Overview
The financial year 2003/04 has been an excellent and successful one for ESP Industries Limited. This has continued to build on the economic recovery. We have seen promising growth across our growing businesses in electronics and from our investments in CPI Limited (CPI) and ESP Batteries International Limited.

The economics of South East Asia continued to improve during the year and we are seeing increasing demand for products across our businesses. As the building sector improves in many parts of Asia there is a knock-on effect to the results, although competition remains very keen. Competition has also remained intense in China. But the Group is well placed to succeed in the middle to high end of the market and we now hold a strong market share in most product categories by being very focused on the specific areas in which we compete. A weak US dollar has also helped sales in Europe.

At the same time, the Group has been actively pursuing greater efficiency and adjusting its businesses to take the most of opportunities and meet future challenges. To this end we have consolidated our holding in CPI and we now hold more than 55%. Recent acquisitions in the batteries business are intended to keep us at the cutting edge in terms of advanced technologies and to expand the distribution network into Russia and Eastern Europe.

Financial Highlights
Both turnover and profitability have improved steadily in most areas. CPI Batteries registered record high turnover and an increase of 32.8% in gross profit despite dramatic increase in prices for raw materials. The Electronics Business achieved solid growth in sales with an improvement of 16.1% in profit before interest, taxation and exceptional items. Our electrical installations and lighting business, CPI, managed to increase turnover by 1.8% and profitability by before exceptional items significantly by 52.7% in the face of continuing competitive market conditions, especially in China and South East Asia.

Last December, a 50:50 joint venture was formed with Schneider Electric SA of France to develop, manufacture and distribute electrical wiring devices and installation systems ("SWDS") in Asia. Simultaneously, CPI's entire interest in the SWDS business of General Industries in Australia was sold to Schneider Electric. As a result of these transactions, CPI incurred a net exceptional gain of $17.0 million. Largely due to the share of the net exceptional gain from the deal, the Group's net profit attributable to shareholders increased by 51.0% to $40.8 million compared to the previous year.

Turnover for the year increased by 10.4% to $337.9 million, while basic earnings per share increased to 19.29 Singapore cents, compared to 17.15 Singapore cents last year. The Board has proposed a final tax-exempt dividend of 3.20 Singapore cents per share (2003/04: 3.00 Singapore cents per share) and a special tax-exempt dividend of 0.4 Singapore cents per share (2003/04: nil per share).

Business Highlights
Electronics Business
The Electronics Business saw an increase in both sales and profits by overall. Sales of Electronics Business improved by 16.4% compared to the previous year. In particular, the UK sales business achieved record sales and a significant improvement in profitability.

The automobile industry boom in China was a major driver for sales in the consumer business, and the market outlook set to continue to grow despite the recently announced austerity program.

The branded speakers business performed well in terms of sales and improving profitability. Over the past three years we have expanded the international...
Network in China

With its extensive network firmly established in major cities in China, the Group is well positioned to capture the business opportunities there.
network for our acoustic and professional audio products and we look forward to extending this penetration for our products in North America and Europe.

CHI Limited

The transformation of CHI, Evolve Business in Asia into a strategic alliance with Schneider Electric SA was a major milestone. This new joint venture provides a broader product offering, enhanced manufacturing capabilities and a much stronger regional distribution network and better efficiencies of scale. During the first quarter of 2004, this new joint venture delivered a very encouraging growth in sales of more than 30% and significant improvements in overall profitability, despite this being typically a slow quarter for the EVOL business.

CHI will continue to reduce costs through its ongoing improvement programs and plans to strengthen its leadership position in most of the key Asian markets by enhancing its higher-end product lines, the CHI and EAN® series ranges of wiring accessories.

CHI continues to invest in the Light Fitting business, particularly in China, to expand Perlick Lighting China Ltd under both the Perlick and GF brands.

GP Batteries

Our 0.752% share batteries reached record turnover in 2003/04 as well as a 38.6% improvement in profitability. This strong performance was underscored by a more profitable product mix and economies of scale, amidst relatively low interest rates. In particular, turnover for Lithium batteries improved by over 40%, demonstrating the increasing market acceptance for GP Batteries' products. At the same time, strong demand for high-performance electronic devices is supporting healthy growth in Nickel Cadmium and Nickel Metal Hydride rechargeable batteries. The Group is capitalising on these trends by increasing production capacity.

In the last quarter of the financial year 2003/04, the batteries business managed to overcome dramatic increases in raw material costs, underscoring its ability to weather adverse conditions and obstacles.

Prospects

The global and regional business environment remains quite volatile. Gradually, price, energy costs and available interest rate trends may all have an impact on the businesses we are in over the coming months.

Despite this, the outlook for the Group and its key strategic alliances to grow as an Asian-based multinational player in the mid to high-end markets for batteries, electrical and electronic products is good, thanks to our focus on shareholders, steady growth and the introduction of new strategies into the businesses, such as acquiring advanced technology in the batteries business and securing the joint venture with Schneider Electric in the EVOL business.

At the same time we are improving our ongoing operations by evaluating the core businesses where it is appropriate to do so.

I am confident that our focus on building businesses that can withstand global setbacks as well as performing within the good times, is right for our operations and our investments.

Vote of Thanks

I would like to extend my sincere thanks to our shareholders, customers and business partners who continue to support us wholeheartedly. I also thank my management and staff for their ongoing dedication and hard work.

Viktor Lo Chung Wing
Chairman
18 June 2004