The operating environment for our businesses in the financial year 2006-2007 remained challenging. Costs continued to rise, while over-supply in mainland China has led to intense competition. The Group worked hard to strengthen its position through effective cost control, further rationalisation of operations and concentrating on higher value added products.

Though some of the Group's businesses improved during the year, revenues from continuing operations declined primarily owing to the partial divestment of the wire harness business. However, net profit increased considerably as we benefited from exceptional income arising from the divestments made during the year.

Results
Sales from continuing operations decreased by 3.8% over the previous year to S$383.4 million. Profit before interest and taxation (“PBIT”) excluding exceptional items from continuing operations declined by 15.7% to S$30.0 million as higher raw materials costs and rises in the Renminbi eroded margins. Profit attributable to equity holders rose by 247.1% to S$69.0 million while earnings per share (“EPS”) from continuing operations was 191.7% higher at 13.3 Singapore cents, with basic EPS up 207.2% to 13.3 Singapore cents. The Board has recommended a final dividend and a special dividend, both of 1.0 Singapore cent, compared with the final dividend of 1.3 Singapore cents for the financial year 2005-2006.

The sharp increases in net profit were the result of the partial disposal of the wire harness business, the disposal of the electronic cable business of associate Linkz Industries Limited (“Linkz”) and the privatisation of CIH Limited (“CIHL”), which yielded exceptional gains of S$7.1 million, S$40.3 million and S$5.3 million respectively.

The privatisation of CIHL and the retained profit for the year saw shareholders' funds increase from S$366.0 million to S$475.9 million as at year end. The retention proceeds of CIHL’s disposal of its electrical wiring devices and installation systems business to be received in 2008,
together with the proceeds from sales of shares in TCL Corporation made in April and May 2007, will further strengthen the Group’s financial position.

**Business Highlights**

**Electronics Division**
Sales at the Electronics Division declined by 3.8% when compared to the previous financial year, despite expansion in the European and US markets.

Turnover of the electronics and components business declined by 4.9%. Although sales of professional electronics products increased in US dollar terms, those of battery chargers and other consumer electronic products decreased. Contributions from parts and components associates decreased by 25.2%.

Profit contribution was lower, caused by continuing investment in the business, higher raw materials prices and the continuing appreciation of the Renminbi. PBIT excluding exceptional items decreased by 35.7% when compared to last year.

Following the partial disposal of the business, the wire harness business saw sales decline by 21.8% while the PBIT excluding exceptional items decreased by 22.7%. As the Japanese automakers continued to consolidate their supplier base, in September 2006 the Group sold its entire interest in GP Auto Cable (Huizhou) Limited, a subsidiary engaged in the export of wire harness to Japan, to our now 20.0% owned associate, Furukawa GP Auto Parts (HK) Limited, for approximately S$11 million.

Revenue of Linkz increased by more than 50%. Although high copper prices continued to affect profitability, PBIT excluding exceptional items increased by 60%. Linkz’s disposal of its electronic cable subsidiaries for approximately S$299 million allows Linkz to focus on the higher growth areas of LAN cables and interconnect products.

Revenue of the acoustics business rose by 22.0% over last year, driven by stronger sales growth in the US. New product lines were well received. Losses were reduced from S$3.4 million reported last year to S$0.2 million this year.

In September 2006, the Group completed the privatisation of CIHL. Sales from the light fittings business increased by 22.4% for the year, as it continued to expand its niche in the architectural light fittings market in China and saw good progress in the Middle East market. Following the privatisation, we also began to streamline the structure. Loss before interest and taxation excluding exceptional items increased from S$8.1 million to S$9.1 million for the financial year.

**GP Batteries**
Turnover for 49.2% owned GP Batteries International Limited decreased by 7.5% over the preceding year, while profit after taxation declined by 10.9%. The revenue declined despite expansion in certain markets, notably Russia and Eastern Europe.

The GP Batteries Group was hit hard by soaring prices of Nickel and Zinc. Profitability was affected by the time lag between increasing sales prices versus material cost increases. Given these harsh market conditions, GP Batteries did well to preserve gross margins as it benefited from strict cost control measures and its policy of hedging forward Nickel contracts especially in the later part of the year.

Despite such pressure, GP Batteries continued to invest in new technologies and has entered into a co-operation agreement with two Taiwanese companies to develop and market high-power Lithium batteries, which offer higher power density, longer life and higher safety standards than the traditional alternative.

**Outlook**
Raw materials prices are likely to remain volatile. Shortage of labour and wage increases in mainland China will increase operating costs. The Renminbi is likely to appreciate further. The US dollar may continue to depreciate against the Singapore dollar, and the performance of the US market remains uncertain. These are the challenges and risks ahead of us.
The Group will take on these challenges in the coming year with a more focused structure with fewer but higher quality core businesses. We will continue to pass on to customers material and cost increases, streamline operations and enhance manufacturing and logistics processes to preserve margins.

We will continue with our strategy of improving the quality of our core businesses, developing products that add value through advanced design and technology as well as becoming more environmentally conscious. We will continue to invest in recruiting and developing high-quality staff that are needed to drive this process forward.

The Electronics Division will focus on the electronics and acoustics businesses, where we have established a strong platform. We see long-term opportunities in precision components to serve industry in China. The KEF brand equity will increase as we move into the top end audio/lifestyle segment through the recently introduced Muon speaker.

In April 2007, the Group increased its interest in Meiloon Industrial Co., Ltd. ("Meiloon"), a manufacturer of acoustics and electronics products listed on the Taiwan stock exchange, to above 20%. We expect Meiloon to contribute to the Group's results for the financial year 2007-2008.

Our light fittings business will grow further in the fast-growing China and Middle East markets. It is also exploring ways to integrate lighting, acoustics and electronic controls in future product concepts. In addition, we also expect to put more resources into LED based lighting technology.

We are cautiously optimistic of a turnaround at GP Batteries, which maintains a strong market position and has improved its cost base. We are developing a new range of Lithium batteries as future alternatives to the existing Nickel systems. In addition, we have recently launched a radically new system of consumer rechargeable batteries. Unlike our earlier range, the ReCyko+ rechargeable battery is fully charged when sold. Its ability to retain 85% of its charge if left unused for twelve months opens the way for rechargeable batteries to be used in low drain applications presently dominated by alkaline and Zinc Carbon batteries. It should appeal strongly to consumers in both overall cost and convenience. This drive for "greener" products on the consumer side is matched by increased activities of rechargeable batteries for use in electric transportation.

Barring unforeseen circumstances, we expect to perform satisfactorily in the current financial year, as we maintain our market leadership in batteries and high-end audio equipment, hone costs further and focus more on higher value products.

Vote of thanks
I would like to extend my sincere thanks to our shareholders, business partners and customers for their support. I also thank our management and employees for their dedication and hard work during the year.

Victor LO Chung Wing
Chairman
13 June 2007
With its extensive manufacturing and distribution network firmly established in major cities in the Greater China, the Group is well positioned to capture the business opportunities there.