“We believe our solid fundamentals and strong market presence put the Group in a good position to improve its performance rapidly as the global economy recovers.”

OVERVIEW
The past financial year has been an exceptionally tough one. Although the Group remained profitable, all three major businesses - the Electronics Division, GP Batteries and Clipsal Industries - saw a decline in sales. This was most unusual for the Group.

The September 11 terrorist attacks in New York along with the significantly softened economy in the US and the rest of the world led to a sharp decrease in sales and intense price competition. While there was a moderate improvement in the US economy in the first few months of 2002, the past financial year has been much more difficult than expected.

Nevertheless, the management focused on improving its competitiveness and streamlining its operations. In the year under review, the Electronics Division, GP Batteries and Clipsal Industries have all made good progress in product innovation, cost reductions and increased market share. We believe our solid fundamentals and strong market presence put the Group in a good position to improve its performance rapidly as the global economy recovers.
FINANCIAL HIGHLIGHTS

In spite of the difficult markets, the Group has maintained profitability in all its businesses. Turnover for the year dropped 12.2% to S$298.4 million. Overall profitability also decreased by 22.1% to S$17.3 million compared to last year.

The Group’s profit for the year was adversely affected by an exceptional loss of S$4.9 million incurred from the disposals and revaluation of its stake in an overseas listed company.

Share of profits from associates, however, increased by 9.4% over the previous year to S$36.7 million. The increase was mainly due to its share of full year results of Clipsal Industries (Holdings) Limited and GP Batteries International Limited in the financial year, whereas only nine months of operating results were included in the Group’s accounts last year.

Basic earnings per share amounted to 3.88 Singapore cents, compared with 5.54 Singapore cents last year. A final dividend of 1.0 Singapore cent (2001: 1.4 Singapore cents) per share has been proposed by the board of directors, making a total dividend of 2.2 Singapore cents (2001: 2.75 Singapore cents) per share for the year.

BUSINESS HIGHLIGHTS

Electronics Business

The weak economy in Asia and the US led to reduced market demand and affected the sales and profitability of the Division. Slackened sales, price competition and a weakened yen squeezed profit margins for export sales.

Sales of electronics and components decreased by 25% but operating profit improved. Sales of consumer audio products decreased but was partly offset by stronger sales of professional audio products. Wire harness sales in China continued to perform strongly on the back of strong demand from the domestic automotive industry. The cable business slowed down due to softer demand for computer and LAN cable products. The branded speakers business in the UK registered a sales growth of 6% but reported a loss due to much tougher market conditions in Asia and the US.

GP Batteries

Worldwide demand for batteries was sluggish and turnover for GP Batteries declined by 6.8% to S$554.0 million. Net profit decreased by 30.2%. The Hong Kong and China markets continued to register healthy turnover growth and Alkaline 9-volt batteries showed strong performance.

Over the year, GP Batteries has done well to develop new and improved products. Market response to the new GP rechargeable battery system, "GP PowerBank Smart", has been very positive. In December 2001, GP Batteries acquired a US company with patented Thin Metal Film ("TMF") Lead Acid battery technology, providing the technology to produce a superior emergency starter battery for the automotive industry. In Taiwan, a range of special size cylindrical and prismatic Lithium Ion ("Li-ion") batteries was successfully launched to meet the growing demand from high-power notebook computers and other portable digital devices.

Clipsal Industries

With the widespread economic slowdown, market conditions for Clipsal Industries continued to be tough as building activities declined in some Asian markets. However, the China market was stable and the business environment in the Middle East was strong. Vietnam continued on an upward trend and the Australian building industry began to recover in the second half. Profit margins were also squeezed as competition intensified, leading to a decrease of 3.6% in turnover and a net profit decline of 15.2%. This included a net exceptional gain of S$8.5 million arising from an adjustment for amortisation of an associate’s intangible assets.
With an eye on the future, Clipsal Industries has established three sales companies in Hong Kong and Singapore to pursue new opportunities in high-growth areas such as C-Bus system for intelligent buildings and homes as well as datacom and lighting products.

**Other Investments**

During the year under review, GP Batteries and Clipsal Industries each acquired a 3% interest in TCL Holdings Corporation Limited of Huizhou, China, a leading conglomerate in consumer electronics, mobile phones and electrical appliances. The total consideration was RMB98.52 million (approximately S$22 million) for the two investments.

**PROSPECTS**

The global economic environment remains uncertain in the near term. The recession in the US appears to be bottoming out since the beginning of the financial year although price competition remains keen. The Group remains positive about its medium to long-term business outlook.

The Electronics Division is expected to perform satisfactorily in the year ahead. Sales of professional audio and branded speaker products are expected to continue growing and the automotive wire harness business is expected to remain steady. The LTK cable business is expected to resume its growth in the current financial year with the introduction of more new products. The components business is also expected to recover satisfactorily.

GP Batteries is cautiously optimistic about its business outlook as there are signs of recovery, especially in the OEM market. Demand for its Li-ion and Nickel Metal Hydride batteries is expected to grow. It will continue to capitalise on the strong growth from private-label customers and develop the China market. It will step up its efforts in exploring opportunities for electric vehicle batteries and the TMF Lead Acid batteries.

Market conditions in Asia for Clipsal Industries are expected to continue to be volatile in the short term and pricing will likely remain highly competitive in most of its markets. With the exception of China, the building industry in most of the Asian countries is expected to remain slow. However, Clipsal Industries will continue to grow its market share and efforts will be made to expand its product range, streamline its operational efficiency and reduce costs. Contributions from new products such as the C-Bus intelligent building products, datacom products, structured cabling systems and lighting products are expected to increase.

The Group will adopt a prudent business approach and concentrate on initiatives to improve its market position and its operating margins. Emphasis will be placed in areas such as technological development, product innovation, customer service and continual streamlining of its operations. The Group’s financial position remains strong and we are confident that the Group has the necessary resources on hand to finance its immediate expansion plans.

Barring unforeseen circumstances, the Directors expect the Group to continue to achieve profitable results in the current financial year.

**VOTE OF THANKS**

On behalf of the Board, I would like to extend my sincere thanks to our shareholders, business partners, management and staff for their continued support through these challenging times.

Victor LO Chung Wing  
Chairman  
19 July 2002