Overview
The financial year 2002/03 has seen GP Industries Limited bounce back from a rather tough period in the previous year. Turnover increased in most areas, but more significantly the profitability of both our electronics and battery businesses achieved strong results. These results validate the streamlining and cost-efficiency efforts made over the past few years.

GP Batteries registered record high turnover and profit. The electronics and components business achieved an improvement in profitability of 33%, while Clipsal Industries managed to maintain market share and volumes in the face of intense competition and soft markets in Hong Kong and South East Asia.

Financial Highlights
The Group made great improvement in terms of profitability as operating profit after taxation and minority interests attributable to shareholders increased by 84.2% to S$32.0 million compared to S$17.3 million last year. Turnover for the year increased by 7.8% to S$221.7 million.

Basic earnings per share increased to 7.15 Singapore cents compared to 3.49 Singapore cents last year. The board has proposed a final dividend of 2.40 Singapore cents (2001/02: 1.00 Singapore cent).

Business Highlights
Electronics Business
The electronics and components business saw an impressive increase in profitability of about 33% even though sales were down by 1%. These sold a result of were largely results a rigorous commitment to improving operating efficiency that has produced a better product mix and a more streamlined manufacturing structure. Our associated components operations also contributed to higher profits.

The automobile industry boom in China has brought about impressive domestic sales for the wire harness business, while export sales maintained their margins due to a stronger Japanese Yen. Meanwhile, although the cable business was impacted by higher raw material costs and intense price competition, it continued to grow in terms of sales. The branded speaker business achieved stronger sales in the US and Europe, which helped generate a small profit compared to a loss of S$3.7 million in the previous year.

GP Batteries
Turnover for GP Batteries increased by 19.3% and net profit attributable to shareholders improved by 89.5%. This performance was underpinned by strong growth in the consumer primary battery segment and demand for high-capacity Nickel Metal Hydride batteries. Our consistent investment in R&D and constant streamlining efforts have also paved the way for this success as changes in product mix and operational rationalisation resulted in a remarkable 40.5% growth in the gross profit margin.

In November 2002, we completed the acquisition of a 75% stake in Zhongyin (Ningbo) Battery Co., Ltd. The consolidation of its sales also contributed to GP Batteries’ record high turnover and profit.

Clipsal Industries
The Asian market has remained highly competitive for Clipsal Industries with intense price competition in China and a slow construction sector in Hong Kong and South East Asia. Despite this, the business remains profitable and has realised some early results of its focus on higher-end, high-technology products and improved operating efficiency. Turnover for Clipsal Industries decreased by 5.7%, while net profit attributable to shareholders reduced by 31.7% to S$8.0 million.

Chairman’s Statement
Following years of cost-cutting and streamlining, our businesses are in good shape to take advantage of the opportunities that new markets provide.
network in China

With its extensive manufacturing and distribution network in China, the Group is well positioned to capture the business opportunities there.

Prospects

The outlook for the Group looks positive. Following years of cost-cutting and streamlining, our businesses are in good shape to take advantage of the opportunities that new markets provide. Our ongoing investment in new products and new technology, marketing, and distribution is now paying off.

During the year, we launched a second brand “GP” in China to break into the mid-priced market there, and also continued to expand the Clipsal Integrated Systems’ offering with higher-value and higher-margin products. These include the C-Bus intelligent building system that was launched in a number of markets, including Australia, China and Malaysia, and the “ULTI” product line, a new smart-home system which offers state-of-the-art wireless control for lighting and other electrical devices.

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In Australia, the market was strong, especially in the residential sector, and growth was also driven by the take-up of new high-technology products such as intelligent building systems and data communications products.

In the year ahead, I believe that our electronics and battery businesses should benefit from ongoing growth in high-tech electronic goods, as well as the opportunities generated by consolidation in the primary battery segment. To further enhance the production capacity and efficiency of our electronics and electrical businesses, we plan to commence operations of two major new factories in Huizhou, China in late 2003. This will provide strong support for our future growth.

For Clipsal meanwhile, the Australian construction market looks set to remain strong and we are hopeful for a recovery in South East Asia and the Middle East. The China market still presents great opportunities and Clipsal is addressing the competition from both large global competitors and a multitude of small local providers by investing in aggressive brand building campaigns. One of our immediate priorities in the year ahead is to strengthen Clipsal Industries in the Asian markets by continuing to invest in R&D, new products, distribution and branding.

Although the global economy still looks uncertain and we anticipate a continuing volatile and highly competitive business environment, I believe our operations are stronger than ever now, and in better shape to expand further as opportunities arise.

Vote of Thanks

I would like to extend my heartfelt appreciation to our shareholders, customers and business partners who have remained unstintingly supportive. I would also like to thank our management and staff for their continued dedication and hard work.

Victor LO Chung Wing
Chairman
21 July 2003