Summary of Results
The economy in some key markets started to soften by the second half of the financial year that ended on 31 March 2005, which led to reduced demand for some of the Group’s products in certain markets. Raw material prices also rose to historic high levels during the year, which affected the profitability of some of our businesses. Since May 2004, the Group has consolidated sales of CIH Limited (“CIHL”), having acquired an additional stake in CIHL and turned it into a subsidiary. For the period under review, the Group’s sales increased by 40% to S$524.7 million. Consolidation of CIHL’s revenue contributed an additional S$116.9 million to the Group’s sales, while the electronics subsidiaries reported a 9% sales growth during the period.

The Electronics Division continued its solid performance in a challenging business environment. The electronics and components business delivered another year of remarkable performance. The wire harness and cable business slowed down slightly, having been affected by the softened automotive market in China and high raw material prices. The acoustics business was steady as consumer demand in some markets slowed down near the end of the financial year. Total contribution before interest, taxation and exceptional items increased by 14% to S$39.2 million this year. The Division also reported a net exceptional gain of S$7.4 million, mainly relating to the gain from divestment of the Group’s 41.56% interest in the car audio business, Jiangsu Toppower Automotive Electronics Co., Ltd., in December.
Competition in CIHL’s major markets remained keen and high component prices suppressed operating margin. CIHL also reported a net exceptional gain of S$10.0 million this period, mainly from revaluation of investments. When compared with last year’s one-off exceptional gain from the transaction with Schneider Electric SA, which amounted to S$107.9 million, CIHL’s total profit attributable to shareholders reduced significantly to S$0.9 million in the financial period.

The 49.07%-owned GP Batteries International Limited had a very difficult year. Sales grew by 8% but keen competition and record high raw material prices resulted in a 17% reduction in profit from operations during the year. GP Batteries also reported a net exceptional loss of S$18.8 million, mainly relating to provision made for the investment in its Lithium Polymer (“LIP”) joint-venture, expenses relating to the cadmium issue in two of its factories in China, and revaluation gains from investments. GP Batteries’ total profit attributable to shareholders amounted to S$1.8 million in the financial year.

Basic earnings per share based on the weighted average number of 457,721,145 shares in issue (2004: 451,999,584 shares), decreased from 17.95 Singapore cents last year to 8.35 Singapore cents in the financial year.
GP Industries caters to both the consumer and professional markets with its wide range of sophisticated audio and acoustic products.

1 The award-winning KEF KIT100 instant theatre, the popular DVD-based home entertainment system
2 New purpose-built factory in Huizhou, China equipped with advanced production facilities
Electronics Division

The Electronics Division continued to report impressive growth in operating profit.

Sales of electronics products increased by 17% in the financial year, mainly from increased sales of professional and commercial electronics products. The new GP Electronics Huizhou factory in China became fully operational during the year and has contributed to enhanced production capacity and competitiveness in the electronics and acoustics business. Components manufacturing associates also performed strongly in spite of very high raw material prices. Total contribution before interest, taxation and exceptional items from the electronics and components business increased by 35%.

In the electronics business, we are investing in the development of new technology and products. We apply our electronics capability not only to the electronics business but also to developing products for our other divisions to leverage synergies within the Group. We are also developing other value-added services for our customers, such as providing global logistics services in an effort to become a full service supplier.

In the second half of 2004, our partner in the automotive electronics business in China, the Jiangsu Toppower Electronic Group Co., Ltd. in Xuzhou, China, decided to divest its interests in the automotive electronics business. In view of the rapid globalization of the automotive electronics business in China and the highly competitive nature of the market, the Group divested its interest in the 41.56%-owned automotive electronics manufacturing associate, Jiangsu Toppower Automotive Electronics Co., Ltd., in order to focus resources on the Group’s core businesses.
Sales from the wire harness business registered an 11% increase in the financial year. Demand from automotive manufacturers in Japan remained steady. In China, the government’s financial austerity programme affected the demand for passenger cars and this led to significantly reduced contribution from our wire harness associates there. However, our management recognizes the importance of a balanced market base and we are developing our wire harness business in the US and European markets by working with other “Tier 1” suppliers in the automotive industry. Our wire harness sales to the US market increased rapidly in the financial year.

In late 2004, a new wire harness manufacturing associate commenced operation in Changchun, China aiming at servicing the new Japanese automakers that started production in the area.

The Group’s 44.75%-owned cable manufacturing associate, LTK Industries Limited, continued to perform well. Sales increased by 21% driven by the growth in eco-green and network cables. Despite very high raw material prices, profit contribution from LTK improved by 37% in the financial year. LTK recognized very early the importance of the emerging trend towards environmentally-friendly manufacturing and is investing to become a leader in environmentally-friendly cables. During the financial year, LTK has become the world’s first wire and cable company awarded with Restricted Substances Compliance Solutions (RSCS) approval from the Underwriters Laboratories Inc. (UL) of the US.
Sales from the acoustics business declined by 2% from last year, mainly due to soft demand in Europe and the US during the last quarter of the financial year. Total contribution from the acoustics business dropped by 27% due mainly to higher distribution costs arising from increased investment in marketing and distribution to support new product launches.

