

## Electronics

“Performance Maintained in 1<sup>st</sup> Quarter”

<b>FINANCIAL HIGHLIGHTS For the three months ended 31 March 2004</b>			
	<b>2004 1Q</b>	<b>2003 1Q</b>	<b>Growth %</b>
Turnover (\$m)	145	134	8
Investment, interest and other income (\$m)	0.7	1.3	(44)
Earnings before interest and tax (EBIT) (\$m)	11.7	11.1	5
Profit before tax (\$m)	12.1	12.0	1
Profit attributable to shareholders before EI (\$m)	8.8	8.7	1

N.B.: All currencies are in Singapore dollars.

- 1Q2004 sales was 8% higher than that in 1Q2003. Profit before tax was comparable with lower investment & interest income.

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### Electronics sector unaudited results for the three months ended 31 March 2004 :

	1Q2004 \$'000	1Q2003 \$'000	+ / (-) %
1. (a) Turnover	144,541	133,791	8.0
(b) Cost of Sales	(112,258)	(100,127)	12.1
(c) <b>Gross Profit</b>	<b>32,283</b>	<b>33,664</b>	<b>(4.1)</b>
(d) Other operating income	386	990	(61.0)
(e) Distribution and selling expenses	(6,449)	(6,363)	1.4
(f) Administrative expenses	(9,349)	(10,433)	(10.4)
(g) Other operating expenses	(4,806)	(5,764)	(16.6)
(h) <b>Profit from operations</b>	<b>12,065</b>	<b>12,094</b>	<b>(0.2)</b>
(i) Other income, net	341	306	11.4
(j) Financial expenses	(13)	(10)	30.0
(k) Exceptional Item	-	-	-
	12,393	12,390	0.0
(l) Share of results of associated companies and joint ventures	(251)	(369)	(32.0)
(m) Amortisation of goodwill on acquisition of associated companies	(87)	(46)	89.1
(n) <b>Profit before taxation</b>	<b>12,055</b>	<b>11,975</b>	<b>0.7</b>
(o) Taxation	(3,534)	(3,904)	(9.5)
(p) <b>Profit after taxation</b>	<b>8,521</b>	<b>8,071</b>	<b>5.6</b>
(q) Minority Interests	260	589	(55.9)
(r) <b>Net profit for the period</b>	<b>8,781</b>	<b>8,660</b>	<b>1.4</b>
2. (a) Profit from operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation *	2,161	2,064	4.7
Provision / (write-back of provision) for doubtful debts & bad debts written off, net	78	324	(75.9)
Provision / (write-back of provision) for stock obsolescence, net	57	229	(75.1)
Provision / (write-back of provision) for impairment in value of investments	-	-	-
* Exclude amortisation of associated companies and joint venture			
(b) Other Operating Income and Other Income, net, comprises :			
Investment income	-	191	(100.0)
Interest income	386	799	(51.7)
Foreign exchange loss, net	(135)	(143)	(5.6)
Other income, net	476	449	6.0
	727	1,296	
3. (a) Operating Profit [1(p) above] as a percentage of Turnover	5.9%	6.0%	
(b) Operating Profit [1(r) above] as a percentage of Issued Capital and Reserves at end of period	7.5%	7.6%	

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	<b>1Q2004</b>	<b>1Q2003</b>	<b>+ / (-)</b>
	\$'000	\$'000	%
4. (a) Sales reported for first quarter	144,541	133,791	8.0
(b) Operating profit after tax before deducting minority interests reported for first quarter	8,521	8,071	5.6
5. (a) There was no adjustment for over or under provision of current and deferred tax in respect of prior years.			
(b) There was no disposal of property during the period.			
(c) There was no extraordinary item during the period.			

### 6. Business Grouping Information

#### By Business Group

##### First Quarter

	<b>Turnover</b>			<b>Profit before Tax</b>		
	<b>2004</b>	<b>2003</b>	<b>+ / (-)</b>	<b>2004</b>	<b>2003</b>	<b>+ / (-)</b>
	\$'000	\$'000	%	\$'000	\$'000	%
Large-Scale Systems Group	32,299	36,240	(10.9)	(1,352)	264	(612.1)
Communication & Sensor Systems Group	59,552	51,989	14.5	6,240	5,135	21.5
Software Systems Group	52,690	45,562	15.6	7,167	6,576	9.0
Total	<u>144,541</u>	<u>133,791</u>	8.0	<u>12,055</u>	<u>11,975</u>	0.7

#### By Country of Incorporation

Asia	143,409	132,490	8.2
USA	321	136	136.0
Europe	-	-	-
Others	811	1,165	(30.4)
Total	<u>144,541</u>	<u>133,791</u>	8.0

#### By Geographical Areas

Asia	136,065	125,713	8.2
USA	1,139	727	56.7
Europe	4,145	2,138	93.9
Others	3,192	5,213	(38.8)
Total	<u>144,541</u>	<u>133,791</u>	8.0

