Uncertainties and volatilities brought by the global economic turmoil resulted in an exceptionally challenging market environment which prevailed throughout most of the financial year 2009-2010. However, the Group’s effective strategy to counter the market downturn as mentioned in previous reports enabled the Group to capture opportunities amid the uncertainties. When market conditions became more stable in the second half of the financial year, the performance of most of the Group’s businesses improved rapidly. Consolidated revenue for the financial year 2009-2010 increased by 11% to S$268 million. The revenue growth was the combined result of organic growth and an acquisition. Sales of our professional audio products increased strongly and contributed to the 16% increase in revenue from our core electronics business. The acquisition of a 50% interest in Shanghai Jinting Automobile Harness Limited (“Jinting”) in November 2009 increased revenue from the automotive wire harness business by S$38 million.

The Group reported a profit attributable to equity holders of S$33.9 million for the financial year, against a loss of S$6.1 million last year. The impressive result was attributable to improved gross profit margin due to improved sales mix, reduced expenses resulted from effective cost-control measures, and strong performance of the Group’s associates, particularly GP Batteries International Limited.

**ELECTRONICS AND ACOUSTICS**

The Group’s investments in product development and marketing brought positive results in spite of a very difficult market environment. Sales from the electronics business increased by 16%, primarily driven by strong market reception for the new professional audio equipment introduced. Strength in product development and the Group’s renowned Celestion brand professional speaker drivers contributed to a 35% growth in the Group’s professional audio business despite a tough market environment. Increased sales of higher-value added products also led to gross profit margin improvement in this business segment.
Sales of the acoustics business decreased by 15% during the financial year, as its major markets in Europe and America remained soft. The sales drop was also aggravated by the depreciation of the Euro against the Singapore dollar. Sales to America and Europe reduced by 23% and 18% respectively. However, sales of KEF brand products to China grew by 30%. Excluding China and Hong Kong, sales of acoustics products to other Asian markets increased by 12%.

During the financial year, the acoustics business continued its cost-control measures, streamlined its organisation structure and improved its global logistics processes to reduce cost and improve efficiency.

Sales from subsidiaries in the parts and components business were lower this year. However, associated companies of the parts and components business recovered strongly and the aggregate contribution from associates increased by more than 40% when compared to last year.

Improved gross margin, effective cost-control measures and higher profit contribution from associates resulted in a 60% increase in total profit contribution from the electronics and acoustics business, despite a marginal 1% decrease in revenue.

**AUTOMOTIVE WIRE HARNESS**

In November 2009, the Group increased its investment in the booming automobile industry in China by acquiring a 50% interest in Jinting, whose major customers include Volkswagen and General Motors in Shanghai. The result of Jinting from November 2009 to March 2010 has been accounted for using the proportionate consolidation method, leading to a contribution of approximately S$38 million to the revenue of the Group. Jinting's strong results also led to a nine-fold increase in profit from this business segment for the financial year. In addition, the investment in Jinting resulted in an exceptional gain of S$10.1 million, being negative goodwill on acquisition. During the financial year, the Group also disposed of its 20% owned wire harness associates which mainly served Japan based manufacturers.

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1. Concept Blade, a conceptual loudspeaker innovated by KEF after 3 years of exhaustive tests and analysis, showcases KEF's dedication to advancing acoustic technology.
2. KEF's KHT systems have been ranked as the No. 1 complete home theatre loudspeaker systems in the UK for five consecutive years.
3. The Group's new professional audio equipments have received strong market response.
4. The Group will continue to grow its parts and components business by introducing more new products.
OTHER INVESTMENTS

Profit contribution from the cable associate Linkz Industries Limited increased despite lower sales in the financial year. Sales of 20%-owned Meiloon Industrial Co., Ltd. decreased and contributed lower profit. However, Meiloon’s performance improved and returned to profit in the third quarter of the financial year. During the year, the Group exited the light fittings business. Linkz entered into an agreement prior to 31 March 2010 to issue new Linkz shares as consideration for its acquisition which would dilute the Group’s interest in Linkz from 47.2% to 37.7%. An exceptional loss on dilution of interest in Linkz amounting to approximately S$2.1 million was reported during the financial year. A net exceptional charge of S$13.1 million, which comprised mainly provision for impairment on investments, was also reported from this business segment.