We are making best use of the resources and capabilities within the Group to support the development of the acoustics business. "Celestion", our professional audio brand with strong brand equity in high performance guitar amplifier speakers, is working closely with our electronics company to expand into high performance speakers for public address systems. "KEF", our premium consumer speaker brand, has started joint development programs with our electronic company for complete home theatre systems with patented acoustic technology to suit the lifestyle of younger customers. To market "KEF" as a premium consumer brand, we are also investing in strengthening the distribution network for our premium products. During the financial year, the Group acquired a subsidiary in the US to take control of our distribution network in this major market. In addition to the US market, GP Acoustics is now directly managing the marketing and distribution of our "KEF" brand in the UK, France, Germany, Japan, Singapore, Hong Kong and China.
Starting April 2004, the Group acquired more shares of CIHL to take control of this business. At the end of the financial year, the Group held 67.64% of CIHL.

During the 15-month period ended 31 March 2005, sales of the 50:50 joint venture with Schneider Electric SA, Clipsal Asia Holdings Limited ("CAHL"), increased by 52% when compared to the financial year ended 31 December 2003. This comprised approximately 25% sales growth for the 12 months ended 31 December 2004, plus the sales in the additional 3 months of 2005. Improving business environments in the Asian markets and strong building activities in the Middle East were the main reasons for the sales increase. However, as only 50% of CAHL’s turnover was taken up by CIHL according to the proportionate consolidation accounting standard, the reported sales turnover for its 15-month financial period decreased by 17% to S$157.0 million when compared with its last financial year that ended 31 December 2003.

CIHL Group continues to expand its product range and distribution network to strengthen its leading market position.

CIHL

CIHL Group’s extensive range of products includes:
1 ULTI, providing wireless control for lighting and other electrical devices.
2 Industrial products
3 Electronic control devices for large-scale projects and buildings.
4 Data-communication products
In China, the austerity programme slowed down the progress of some major projects. However, sales of electronic control and data-communication products grew strongly despite stiffer competition. In Hong Kong, the recovering residential market and increasing investment into the development and renovation of hotels and serviced apartments led to improved sales. In other Asian markets, sales also improved in spite of intense competition, except in Singapore and Vietnam where building activities remained slow. In the Middle East, strong sales growth was achieved with higher levels of building activity in the region.

During the period, CIHL reported an operating loss before exceptional items, due mainly to lower gross margin as a result of very high raw material costs, disposal of slow-moving stocks and higher distribution and administrative costs. CIHL also reported a net exceptional gain during the period, which mainly related to gains on revaluation of its listed investments and other transactions with Schneider Electric SA.

In the light fitting market, CIHL's "GP" brand light fitting products are targeted at projects for the high- and medium-priced market segments in China. CIHL conducted promotional activities including product launches, seminars and road shows in major cities in China. A new lower cost range of products and LED light fitting products are also being introduced.
GP Batteries continues to focus on brand building in the region.

1 The 2600mAh and 1000mAh Nickel Metal Hydride rechargeable batteries have the world’s highest capacity for their sizes.

2 The “GP” brand is actively promoted in the region and in GP Batteries’ key markets.
**GP Batteries**

GP Batteries' turnover for its financial year ended 31 March 2005 was S$893.9 million, an increase of 8% over the previous year. Turnover grew mainly from improved sales of alkaline primary cylindrical batteries and Nickel Metal Hydride ("NiMH") rechargeable batteries. However, this was partially offset by reduced demand for 9-volt alkaline batteries.

Gross profit margin decreased mainly due to high raw material prices and keen competition in the Lithium ION ("Li-ion") market. New technology in lower power notebook computers led to an over-supply of Li-ion rechargeable batteries. GP Batteries also reported a net exceptional loss of S$18.8 million which consisted of a provision made for investments in the Danionics LIP battery project in Denmark, compensation and medical expenses for workers affected in the cadmium issue in two factories in Huizhou, China, and net gains from the revaluation of investment properties and other short-term investments. In addition, a substantial provision was made in respect of tax assessments from prior years for one of its subsidiaries in Hong Kong. As a result, the consolidated net profit after taxation and minority interests decreased from S$45.2 million last year to S$1.8 million in the financial year.

To enhance its competitiveness, GP Batteries has consolidated its NiMH batteries manufacturing facilities in Malaysia with those in China. In addition, some production of Li-ion batteries will be transferred to China as more electronics equipment manufacturers are setting up their factories there.

**Summary**

The past financial year has been a challenging one for the Group. Softening markets and rapidly escalating raw material and energy costs have adversely affected various businesses of the Group, although to different extents. To face these challenges, we have focused on developing better products and improving our competitiveness. As a result, the Group maintained revenue growth despite keen competition. To preserve and improve profitability, various business divisions took aggressive measures to rationalize their business processes and focus on adding value to their businesses. These measures will enable us to further improve our competitiveness and the quality of our businesses.

In the current financial year, reduced global growth expectations and high raw material costs remain the Group's major challenges. In addition, the new European Union's Environment Directives on Waste, Electrical and Electronic Equipment (WEEE and RoHS), with which the Group is preparing to comply, have added cost and complexity to the business. However, with a strong product development capability, an extensive customer network, and a competitive cost structure, we believe our Group is well prepared to meet these challenges.

We are also investing in management training and development programmes to further strengthen our management team and prepare them for the challenges and the opportunities ahead of us.

On behalf of the Board, I would like to express our thanks and appreciation to our shareholders and business partners for their continual strong support and confidence. I would also like to thank our employees for their dedication and commitment.

Brian Li Yiu Cheung
Managing Director
16 June 2005