The financial year 2011-2012 was a challenging year. Global economic slowdown has weakened consumer demand in Europe and the US. Combined with exceptional surge in material costs and general increase in manufacturing cost, the Group reported lower revenues and profits.

As part of the strategy since the financial turmoil, the Group continued to strengthen its balance sheet during the year. Net bank borrowings reduced by S$8.8 million to S$49.8 million as at 31 March 2012. Though shareholders’ funds were slightly decreased to S$351.3 million, the gearing ratio was 0.14 time, against 0.16 time as at 31 March 2011.

Results and Dividend
GP Industries’ revenue for the financial year ended 31 March 2012 decreased by 8% to S$309 million when compared to that of last year. In US dollar terms, revenue decreased by 2% over the twelve months.

Weak export markets, volatile raw material prices and rising manufacturing costs in China affected profitability, with gross profit margin decreasing from 27.8% to 25.8%. The strong Singapore dollar also affected GP Industries’ profit when translating profits earned overseas to Singapore dollars. Profit from operations decreased from S$19.9 million to S$12.5 million. Associates also contributed a lower profit. As a result, profit contribution from the electronics and acoustics business decreased by 49%.

Automotive wire harness
Sales from the automotive wire harness business decreased by 8% in Singapore dollar terms. Sales reported by Shanghai Jinting Automobile Harness Limited decreased by 6% in Renminbi terms. Profit contribution from the automotive wire harness business decreased by 6% due mainly to cost increases in China.

Business Highlights

Electronics and acoustics
Sales from the electronics business decreased by 9% in Singapore dollar terms or 3% in US dollar terms as a result of weak export markets. Sales from the acoustics business decreased by 6% in Singapore dollar terms and remained unchanged in US dollar terms. Sales of acoustics products to the Americas and China grew by 10% and 25% respectively while sales to the European markets declined by 9%, all in US dollar terms.

Significant increases in component prices, in particular for rare earth magnets used in high performance speakers, reduced the profitability of both businesses. The associated companies in the components business also contributed a lower profit. As a result, profit contribution from the electronics and acoustics business decreased by 49%.

Other investments
Excluding exceptional items, other investments reported a lower profit as a result of a lower contribution from Linkz Industries Limited and a
Branding, marketing and sales will remain our priorities. Investment will be made in these areas to position our KEF speaker products in the higher margin premium segment of the market. GP Batteries will expand its manufacturing capacity in Malaysia to capture the strong outsourcing demand from other battery makers. New distribution channels will also be further developed to increase market coverage.

Profit margin is expected to be volatile in the coming year. We will continue to strengthen as well as to consolidate and streamline our operations to ensure continued competitiveness.

We value our employees and will continue to invest to ensure that we have the right skills in place through recruitment and management succession plans; to provide our workforce with opportunities for career and personal development; and to maintain the high level of commitment that underpins our success through period of economic uncertainty.

I wish to thank all of our employees for their hard work during the year, and my fellow directors for their dedication. I also thank our customers, suppliers, shareholders and bankers for their support.

Victor LO Chung Wing
Chairman
21 June 2012