CHAIRMAN’S STATEMENT

Following the significant challenges of the global financial crisis, the Group had a stable year in 2010 as the global economy stabilised, with stronger growth in emerging markets including China. In the fourth quarter of 2010/2011, however, the business environment has become more challenging again. Demand in the developed economies, our major markets, started to weaken. At the same time, costs continued to rise as wages increased in China and the Renminbi kept appreciating. The prices of raw materials also became volatile quite dramatically, so in the case of certain industrial metals.

Despite these challenges, we have been able to deliver higher revenues, as our core businesses increased sales and market share. Profit from operations increased as we benefited from our strategy over the past two years to cut costs and raise productivity through investment in automation and efficiency. We have also continued to strengthen our balance sheet and cash flow by adopting a cautious capital expenditure policy and divesting non-core assets.

RESULTS AND DIVIDEND

Group revenue for 2010/2011 increased by 25% over the previous year to $336 million. Revenue of the electronics and acoustics business increased by $24 million or 11%. Revenue of the automotive wire harness business increased by $47 million, of which $42 million was contributed by Shanghai Jinting Automobile Harness Limited (“Jinting”), which since November 2009 has been accounted by proportionate consolidation.

Gross profit margin decreased from 28.1% to 26.8%, as the lower margin automotive wire harness business contributed a significantly higher percentage of the Group’s revenue. Revenue from the automotive wire harness business accounted for 28% of Group revenue, 11% higher than the previous year. Profit from operations (i.e. profit before finance costs, exceptional items and share of results of associates) increased from $12.3 million to $19.9 million as a result of the strong performance of the electronics and acoustics business and the higher contribution from Jinting following proportionate consolidation of its full year results. The share of profit from associates decreased due mainly to a lower profit contribution from GP Batteries International Limited (“GP Batteries”) and Linkz Industries Limited.

During the year, the Group reported a net exceptional loss of $15.4 million, mainly from impairment losses on outstanding investments. Profit attributable to equity holders was $23.8 million, compared to $33.9 million in the previous year. Basic earnings per share for the year was 4.60 Singapore cents, compared to 6.05 Singapore cents last year.

The Board has recommended a final dividend of 1.5 Singapore cents per share, together with a special final dividend of 1.5 Singapore cents per share, as compared with a final dividend of 2.0 Singapore cents per share for the financial year 2009/2010.

BUSINESS HIGHLIGHTS

Electronics and acoustics

Sales from the electronics business increased by 22%, mainly due to a 23% increase in sales of professional audio products. The increase was primarily driven by the introduction of new products which were well received in the market. Associated companies of the components business contributed slightly increased profit than the previous year.

Sales from the acoustics business remained steady in Singapore dollar terms and increased by 6% in US dollar terms. Sales to China and America increased by 31% and 24% respectively. Sales to Europe decreased by 10%, partly due to the depreciation of Sterling and the Euro against the Singapore dollar. Excluding exceptional items, the profit contribution from the electronics and acoustics business increased by 46%.

Automotive wire harness

The Jinting Group continued to benefit from the strong automotive market in China. It contributed a higher profit to the Group based on the proportionate consolidation of Jinting’s profit for the entire year against a five-month period in the previous year. Excluding exceptional items, the profit contribution from the automotive wire harness business increased by 72%.

Other investments

Cable associate Linkz Industries Limited contributed less profit mainly because of higher raw material prices. The 20%-owned Meiloon Industrial Co., Ltd. returned to profit. Interest and dividend income from this business segment were lower than the previous year. The segment reported a $14.9 million net exceptional loss, comprising mainly impairment losses on investments, as compared to a $15.2 million net exceptional loss the previous year.
GP Batteries

Turnover at GP Batteries was S$832 million, an increase of 4% in Singapore dollar terms, or 12% in US dollar terms, over the previous year. Gross profit margin decreased primarily due to increased labour costs in China, the appreciation of the Renminbi and higher raw material prices. Profit after tax attributable to equity holders of GP Batteries was S$19.2 million, compared to S$37.1 million the previous year.

OUTLOOK

We expect 2011/2012 to be a more challenging year. Our major export markets in the G7 countries continue to weaken, especially in the US, parts of Europe and also Japan, where the economy has been shaken by the recent disaster. Growth in emerging markets may also slow, as governments move to tighten the money supply in order to restrain inflation. At the same time, we expect labour costs in China to continue to increase and the Renminbi to appreciate further. Volatility in raw material prices is expected to continue.

To perform well in such an environment, companies need to become better at adding value. We have always focused on products in the mid to high range categories and to offer added value to customers, rather than just competing on price. We achieve this through technology-based product development which results in more innovative products, and through providing a high level of service. We will continue to invest in R&D, and to enhance the service aspects of our businesses.

Having our own strong brands has also positioned us well to compete when the economy is soft. Over the decades, the Group has established its own brands with their own global distribution networks, which gives us much greater control over costs and pricing than many OEM / ODM manufacturers in Asia.

Responding quickly to changes in the market is also important. Customers are avoiding high levels of inventory. This makes our ability to bring products to market quickly and to respond speedily to changes in demand a vitally important aspect of our competitiveness.

Like other manufacturers, we need to manage costs. We have been addressing this through automation and updating our management information systems, and we will continue to upgrade our manufacturing facilities to improve efficiency and to lower the labour content.

For the second half of 2011/2012, we expect profit margins to be volatile. Our balance sheet has strengthened in recent years, but we will continue to consolidate and streamline our operations as opportunities arise. In the longer term, the close relationships we have with customers, based on our ability to deliver innovative products at competitive prices, will ensure our continued competitiveness.

VOTE OF THANKS

I wish to thank the directors and management for their dedication during the year and our employees for their hard work, which have underpinned our performance. As ever, we also greatly value the support of our shareholders, business partners, bankers and customers.

Victor LO Chung Wing
Chairman
27 June 2011