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### 7. Review of Performance

#### (a) Turnover

##### 1Q2004 vs 1Q2003

1Q2004	1Q2003	Growth	
\$145m	\$134m	\$11m	8%

The turnover of \$145 million recorded in 1Q2004 was higher than that in 1Q2003 by 8% or \$11 million. The increase was mainly contributed by **Communication & Sensor Systems Group (CSG)** and **Software Systems Group (SSG)**. **CSG** achieved higher sales with the delivery of communication equipment to a customer. Sales for **SSG** was higher with milestone completions of command & control system projects, a simulator project and the Hong Kong Fire Services project. The decrease in **Large-Scale Systems Group's (LSG)** sales was due to lower value in project milestone completions.

##### 1Q2004 vs 4Q2003

1Q2004	4Q2003	Growth	
\$145m	\$176m	(\$31m)	(18%)

The turnover of \$145 million recorded in 1Q2004 was lower than that in 4Q2003 by 18% or \$31 million. The decrease was mainly from **LSG** and **CSG** as a result of lower value in project milestone completions. **LSG's** lower sales was also due to the delivery of a smaller volume of Multi-channel Multi-point Distribution System (MMDS) product.

#### (b) Profitability

##### 1Q2004 vs 1Q2003

1Q2004	1Q2003	Growth	
\$12.1m	\$12.0m	\$0.1m	1%

The profit before tax of \$12.1 million for 1Q2004 was comparable with 1Q2003. At the business group level, the increase in profit for **CSG** and **SSG** was mainly due to higher sales. **LSG** recorded a loss mainly due to lower sales and profit margin, and loss incurred by an overseas subsidiary. The overall performance of the Group was adversely affected by lower interest and investment income.

##### 1Q2004 vs 4Q2003

1Q2004	4Q2003	Growth	
\$12.1m	\$18.8m	(\$6.7m)	(36%)

The profit before tax of \$12.1 million for 1Q2004 was lower than 4Q2003 by 36% or \$6.7 million. All three business groups recorded lower profit mainly due to lower sales and profit margin.

### 8. Prospects

#### 2Q2004

In 2Q2004, the Electronics sector expects several milestone completions. Under **LSG**, these include the completion of milestones in Manila LRT project and the supply of MMDS product to a Latin American country. Under **CSG**, we expect to make customer deliveries of radio communication and VSAT equipment. Under **SSG**, the completion of milestones in the Hong Kong Fire Services project and a simulator project are expected.

The Sector expects higher turnover and profit before tax in 2Q2004 as compared to 1Q2004.

#### FY2004

For FY2004, other than the sales recognition from projects mentioned for 2Q2004 above, expected major sales for the full year include sales recognition from Land Transport Authority's Circle Line project, a command and control system project and another simulator project.

Overall, we expect the turnover and profit before tax for FY 2004 to be higher than that of FY 2003.

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### 9. Balance Sheet

	<b>31 Mar 2004</b>	<b>31 Dec 2003</b>
	\$'000	\$'000
Fixed Assets	24,527	25,162
Associated companies and joint ventures	10,970	10,213
Long-term investments	28,653	22,120
Intangible assets	8,181	7,988
Loan receivables, non-current	14	17
Deferred tax assets	9,070	10,064
Current assets	550,147	517,019
Less: Current liabilities	(431,261)	(412,394)
Net current assets	118,886	104,625
	200,301	180,189
Less: Non-current liabilities	(75,714)	(67,226)
	124,587	112,963
Share capital and reserves	116,746	107,882
Minority interests	7,841	5,081
	124,587	112,963

The increase in long term investments was mainly due to additional investment in Sino Stride Technology (Holdings) Limited.

### 10. Cash Flow Statement for the period ended 31 March 2004

	<b>1Q2004</b>	<b>1Q2003</b>
	\$'000	\$'000
Cash flow from / (used in) operating activities	7,465	(10,379)
Cash flow used in investing activities	(11,561)	(5,453)
Proceed from sale of fixed assets	7	-
Dividend from investment	-	191
Purchase of fixed assets	(1,385)	(1,642)
Purchase of investments/convertible loan	(7,133)	(204)
Loan to an investee company	(2,625)	-
Additional investment/acquisition of associated companies	(425)	(3,408)
Acquisition of a subsidiary	-	(390)
Cash flow from financing activities	3,009	40
Capital contribution from minority shareholders	3,022	50
Interest paid	(13)	(10)
Net decrease in cash and cash equivalents	(1,087)	(15,792)
Cash and cash equivalents at beginning of year	207,851	308,793
Exchange difference on cash and cash equivalents at beginning of year	(212)	1,330
Cash and cash equivalents at end of period	206,552	294,331

### 11. Accounting Policies

The Sector has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2003.

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