Review of Operations
Summary of Results
The Group achieved record sales and profit for the financial year ended 31 March 2004. Global economic recovery and a weakened US dollar led to increasing demand for the Group's products in all key markets, while sales of electronics, wire harness and acoustics products reported solid growth. Contributions from 69% subsidiaries continued to increase strongly this year and contributions from OH companies ("OH") remained steady.

During the year under review, the Group registered an exceptional gain of S$5.6 million, mainly from its share of exceptional gain from CHL. Consolidated net profit amounted to S$50.4 million representing an increase of 158.6% as compared to last year. Basic earnings per share, with the weighted average of 451,399,936 shares (2003: 441,127,195).基本每股收益比去年同期增长了158.6%。基本每股收益以451,399,936股的加权平均数计算（2003年：441,127,195股）。

Exceptional charges for the financial year amounted to S$17.3 million, mainly comprising the write-down of the carrying value of marketable securities, provision for impairment in goodwill and provision for the disposal costs for an electronics subsidiary and an associated company in the acoustics business.
Electronics & Acoustics

The Group produces a wide range of sophisticated audio and acoustic products for consumer and professional markets.
Electronics Business

The Electronics Business continued to register impressive growth in operating profit. Turnover for the year grew by 16.6% over last year. Profit from operations improved by 33.5% while operating profit, after deducting investment related interest costs but before exceptional items, increased by more than 600%. Despite the dramatic increase in commodity prices, the Group managed to further improve its overall gross margin from 19.5% to 20.4% as a result of better product mix and improved operating efficiency.

The electronics and components business continued to perform strongly last year. Turnover increased by 17.7%, mainly from growth in the sales of professional audio products. The contribution from electronics manufacturing also registered impressive growth during the year. In spite of high material costs, the contribution from the components business remained steady due to strong demand for aluminum parts and precision components.
Sales of automobile wire harness registered a 18.7% growth, with an increase in sales in both the China and Japan markets. This growth was mainly driven by improvements in quality and customer service. The contribution from associated companies in China grew markedly as market demand was driven higher by the robust automotive industry.

The Group’s cable associate, TTK Industries, achieved another record year in sales growth, driven by strong demand for copper, coiled, and network cables. Although the cable business was affected by the dramatic increase in copper and PVC prices, TTK was able to improve significantly its profitability through increased sales and more profitable product mix.

The acoustic business achieved record sales and profit last year. Sales and profitability of KEF and Celestion loudspeakers both achieved strong growth as a result of high consumer demand for lifestyle loudspeakers used in home theatre systems, as well as improved competitiveness from the weakened US dollar. A number of lifestyle loudspeakers won various internationally recognized awards for quality and performance during the year.

To further enhance the Group’s product development capability, a new product development centre was established in the Hong Kong Science Park in early 2004. This new centre focuses on the development of advanced wireless electronics and digital signal processor (DSP) based products.

The newly purpose-built factory in Huizhou, China, commenced operations in April 2004. This new factory will significantly enhance the Group’s production capacity and efficiency, as well as the competitiveness of its electronics and acoustic business.
CIH Limited

CIH continues to broaden its product range and expand its distribution network to strengthen its market position in the region.
CIE Limited

A 49.29% owned subsidiary as at 31 March 2004.

A 53.33% owned subsidiary as at 14 June 2004.

For its financial year ended 31 December 2003, CIE recorded a 1.9% increase in turnover and narrowed its loss before exceptional items significantly by 32.4%.

In China, market demand gradually recovered from the SARS outbreak by the end of the quarter ended 30 September 2003. With a more product and customer focused sales strategy, CIE achieved encouraging sales growth in electrical wiring accessories and electronic products in the last quarter of 2003. However, sales of pipe-based products such as light fittings and data-communications products remained unstable. In Hong Kong, the property market for new projects remained soft but the retrofit market showed positive signs of recovery.

In Singapore, moderate annual sales growth was reported despite intensified price competition and continuing weakness in the property market. Market conditions in Malaysia also remained highly competitive, but CIE maintained its market position through a combination of competitive pricing and aggressive promotional initiatives.

Furthermore, strong sales growth was achieved in Indonesia, and the Vietnam market also recovered. The Middle East CIE Group exported its lead demand and opportunities arising from the many new investments in hotels, resorts and commercial/ private residential projects. General Industries of Australia also continued to record satisfactory sales and profitability.

On 22 December 2003, CIE completed transactions with Schneider Electric SA of France to form a 50:50 joint venture to develop, manufacture and distribute electrical wiring devices and installation systems ("VIESIT") in Asia and simultaneously sell to Schneider Electric its entire interest in the VIESIT business held by its associated company, General Industries, in Australia.

As a result, CIE recorded a net exceptional gain of $105.5 million.
GP Batteries

GP Batteries continues to gain brand recognition in the region.
**GP Batteries**  
(a 49.70%-owned associate)

GP Batteries achieved record turnover and profit for the second consecutive year. Despite rising material costs, profit margins improved due to a more profitable product mix and economies of scale, amidst relatively low interest rates. Turnover for the year increased by 25.2% and consolidated net profit after taxation and minority interests increased by 38.8%.

Sales of GP Batteries’ Nickel Cadmium and Nickel Metal Hydride rechargeable batteries rose by about 30%. Sales of Lithium Ion rechargeable batteries grew by over 40%. Sales of primary batteries grew by about 23% with the consolidation of the sales from Zhongyin (Ningbo) Battery Co. Ltd. of China and increased demand for Carbon Zinc cylindrical batteries and alkaline 9-volt batteries.

In January 2004, GP Batteries’ patent dispute with Energizer was resolved through a cross-licensing agreement, which allows GP Batteries to continue to sell alkaline batteries in the US market.

According to a survey conducted by AC Nielsen, the GP brand ranked first in terms of growth of market share of alkaline batteries in Hong Kong for both 2002 and 2003.

**Summary**

The past financial year was a fruitful and exciting year for the Group as we managed to achieve record sales and profit. Looking ahead, economic recovery in key markets and increasing demand for the Group’s products are expected. However, high energy costs, high commodity prices and keen low-cost competition present challenges for the coming year. The Group will continue to strive for technological innovation and improvements in product design, quality and customer service in order to further enhance its competitiveness and strengthen its market position. The Group will also take aggressive steps to strengthen its distribution network and to promote its brands in order to capitalize on the increasing customer demand that is resulting from the global economic recovery.

Our employees are most important to the Group’s success. We will continue to invest further into developing and training our management team and staff members to best prepare them to capture business opportunities and to meet the challenges facing the Group.

On behalf of the Board, I would like to express our thanks and appreciation to our shareholders and business partners for their strong support and confidence and our employees for their hard work and dedication during the year.

**Brian Li Yiu Cheung**  
Managing Director  
18 June 2004