The Group achieved very strong results overall during the year. Whilst the Electronics Division registered impressive growth in operating profit, contribution from the Cable & Harness Division continued to surge. The Acoustics Division also registered improved results.

P. C. Leung
Vice Chairman and Managing Director
Summary of Results

Revenue for the year amounted to S$254.9 million, representing a marginal decrease of S$2.2 million or 0.9% compared to last year. The marginal drop in turnover was due mainly to the disposal of 34% stake in Car Audio Electronics (China) Limited ("CAE") last year. Profit attributable to shareholders surged to S$56.6 million representing an increase of S$41.9 million or 286.4% as compared to last year. The significant surge in total profit was due to the good operating performance of the Group, and the net exceptional gain which amounted to S$41.6 million. The exceptional gain arose mainly from the substantial revaluation gain of shares of Meiloon Industrial Co., Ltd. ("Meiloon") and the profit from disposal of 5.88% stake in Meiloon since its listing on the "over-the-counter" market in Taiwan on 23 February 2000 less the restructuring costs of certain operations during the year.

The gain on the revaluation of the short-term portion of investment in Meiloon shares as at 31 March 2000, which amounted to S$38.6 million was recognized as profit for the year while the revaluation surplus of S$30.6 million of the long-term portion was transferred to reserves of the Group.

Excluding the exceptional items, the Group's profit attributable to shareholders grew substantially by 47.9% to S$14.9 million, representing an increase of S$4.8 million over the previous year.

Basic earnings per share, based on the total profit after tax of S$56.6 million for the year increased by 286.4% to 23.57 Singapore cents, compared to 6.10 Singapore cents of last year. Excluding the net exceptional gain, basic earnings per share would have increased by 48.0% to 6.23 Singapore cents from 4.21 Singapore cents.

Electronics Division

Due to the significant contribution from the component business acquired in April 1999, the operating profit (before exceptional items) of the Electronics Division grew impressively despite the decrease in sales resulting from the disposal of CAE in early 1999. Its two associated companies making components, Shinwa Industries (H.K.) Limited and SPG Industry (H.K.) Limited achieved satisfactory results as the demand from their Japanese customers for components used in CD, CD ROM and DVD was strong.

Sales of specialty electronic products also grew healthily with a broadened customer base and the introduction of more new products, particularly in the commercial and professional audio sector. To leverage the Group's expertise in electronics manufacturing and Clipsal Industries' distribution and brand strength, the Group started to develop and manufacture 'Clipsal' branded emergency
GP Industries is a major auto harness manufacturer in China with joint ventures strategically located throughout the country.

LTK has been pioneering the manufacture of state-of-the-art LAN, broadband and home networking cables to meet the growing demand.
lighting product which is marketed through Clipsal Industries’ network. The market response to this new product has been encouraging.

The domestic sales of car audio products in China through the Group’s associated companies remained steady. Chang Chun FAW Xugang Electronics Co., Ltd., the Group’s joint venture in Changchun, China completed the construction of a new factory building in early 1999 and started to increase production capacity to supply automakers in the region.

To further improve cost competitiveness, the manufacturing plant in Hong Kong was closed down and its Engineering Centre was relocated to Shenzhen, China. As a result, some restructuring costs were incurred and reported under “Exceptional Items” in this year’s financial report.

**Cable and Harness Division**

**Automotive Harness**

Sales of harness to Japan increased sharply which was attributable to a stronger yen and increased demand from Japanese automakers through our business partner, the Furukawa Group. Furukawa shifted more Japanese orders to overseas manufacturers in order to sustain price competitiveness. The Group further expanded the production capacity of its plant in Huizhou to meet this growing demand.

Sales of harness in China also rose remarkably during the year. In Shanghai, our joint venture started supplying Shanghai Volkswagen in mid 1999. A new factory in Baoshan district was officially opened in November 1999. Thereafter, this joint venture almost trebled its production capacity to serve demand from a broadened customer base.