GP BATTERIES

GP Batteries’ turnover for the year was S$799 million, a decrease of 8% comparing to last year. This was due mainly to a decrease in sales to Europe particularly in the first half of the financial year. However, gross profit margin for the year was 23%, compared to 21% for last year (excluding the effect of commodity hedging contracts). This was mainly due to the sales mix having better margins as well as effective cost-control measures. Profit after tax attributable to equity holders of GP Batteries for the financial year was S$37.1 million, compared to S$0.2 million last year.

Sales of primary batteries increased by 16%. Sales of rechargeable batteries declined by 18%, following a trend that is predominant in developed countries. However, with market consolidation and focused brand-building efforts, GP Batteries continued to maintain its leadership position in Nickel Metal Hydride rechargeable battery market.

GP Batteries has acquired a 40% interest in the US based Plug-In Conversions Corporation, which will allow GP Batteries to enter the plug-in conversion system market for hybrid electric vehicles. The acquisition of Vectrix Corporation, a producer of electric motorcycles, was
FINANCIAL MANAGEMENT
The Group continued to make significant progress in strengthening its balance sheet. During the year, the Group repaid approximately S$57 million bank loans and reduced its gearing level (net bank borrowing to equity) from 41% as at 31 March 2009 to 25% as at 31 March 2010. The reduction in bank borrowing contributed to a 26% decrease in finance cost, despite higher interest rates during the financial year.

In December 2009, the Company cancelled 55,681,443 issued shares, representing approximately 9.7% of the then issued shares, by way of selective capital reduction for a consideration of S$0.328 per share. The selective capital reduction exercise enhanced the Group’s net asset value per share as the consideration amount per share was less than the Group’s net asset value per share.

1 New marketing campaigns of GP ReCyko® products are launched in developed markets.
2 GP Batteries will further strengthen its leadership position in primary specialty battery and Nickel Metal Hydride rechargeable battery markets.
3 GP Batteries offers a comprehensive range of industrial batteries for new applications.
4 GP Batteries continues to explore opportunities to grow its electric transportation business.

completed during the financial year and will allow GP Batteries to access the electric transportation market directly.

In Hong Kong and China, GP Batteries gained more market share in the consumer market segment. According to Nielsen’s MarketTrack Report, the GP Ultra Alkaline battery was ranked No. 1 in Hong Kong in sales volume for the sixth consecutive year while in China, it was one of the top three brands of alkaline batteries. GP Batteries’ rechargeable batteries and chargers were also ranked the No.1 brand for 2009 in both Hong Kong and China. Sales in emerging markets continued to be strong as a result of branding activities and established distribution networks.

During the financial year, the Company acquired additional shares in GP Batteries in the open market and increased its interest from 49.2% to 49.8%. An exceptional gain of S$0.9 million was reported from the negative goodwill pursuant to the share purchase.
OUTLOOK
Demand for the Group’s products should continue to improve as the global economy strengthens. Robust economic growth in China and the rest of Asia is expected to boost the demand for the Group’s automotive wire harness and acoustics products. Cost-control and efficiency improvement measures will continue to enhance the competitiveness of the Group’s products. However, rising costs in China and an appreciation of the Renminbi may reduce the effect of the Group’s cost-control efforts. Volatility in currencies caused by the Euro-zone debt crisis and rising material costs may also negatively affect some of the Group’s businesses.

The Group will continue to invest in the development of new technologies and new products as well as its brands. GP Batteries will explore further business opportunities in the electric transportation business.

Brian Li Yiu Cheung
Managing Director
29 June 2010