

Chairman's Statement

“ Against the backdrop of an economic crisis in the European continent, coupled with a weak economic recovery in the United States, the past year had been a difficult one for the Group. We are making the necessary preparation to weather further market challenges ahead. ”



The financial year 2012 started with hopes of a global economic recovery. When this failed to materialize, commodity metal prices fell. The prices of raw materials for our batteries were stable during the year. Further rationalization of our nickel metal hydride factories contributed to the overall improvement in gross margin. However, wage increases in China coupled with appreciation of Renminbi continued to put enormous pressure on profitability. Automation remains the key focus of our manufacturing operations in the coming year. We are committed to improving productivity to counter the effects of rising labour cost and exchange impact.

Phase 2 of our SAP project has been rolled out as planned in the selected sales offices and manufacturing plants. Apart from improved business processes, the Group has benefited immensely from the information generated from the system to help performance measurement and drive business objectives.

Revenue for the year declined by 6.9% against previous year to S\$721.1 million. Profit after tax attributable to equity holders declined from S\$6.5 million to loss of S\$16.2 million. Gross profit margin improved by 0.4% to 20.9% on account of lower material prices and cost improvements attained during the year. Loss per share was 14.73 Singapore cents compared to earnings per share of 5.93 Singapore cents reported last year.

The Board of Directors recommended a final tax-exempt dividend of 1 Singapore cent per share. Together with the interim tax-exempt dividend paid, the total tax-exempt (one tier) dividend per share for the year amounted to 2 Singapore cents.

The Vectrix Group has been steadfastly working with Daimler of Germany to design a new electric motor cycle. Considerable resources have been devoted to this effort, resulting in larger than anticipated expenditures being incurred. According to present accounting standards, these expenditures are captured as losses. Going forward, substantial resources to continue product development and commercialization will be required to turn Vectrix into a sustainable business. The Group is actively seeking strategic investors to pursue this opportunity. As a whole, we believe Vectrix will help the Group better understand the electric transport business and strengthen our knowledge of the related battery system.

Our associated company STL Electronics business was severely affected by the overwhelming market acceptance of the tablet computers. As a consequence, the market for laptop computers and hence the accompanied battery packs rapidly declined by a stunning 35%. One of STL's customers attempted to enter the tablet market but withdrew after only one month leading to heavy losses for STL as investments and expenses were wasted. STL is setting forth to rebuild its product offerings and customer base.

The decline in the laptop market has also led Boston Power Inc of the US to terminate the sub-contract manufacturing agreement with the Group. The Group was compensated for the premature termination and will attempt to utilize the existing facilities to produce a new range of products for the transportation and communication sectors.

Owing to the prolonged economic crisis in the European continent, measures were taken to rationalize our sales operations in improving sales productivity. Our partnership with Hanoi Battery Joint Stock Company of Vietnam as well as our efforts in accessing the India market are bearing fruit with encouraging revenue growth. The Group will continue to make in-roads into new emerging markets such as Latin America and selected countries of Africa as part of our long-term growth strategy.

Regarding new products, the Group and OXIS Energy Limited of the UK entered into a manufacturing agreement to accelerate the commercialization of OXIS' proprietary lithium sulfur battery systems for use in different energy sectors of the world market.

On behalf of our Board of Directors, I would like to express my appreciation to our shareholders, business partners and customers for their invaluable support. Special thanks go to all our dedicated employees for their untiring effort in supporting the Group's initiatives during the past year.



Andrew S.O. Ng
Chairman and Chief Executive
18 June 2013

Powering a Greener Tomorrow