In early 2000, a new joint venture, Huizhou GP Wiring Technology Ltd., was set up with the Furukawa Group of Japan and Desay Group of China of which the Group has a 80% interest. This joint venture has recently started to supply automotive harness to Guangzhou Honda and air-bag cables to the export market.

Through the joint-venture company, Furukawa GP Auto Parts (HK) Limited, the Group invested a 20% interest in an automotive harness plant in Tianjin, Tianjin Jinyu Electric Co., Ltd. Tianjin will be developed into China’s new key centre for the auto industry in China. With this new joint venture, we are able to supply harness products to automakers in Tianjin and the neighboring cities, further strengthening our foothold in the auto industry in China.
Capitalizing on its manufacturing and R&D strength, the Group is moving rapidly to higher-value electronic and loudspeaker products using the latest technology.
**Cables and Cable Assemblies**

The Group’s 49% owned associated company, LTK Industries Limited, achieved another year of record profit and contributed significantly to the Group’s earnings. It was mainly due to the strong increase in sales of Local Area Network (“LAN”), broadband and other computer cables.

The Shanghai plant making LAN cables further expanded its production capacity by installing the fourth production line. To capitalize on the growing demand for broadband cables, an additional production line became operational in late 1999 which further broadened its range of cable products. A new factory building is now under construction. The overall production capacity will be enhanced by the end of this year to cater increasing demand.

Another cable plant in Shanghai also expanded the production of wires for application in automotive harness for greater vertical integration and synergies among various business divisions.

**Acoustics Division**

The Acoustics Division reported improved results. With the introduction of new speaker products together with cost reduction and streamlining programs, the UK loudspeaker business recovered noticeably.

The Asian loudspeaker manufacturing joint ventures continued to perform satisfactorily. The Group disposed a 5.88% stake in Meiloon since its listing in Taiwan in February 2000. As a result of the reduction of interest and board representative in Meiloon, the Group’s interest in Meiloon is now treated as investment rather than associated company. The investment in Meiloon was therefore revaluated at fair market value.

Sales of KEF and Celestion products increased satisfactorily. Products including KEF’s Reference Series 109 - The Maidstone, Celestion’s Blue guitar speaker and C Series AV system won a number of internationally acclaimed audio awards. New models were launched during the year including KEF’s Concerto and Cresta, and Celestion’s F series. KEF Cresta was also an award winning product.
GP Batteries and Clipsal Industries are the market leaders in their respective industries in Asia.
Acquisition of GP Batteries and Clipsal Industries

In February 2000, the Group announced that it had entered into conditional sales and purchase agreements to acquire from its parent company, Gold Peak Industries (Holdings) Limited, the entire equity interest of approximately 42% in GP Batteries International Limited ("GP Batteries") and approximately 49% in Clipsal Industries (Holdings) Limited ("Clipsal Industries"). The acquisition was completed on 26 June 2000. Contribution from these newly acquired businesses will be included in the Group's result starting from the fiscal year 2000/2001.

New Investment in E-commerce

In April 2000, the Group made a step forward in diversifying into e-commerce by participating in an exchange for the electronics and electrical industries, EEi-X.com. Later on, EEi-X.com merged with another pioneering electronics marketplace, AsianE2E.com which is a member of Hong Kong-listed SUNeVision Holdings Limited.

Summary

The millennium year was an exciting and encouraging year to the Group as we continued to recover strongly from the Asian economic crisis and managed to resume very healthy growth.

With an improved economy, the Group has taken aggressive steps in expanding the production capacity of its Cable and Harness Division to meet robust demand. The Electronics Division as well as the loudspeaker company in the UK have also put extra efforts into the development of new products and broadening of customer base. These developments are expected to energize the profitability of the Group's existing business.

In addition, the strategic acquisition of GP Batteries and Clipsal Industries further enhances the Group's leading market position in Asia. With a much stronger structure and business portfolio, the Group is well positioned to capitalize on the recovery of the Asian economy.

On behalf of the Board, I would like to express my sincere thanks to our shareholders and business partners for their strong support, and our employees for their dedication. I look forward to their continued support to the Group in the years to come.

LEUNG Pak Chuen
Vice Chairman and Managing Director
11 August 2000