The global financial crisis that broke out in 2008 resulted in the toughest business environment in Gold Peak Group’s 45 years of history. The first half of the financial year 2009-2010 was extremely threatening as demand from developed countries declined drastically. I am pleased to report that GP Industries was able to manage this difficult period most effectively to minimise damage and returned to profitability.

This achievement reflects our ability to take quick and decisive actions. Faced with sharply reduced demand, we moved aggressively to strengthen our balance sheet and cash flow through consolidating operations, implementing aggressive cost reduction programmes, slashing capital expenditures and disposing of non-core assets.

The effectiveness of these actions was greatly assisted by the strategy we have been pursuing over several years to strengthen our balance sheet and focus on higher value-added businesses.

As a result, the Group is now well positioned to take full advantage of the economic recovery that began in the second half of the financial year, with some of our businesses posting robust increases in revenues during that period.

RESULTS AND DIVIDEND
Revenue for the financial year increased by 11% over the previous year to S$268 million. The increase was mainly contributed by Shanghai Jinting Automobile Harness Limited, in which we had raised our shareholding to 50% in November 2009.

Profitability saw a strong recovery on the back of the increased contribution from the automotive wire harness business, recovery of the electronics business and a significantly improved performance from GP Batteries International Limited, as well as successful cost control in all areas. Profit from operations increased by 50% to S$12.3 million while profit attributable to equity holders was S$33.9 million against a S$6.1 million loss last year.

The Board has recommended a final dividend of 2.0 Singapore cents per share, making a total dividend of 3.0 Singapore cents per share for the full year, compared to the total dividend of 1.25 Singapore cents for the financial year 2008-2009.

BUSINESS HIGHLIGHTS

Electronics and acoustics
Sales from the electronics business were 16% higher. This was mainly due to a very good performance from the professional audio equipment business following strong market reception for our new products. In our parts and components business, sales from subsidiaries were lower but the contribution from associates increased markedly.

The acoustics business saw overall sales decrease by 15% despite growth in sales to China and other Asian markets. Nevertheless, cost-control measures mitigated the effects of lower revenue. Overall, profit contribution from electronics and acoustics businesses increased by 60%.

Automotive wire harness
Benefiting from the fast growth in the automobile industry in mainland China, profit contribution from our automotive wire harness business increased substantially with Jinting adding approximately S$38 million to Group’s revenues. The Group also reported an exceptional gain of S$10.1 million from negative goodwill arising from the Jinting acquisition.
Other investments
Profit contribution from cable associate Linkz Industries Limited increased despite lower sales. Linkz issued new shares as consideration for its acquisition, which diluted our interest from 47.2% to 37.7%. This gave rise to an exceptional loss of approximately S$2.1 million.

Sales of Meiloon Industrial Co., Ltd. dropped and profit contribution was lower, despite returning to profit in the third quarter. During the financial year, we exited from our investment in GP Lighting Technology (Huizhou) Limited, a small light fittings business.

GP Batteries
Turnover at GP Batteries decreased by 8% to S$799 million mainly because of lower sales to Europe in the first half of the year. However, gross profit margin rose as it improved the sales mix and put in place effective cost-control measures. Profit after tax attributable to equity holders of GP Batteries was S$37.1 million, compared to S$0.2 million last year.

OUTLOOK
Demand for our products in the 2009-2010 financial year is still slightly below the pre-crisis levels but should continue to improve provided global economic recovery continues. The Asian markets, which exhibited the strongest demand last year, look promising. Our businesses are in good shape and we expect to be able to achieve further growth in the coming financial year.

However, there are areas of concern. The economic austerity faced by many European countries and the steep declines in the values of the Euro and Sterling against the US dollar and Renminbi will inevitably affect revenues and margins from the region. At the same time, costs are rising. Raw materials and components prices have been increasing in recent months as demand recovers. Inflation in China is leading to demands for higher wages. There is also anticipation of an appreciation of the Renminbi against the US dollar.

As our Group always strives to move up the value chain, we are somewhat less exposed to some of these cost pressures. Being an integrated manufacturer of mid- and high-end products, with strong brands, we compete on quality and service as much as on price. Hence, our products have a relatively modest labour content and are more reliant on technological innovation, marketing and distribution strength. Our strategy going forward centres on these strengths. We will continue to consolidate and streamline our operations to raise productivity and enhance the growth prospects for our core businesses. Given the continuing volatility in financial markets, we will emphasise bottom-line growth and direct capital expenditures to selected strategic areas.

To manage increasing materials costs we will leverage our economies of scale. We will exploit our extensive knowledge of the materials industry to develop new sources of supply and to look for alternative materials. Although labour costs are less important to our Group than to many competitors, we nonetheless recognise the need to counter the rise in labour costs, and plan to introduce more automation where appropriate. At the same time, we understand the vital need to recruit and retain the people we need to support our growth. Greater attention will be paid to fostering a sense of belonging and to strengthening industrial relations.

In all of our businesses, the consistent long-term goal is to move higher up the value chain. To this end, we will invest more in our design and engineering capabilities, our brands, such as GP Batteries, KEF and Celestion, as well as distribution networks, particularly those in the fast-growing markets of Asia.

VOTE OF THANKS
Finally, I would thank our directors and management for their steadfast leadership during the crisis. My appreciation also goes to our dedicated employees for their commitment and support. Last but not the least, my sincere thanks go to our shareholders, business partners, bankers and customers for their most valued support during a very testing period.

Victor LO Chung Wing
Chairman
29 June 2010