Equipped with one of the largest R & D teams within the loudspeaker industry in Europe, the Group is adopting state-of-the-art acoustic technology for producing high fidelity KEF and Celestion loudspeakers.
REVIEW OF OPERATIONS

SUMMARY OF RESULTS

The Group's turnover decreased by 12.9 per cent to S$257.1 million (US$148.7 million). Profit before extraordinary items was S$10.0 million (US$5.8 million), compared to S$15.8 million (US$9.8 million) of last year. The Group recorded a net extraordinary gain of S$4.8 million (US$2.8 million) which included the gain from the sale of the Group's 49% interest in Car Audio Electronics (Hong Kong) Limited ("CAE") and the cost of major restructuring of certain operations. As a result, the Group's profit attributable to shareholders amounted to S$14.8 million (US$8.6 million). Basic earnings per share, based on the profit before extraordinary items of S$10.0 million and 240 million shares in issue, was 4.17 Singapore cents (2.41 US cents), compared to 6.59 Singapore cents (4.10 US cents) of last year.
ELECTRONICS GROUP

The Electronics Group registered decrease in both sales and profit due to the further slow-down of export of car audio products. The U.S. and European markets remained highly price competitive. The decrease in sales was also attributable to the disposal of CAE to its controlling shareholder, bringing an extraordinary gain of S$9.7 million to the Group.

However, the domestic sales of car audio products in China through the Group's associated companies continued to perform satisfactorily. With a more relaxed money supply, there was a higher demand for up-market products in the mainland for the manufacturing of higher quality and more sophisticated vehicles.

Sales of specialty electronic products continued to enjoy healthy growth. The combined electronic and acoustic capability allowed the Group to further broaden its customer base and product range, particularly in the commercial and professional audio sector.

During the year, the Electronics Group consolidated some of its operations in Hong Kong and China in order to improve its cost-competitiveness. Certain restructuring costs were incurred from this consolidation and were reported under extraordinary items.

CABLE & HARNESS GROUP

AUTOMOTIVE WIRE HARNESS

The overall sales of harness products to Japan were steady despite a weaker Japanese Yen and a softer automotive industry in Japan. In early 1999, demand from Japanese automakers through our business partner, the Furukawa Group, picked up rapidly as the Japanese economy showed signs of bottoming out. To meet increasing demand, the Group will increase production capacity of the Huizhou plant to around two million sets per annum by the third quarter of 1999.
All joint ventures in China continued to progressively penetrate the domestic market and record satisfactory results. The Group started to supply automakers in Shanghai and Guangzhou in mid 1999. With a broadened customer base, the Shanghai joint venture has recently embarked on a major expansion plan for the construction of a new factory for raising production capacity. Most recently, the Group invested in a new car harness joint venture in Tianjin and currently holds a 20% interest.

During the year, the Group's various wire harness plants achieved remarkable results in quality enhancement. The Huizhou plant was awarded the QS9000 accreditation in addition to its ISO9002 accreditation. The Shanghai joint venture was awarded ISO9002 and QS9000 accreditations while the Chongqing joint venture received ISO9002 accreditation. QS9000 is a supplier quality standard widely adopted within the auto industry worldwide.

CABLES AND CABLE ASSEMBLIES

LTK Industries Limited ("LTK") achieved impressive growth in earnings with much stronger sales of Local Area Network ("LAN") cables and other computer cable products.

Shanghai LTK Electronic Cables Ltd completed its second phase of factory construction in December 1998. This factory is planning to expand into the manufacture of wires for application in automotive wire harness in early 2000. This new development will further strengthen the vertical integration and competitive edge of the Cable and Harness Group in both the domestic and export markets.

In another Shanghai plant making LAN cables, the production capacity was further increased by the set-up of the third production line in mid 1998. During the year, the more sophisticated Category 6 LAN cables were successfully launched with encouraging results. This plant will set up another new production line for producing Broad Band Coaxial Cables by the end of 1999, further broadening the range of cable products produced by the Group.

To further expand the overseas market, LTK opened a new representative office in Taiwan.
ACOUSTICS GROUP

The Acoustics Group reported mixed results. Sales of KEF and Celestion brand loudspeakers further decreased in several major markets due to a relatively strong Pound Sterling and the adverse market conditions in Asia. To improve cost competitiveness, the two plants in the U.K. were merged and more production had been shifted to lower cost locations including the Group's factories in Asia. Related restructuring cost was reported under extraordinary items.

On the other hand, the Group's OEM loudspeaker manufacturing joint ventures in Asia, comprising mainly associated companies, achieved satisfactory performance. In Taiwan, Meiloon Industrial Co., Ltd. is progressing well with its flotation plan. As part of its flotation program, new shares were issued to its employees in late 1998, which has resulted in a slight dilution of the Group's interest therein from 23.4 per cent to 23.3 per cent.

ACQUISITION OF PARTS AND COMPONENTS BUSINESS

In February 1999, the Group announced that it had entered into conditional agreements to acquire from its parent company, Gold Peak Industries (Holdings) Limited, certain interests in several corporations which are engaged in parts and components manufacturing business. The acquisition was completed in April 1999. Contributions from this newly acquired business will be included in the Group's results starting from the fiscal year 1999/2000.
SUMMARY

The year under review was extremely challenging and the Group managed to come through this difficult period with its diversification into new markets, continued efforts to upgrade its products and streamlining of operations.

In particular, the restructuring exercise undertaken within the Electronics and Acoustics Groups is expected to further improve the cost competitiveness of the Group's products. In addition, the strategic move to acquire the parts and components business will strengthen the Group's manufacturing capability and earnings base. With a more streamlined and vertically integrated structure, the Group is well poised to capitalise on the upcoming market recovery.

On behalf of the board, I would like to extend my whole-hearted thanks to our shareholders, our business partners as well as our employees for their dedication and support to the Group during the past year.

P C Leung
Vice Chairman and Managing Director

12 August 1999