review of operations

“...To further enhance our competitiveness and strengthen our market positions, we will continue to strive for excellence in technological innovation, product design and quality, as well as customer service.”

SUMMARY OF RESULTS

During the year under review, the global economic downturn coupled with the September 11 tragic events and a dramatic increase in price competition affected the Group’s overall performance. The management has taken a prudent business approach to focus on initiatives to improve market positions and to increase the competitiveness of the Group. Therefore, despite the very difficult business environment encountered last financial year, the Group maintained profitability in its major businesses.

The Group’s turnover for the year ended 31 March 2002 was S$298.4 million, a decrease of 12.2% over the previous year. Consolidated net profit after taxation and minority interests decreased by 22.1% to S$17.3 million. This included an exceptional loss of S$4.9 million that arose mainly from the disposal and revaluation of marketable securities listed on an overseas stock exchange.
Share of profits from associated companies increased by 9.4% over the previous year to S$36.7 million. The increase was due mainly to the Group's share of full year results from Clipsal Industries (Holdings) Limited and GP Batteries International Limited in the current year, whereas only nine months’ results from these two Divisions were included in the Group’s accounts last year. Contributions from other associates dropped by 3.9% in this financial year.

The Group’s interest expenses for the year amounted to S$11.2 million, a decrease of 16.1% over the previous year due mainly to the interest rate cuts experienced last year.

Basic earnings per share, based on the total profit after tax of S$17.3 million for the year and the weighted average number of 446,737,936 shares (2001: 401,731,821 shares) outstanding for the current year, amounted to 3.88 Singapore cents, compared to 5.54 Singapore cents last year.
GP Industries is a leading manufacturer of a wide range of high-quality automotive wire harness and cable products.
ELECTRONICS BUSINESS

Turnover from the electronics and components business decreased by 25% but operating profit improved. This was achieved mainly from increased professional audio sales and improved operational efficiency after consolidating two audio factories into one single factory in Huizhou, China. Contribution from the components business decreased slightly as demand for components used in CD, CD-ROM and DVD players slackened.

Our 41.6%-owned car audio joint venture in Xuzhou, China, Jiangsu Toppower Tech Co., Ltd., continued to perform steadily. Preparation work for an initial public offering on the Shanghai Stock Exchange also progressed as planned.

To prepare for the continued growth of our electronics business, a new purpose-built factory with 30,000 square metres of floor space is being constructed to replace the existing plant and scheduled for completion in mid 2003.

Export sales for automotive wire harness decreased slightly and profit margins came under pressure due to reduced demand from the global automotive industry and a weakened yen. However, sales and profit contribution from our 25%-owned associate, Shanghai Jinting Automobile Harness Limited, rose strongly due to growing demand for passenger vehicles in China.
GP Industries manufactures and markets a wide range of sophisticated electronics and acoustics products for the OEM market as well as under its own KEF and Celestion brand names.
Sales of our associate, LTK Industries Limited, also slowed down due to softened demand for computer and LAN cable products in the global market. However, to meet the rapidly growing demand for LAN cable in China, LTK is expanding its production capacity with the commissioning of two new factories in Huizhou and Dalian. In addition, LTK has set up new sales offices in key China cities, namely Suzhou, Wuhan, Changsha and Chengdu in the past financial year to better serve its customers. With these new facilities, LTK has an extensive network of sale offices and manufacturing facilities to serve the export markets as well as key regional markets in China.

Turnover for branded speakers increased by 6% mainly from sales growth in Europe and new product ranges launched during the year. However, the overall business registered a loss due to lower profit margins from Asia and the US market caused by the difficult economic environment.

In an effort to improve cost competitiveness, the UK speaker factory in Ipswich was shut down in mid 2002 and its production would be outsourced to subcontractors and to the Group’s speaker factory in China.
The growing demand for rechargeable batteries for use in telecommunications and digital products presents excellent opportunities for GP Batteries to gain further market share.
Global demand for batteries was sluggish throughout the second half year after the events of September 11. There was serious margin erosion due to weak demand and oversupply. Turnover for the year decreased by 6.8% while consolidated net profit after taxation and minority interests went down by 30.2%.

Hong Kong and China markets registered a growth in turnover while sales in Korea and Taiwan decreased. Sales in ASEAN went down mainly because of weak demand from OEM customers and the transfer of electronic assemblies to China. Nevertheless, consumer sales continued to grow substantially. In addition, GP Batteries launched its 2-hour Rapid Charger and 1-hour Smart Charger during the year to meet the needs of those more sophisticated consumers. It continued to gain brand recognition in ASEAN especially for the consumer rechargeable batteries in which segment GP Batteries is the leader in many markets.

Sales in Europe dropped mainly because of the slackened OEM sales to cellular phone manufacturers and the weakening of Euros. However, sales of GP PowerBank and Nickel Metal Hydride consumer rechargeable batteries grew satisfactorily.

Sales in North and South America decreased marginally. The drop was cushioned by the strong demand from private-label customers, particularly Alkaline 9-volt batteries as well as the growth of consumer rechargeable batteries.

**GP BATTERIES** (a 47.9%-owned associate)

The green Nickel Metal Hydride batteries for use in electric vehicles
Clipsal Industries

By launching aggressive marketing campaigns and expanding its product range and distribution network, Clipsal Industries' leading market position will be strengthened.
**CLIPSAL INDUSTRIES** (a 49.4%-owned associate)

With the exception of China, most of the key markets of Clipsal Industries in Asia remained slow and highly competitive. For the year ended 31 December 2001, its turnover slipped by 3.6% whilst net profit decreased by 15.2%. This included a net exceptional gain of S$8.5 million arising mainly from an adjustment for amortisation of an associate's intangible assets.

In China, which is Clipsal Industries' biggest market, the building sector remained strong. Supported by new products such as the E1000 and E2000 Mega series of wiring accessories, lighting products, structured cabling systems and C-Bus intelligent building systems, moderate growth was registered in spite of the highly competitive market. In Hong Kong, despite the drastic reduction in interest rates, the property market remained soft. In Taiwan, it recorded a growth in total sales but the average gross margin declined. Trading conditions in Singapore and Malaysia continued to be tough. There was an increase in residential and commercial projects in Thailand, and the Indonesian market recorded improved sales. Strong growth was registered in Vietnam and the Middle East with moderate growth in South Africa and Italy. In Australia, trading conditions improved gradually, helped mainly by the low interest rate and the government housing assistance package which stimulated building activities.

In spite of the difficult business environment, Clipsal Industries was able to maintain its leading market position and competitiveness by substantially reducing operating and product development costs and streamlining its operations.

**SUMMARY**

The past financial year was full of challenges. However, there were signs of a modest economic recovery in some markets towards the end of the financial year. The management has focused on developing new products, improving competitiveness and enhancing market share within the respective businesses. To further enhance the Group’s competitiveness and strengthen our market positions, we will continue to strive for excellence in technological innovation, product design and quality, as well as customer service.

On behalf of the Board, I would like to take this opportunity to express our thanks and appreciation to our shareholders and business partners for their continuing support and all our employees for their dedication and hard work in such a challenging year.

LEUNG Pak Chuen  
Vice Chairman & Managing Director  
19 July 2002