The US market began to slow in the financial year 2007-2008, while the costs of raw materials, energy and labour continued to increase, exacerbated by a further appreciation of the Chinese Renminbi. We did well to mitigate the effects of this steadily deteriorating operating environment through cost control measures and further streamlining of operations.

Although revenues declined as we partially divested the wire harness business in the previous year and attributable profit also declined mainly on exceptional items in the previous year, profit from operations during the year held steady, pointing to an improvement in gross margin. Although conditions are unlikely to improve quickly, we are well positioned to make further progress.

**Results**

Sales decreased by 27% over the previous year to $S$278.8 million, mainly due to the divestment of the wire harness business, while profit from operations decreased slightly to $S$14.5 million.

Contributions from the electronics and the acoustics businesses increased during the year. However, profit attributable to equity holders decreased by 63% to $S$25.6 million. This was largely following a decrease in contributions from associates, due mainly to the $S$40.3 million one-time exceptional gain reported by Linkz Industries Limited in the previous year and a lower contribution from GP Batteries International Limited for the financial year 2007-2008.

The Board has recommended a final dividend and a special dividend, each of 0.5 Singapore cent, compared with the final dividend and special dividend each of 1.0 Singapore cent for the financial year 2006-2007.
Business Highlights

Electronics Division

Sales at the electronics and components business grew by 9% in Singapore dollar terms and 16% in US dollar terms over the previous year, as the market responded positively to the new products. Our components associates also performed strongly and contributed higher profits. As a result of the higher sales and effective cost control measures, operating profit before interest and taxation (“PBIT”) excluding exceptional items increased by 42%.

Revenues of the acoustics business were steady in Singapore dollar terms and grew by 4% in US dollar terms, as sales to Europe and Asia grew while those to the US weakened. The strongest growth came from the Greater China region, where sales rose by more than 40% in US dollar terms. Again, sales benefited primarily from a positive reception to new products, while strengthened distribution in Europe and Asia compensated for the softer US market. The acoustics subsidiaries also returned to profit. Meiloon Industrial Co., Ltd. became an associate in April 2007 and accordingly started contributing to our earnings.

Contribution from the 47%-owned cable associate Linkz decreased by 42% due to the disposal of its electronic cable business unit in the previous year. The remaining LAN and interconnect products business units posted satisfactory sales growth. Contributions from the wire harness business, which now mainly comprises the 20%-owned associates, declined owing to our smaller effective stake in the business. As a result, overall PBIT excluding exceptional items at the cables and wire harness business decreased by 46%.

GP Batteries

Turnover of the 49.2%-owned GP Batteries rose by 19% over the previous year. Net profit turned to a loss, however, on accounting for unrealised loss on commodity contracts.

Sales of Nickel Metal Hydride (“NiMH”) rechargeable batteries and primary cylindrical batteries increased by 56% and 10% respectively, while those of Alkaline and Carbon Zinc batteries decreased by 17%.

The profitability was affected as GP Batteries entered into commodity contracts to manage the fluctuations in raw materials prices. This resulted in a realised gain of $5.8 million for the financial year on matured commodity contracts. Outstanding commodity contracts which were measured at fair values at the end of the financial year, however, showed an unrealised loss of $36.0 million for the financial year.

Outlook

Business conditions in the financial year 2008-2009 will remain challenging. The US economy continues to weaken, while demand in Europe also appears to be softening. Costs will also remain an issue, given the rise in inflation globally. On a brighter note, prices of some key raw materials, such as Nickel, are softening.

We have a strong, more focused platform, and will continue to use our product development capabilities, brands and distribution networks to strive for higher sales and profitability. Overall, we should benefit from consolidation in the industries where we compete.
The electronics and components business will continue its long-term co-operation with component suppliers and customers to ensure we continue to manage costs. We expect the good momentum in the professional electronics sector to carry through as customers respond to the high reliability and performance of our well-designed products.

In the acoustics business, we see Asia Pacific markets growing faster again, and we will tap the potential of the China market further by strengthening our services and upgrading our logistics management. We will also expand our distribution in Asia Pacific and some emerging European countries.

The cables and wire harness business is improving its profitability and will focus on higher value and environmentally friendly areas.

The business of GP Batteries is expected to improve. Its Taiwan factory, where volumes have been small, is set to benefit from co-operation with a battery research and development company to produce the next-generation Lithium-ion batteries for notebook computers, which are in high demand from manufacturers. Demand for NiMH batteries appears strong and we intend to focus on high quality business, which offers better margins, by improving our customer mix. Softer Nickel prices should also provide a more stable trading environment.

**Vote of thanks**

I would like to extend my heartfelt thanks to our shareholders, business partners and customers for their support. I also thank our management and employees for their dedication and efforts during a year full of challenges.

Signed

Victor LO Chung Wing
Chairman

18 June 2008