previous year, the Group recorded an exceptional gain of S$41.6 million from its investment in Meiloon Industrial Co., Ltd in Taiwan. Excluding exceptional items, the operating profit after tax attributable to shareholders was S$22.3 million, as compared to S$14.9 million in the previous year, representing an increase of 48.9%. This was due to the good performance of the Electronics Division and the nine-month contributions from the newly acquired associated companies, GP Batteries and Clipsal Industries. Net contributions from these two associates after deducting interest expenses and taxation amounted to approximately S$5.0 million.

Interest expenses were higher for the period due mainly to the finance cost of the acquisition of GP Batteries and Clipsal Industries. Basic earnings per share amounted to 5.54 Singapore cents. The Directors are recommending a tax-exempt final dividend of 1.4 Singapore cents per share, making a total dividend of 2.75 Singapore cents for the year.
Business Highlights

Electronics Division performed strongly

The Group's Electronics Division continued to perform strongly during the year, with turnover increasing by 33.3% and net profit contribution recording an increase of 15.2%. The main growth came from our wire harness business which contributed significantly to earnings with record sales and profit growth. The good results were attributed to the strong demand from Japanese car customers and automakers in China. Contributions from our associated company, LTK Industries Limited, continued to grow due to increased production capacity as well as the strong demand for LAN and broadband cables. The electronics and components business registered steady growth, especially the sales of professional and commercial audio products. Contributions from the components manufacturing associates also increased significantly due to strong demand. The branded speaker business in the UK continued to improve due to cost reductions and the launch of new products.

GP Batteries recorded strong growth despite a slower fourth quarter

The Batteries Division put up a good performance despite a slowdown in the US economy in the fourth quarter. The slack demand in the cellular phones and portable computer markets caused sales to slow down sharply in the fourth quarter. Nevertheless, compared to the previous year, its turnover and profit before extraordinary items grew by 11.8% and 13.2% respectively. Its Taiwan plant has started mass production of Lithium Ion cylindrical batteries and successfully launched the new 2,100 mAh Lithium Ion 18650 battery which has the highest capacity for batteries of a similar size.

Clipsal Industries faced with a highly competitive business environment

The business environment for electrical installation products remained highly competitive. However, with its continuously expanding product ranges and aggressive marketing strategies, Clipsal Industries' sales growth picked up in the second half. Overall turnover for the year was flat with a 0.6% increase over the previous year, despite the decrease in indent trade of electrical home appliances with an associated company in Australia. Excluding this factor, Clipsal Industries' sales of electrical installation products in Asia grew by 8.3%. Net profit for the year also grew by 5.5%.
Prospects

The slowdown in the US economy is expected to affect the performance of some of GP Industries’ businesses. However, the continuing interest rate cuts in the US will help lower finance costs significantly.

The Group's Electronics Division is expected to perform satisfactorily. For the wire harness business, export sales will remain strong while sales in China are expected to grow rapidly. LTK is expected to maintain satisfactory growth in its cable business. Despite the economic slowdown in the US, the electronics manufacturing business is expected to maintain moderate growth with the introduction of more commercial and professional audio products and a broadened customer base. A modern, single-storey factory of approximately 30,000 square metres will be constructed in Huizhou, China to house most of the electronic assembly activities in order to improve overall efficiency and increase production capacity. The Xuzhou joint venture has obtained approval to convert into a joint stock company and is preparing for a potential listing on the Shanghai Stock Exchange in China within the next two years.

For GP Batteries, the cellular phone and portable computer markets are expected to remain soft due to the slowdown in the US economy. However, steady sales in Asia and Europe are expected. Price competition is expected to remain keen. GP Batteries will continue to capitalize on the steady outsourcing demand for specialty batteries from private label customers, the consumer market under its "GP" brand and the growing demand worldwide for advanced rechargeable batteries.

With the exception of China, the building industry in most Asian countries is expected to remain slow growing. The overall business environment for Clipsal Industries’ products is expected to remain very competitive around Asia. China’s impending entry to the WTO will be an added stimulus to improving business sentiment in the mid to long term. This will present strong potentials for further growth within the building industry in China. As part of its overall strategy, Clipsal Industries will invest more resources to accelerate business growth in lighting products, datacom accessories and intelligent building systems. A major new plant of about 30,000 square metres will be built in Huizhou, China to accommodate the production of new products.

Barring unforeseen circumstances, the Directors expect GP Industries to continue to achieve satisfactory results in the current financial year.

Acknowledgements

On behalf of the Board, I wish to thank our shareholders, customers and all our business associates for their continued support. I would also like to express our appreciation to the Management and staff for their dedicated service. Last but not least, my most sincere gratitude to my fellow colleagues on the Board and the Audit Committee for their invaluable contribution and commitment.

Victor LO Chung Wing
Chairman
16 July 2001