The global financial crisis, the subsequent slowdown in economic activity, credit contraction and high volatility in materials prices resulted in a difficult operating environment during the financial year 2008-2009 in which group sales and profits declined.

In the face of these challenges, the Group took immediate measures to slow down capital expenditure, reduce cost and tighten cash management. We also continued to rationalise operations and improve productivity. We believe we are in a favorable position to rebound speedily as the economies around the world begin to recover, although we expect the recovery to be gradual.

RESULTS
Revenues for the financial year decreased by 13% over the previous year to S$242.4 million, as the deteriorating global economy led to weak demand for most of our products.

Profit from operations decreased by 43% to S$8.2 million. GP Batteries International Limited improved its contribution, but overall contributions from associates decreased. Profitability was further affected by impairment provisions of S$18.7 million against its investments, of which S$15.2 million were related to its 19%-owned investment in Australia, which resulted in a net exceptional loss of S$15.0 million. As a result, the Group reported a loss attributable to shareholders of S$6.1 million for the financial year 2008-2009, compared to a profit of S$25.6 million for the previous year.

The Board has recommended a final dividend of 1.0 Singapore cent, compared with a final dividend of 0.5 Singapore cent for the financial year 2007-2008, when a special dividend of 0.5 Singapore cent was also paid.
BUSINESS HIGHLIGHTS

Electronics Division

Though the electronics division faced challenging market conditions, it was supported by its strong market position and maintained profitability.

Sales at the electronics and components businesses declined by 20% over the previous year. Demand for our professional electronics products weakened, as did the performances of our components associates. Costs were generally higher, but these were mitigated by effective cost-control measures. Operating profit before interest and taxation ("PBIT") excluding exceptional items decreased by 74% to S$4.5 million.

Revenues at the acoustics business declined by a modest 8% as higher sales of KEF-branded acoustics products to Asia, Germany, Canada and Latin America partly offset lower sales in the US and UK markets. Overall, our strength in the consumer and professional audio markets enabled us to maintain or increase our market share in most regions. Our sales team was able to respond quickly to changes in market conditions as we focused on products and regions offering better growth prospects. Profitability at the branded acoustics business improved by more than 50%, owing to improved distribution efficiency and rigorous cost-saving measures. Meiloon Industrial Co., Ltd., in which we hold a 20% interest, reported a small loss for the financial year. PBIT excluding exceptional items for the acoustics business decreased by 34% to S$4.1 million.

Sales of the 47%-owned cable associate Linkz Industries Limited decreased by 6%, while profit contribution before exceptional items decreased by 70% mainly because of higher material and manufacturing costs. The wire harness associates serving the domestic automobile makers in China continued to perform robustly, while contributions from export-oriented subsidiaries and associates decreased. As a result, PBIT excluding exceptional items from cables and wire harness businesses decreased by 61% to S$3.7 million.

GP Batteries

During the year, an improved performance was recorded at 49.2%-owned GP Batteries. Turnover declined by 12% over the previous year to S$864.1 million as demand for most types of batteries was affected by weak market conditions. Profit attributable to shareholders for GP Batteries improved from a loss of S$4.6 million for the preceding year to a profit of S$0.7 million, despite decline in turnover and losses on its hedging positions.

The strong return to profitability reflected a marked improvement in gross margin, which rose due to a number of factors. Raw material costs declined during the second half of the financial year.

GP Batteries also made improvements in productivity, in part through the implementation of a new management information system. A renewed focus on supply chain management reduced inventory and total product cycle time, freeing up working capital. By increasing its orientation towards key customers, GP Batteries was able to apply additional resources to the GP-branded business. This, together with a trend towards industry consolidation, enabled the GP brand to maintain its market share.

OUTLOOK

The operating environment for the financial year 2009-2010 will continue to be challenging, and the
Chairman’s Statement

Group will remain vigilant. However, because of the prudent financial management measures taken by the Group during the year and our continuously improving productivity, we expect to see further improvements.

Sales at the electronics and components businesses are expected to stabilise as the influence of inventory reduction in distribution channels recedes.

The acoustics business should continue to build on its positive performance, and markets such as Asia-Pacific are likely to continue to be stronger than those in North America or Europe. We will continue to expand and strengthen our distribution network in Asia-Pacific, and will work to stimulate demand through promotional activities.

The cables and wire harness businesses may improve its contribution, as both business areas should benefit from lower costs. In addition, contribution from the wire harness business is expected to increase upon completion of the acquisition of a 50% interest in Shanghai Jinting Automobile Harness Limited, China.

GP Batteries is expected to reap further rewards from its GP-branded products and from devoting resources to key OEM customers, including the new accounts that have been added recently. It will seek further alliances that offer opportunities to create synergies in the areas of technology and distribution. It will also capitalise on selected opportunities in the rapidly increasing demand for electric vehicle and hybrid vehicle batteries.

Although prices for raw materials including nickel may rebound, we anticipate lower levels of volatility. GP Batteries aims to achieve further improvements in productivity, and to this end it intends to consolidate more of its manufacturing facilities.

We will continue to improve our balance sheet and liquidity. Bank debts were reduced significantly in the financial year 2008-2009, and we will continue to strengthen working capital management and reduce costs. These efforts will play an important role as the economy consolidates.

There are encouraging indications that recovery could already be underway, and although the Group will retain a prudent financial strategy in the near term, our strong brands and sound business strategies will put us in a positive position as the global economy recovers gradually.

VOTE OF THANKS

I would like to extend my appreciation to our shareholders, business partners, bankers and customers for their support during a year full of challenges. I also thank our employees for their loyalty and dedication during a very tough year.

Victor LO Chung Wing
Chairman

30 July 2009