

Electronics

“Steady Performance at Mid Year”

FINANCIAL HIGHLIGHTS For the six months ended 30 June 2002			
	2002 First Half	2001 First Half	Growth %
Turnover (\$m)	271	228	19
Investment, interest and other income (\$m)	2.7	5.1	(48)
Profit before tax (\$m)	26.1	22.6	15
Profit attributable to shareholders before EI (\$m)	19.0	14.5 [#]	31
Economic Value Added (EVA) (\$m)	12.2	8.8	38

[#] Figure restated

“The Electronics sector expects steady turnover in the remaining two quarters. The overall performance for the full year is expected to be better. We will continue to actively develop new business opportunities, in Singapore and globally, in particular China and Mexico.”

Seah Moon Ming, President

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

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Electronics sector unaudited results for the six months ended 30 June 2002 :

	2002 \$'000 First Half	2001 \$'000 First Half	+ / (-) %
1. (a) Turnover	270,821	228,008	18.8
(b) Cost of Sales	(209,671)	(177,061)	18.4
(c) Gross Profit	<u>61,150</u>	<u>50,947</u>	20.0
(d) Investment Income	<u>-</u>	<u>-</u>	-
(e) Other Income including Interest Income	<u>2,663</u>	<u>5,081</u>	(47.6)
2. (a) Operating Profit before Income Tax, Minority Interests, Extraordinary Items, Interest on Borrowings, Depreciation and Amortisation, and Exceptional Items	30,726	26,146	17.5
(b) Interest on Borrowings	(3)	(1)	200.0
(c) Depreciation and Amortisation	(4,063)	(3,153)	28.9
(d) Exceptional Items	-	-	-
(e) Operating Profit before Income Tax, Minority Interests, Extraordinary Items but after Interest on Borrowings, Depreciation and Amortisation, and Exceptional Items	26,660	22,992	16.0
(f) Income derived from Associated Companies / Joint Ventures	(585)	(346)	69.1
(g) Operating Profit before Income Tax	<u>26,075</u>	<u>22,646</u>	15.1
(h) Less Income Tax	(7,282)	(8,197) #	(11.2)
(i) (a) Operating Profit after Tax before deducting Minority Interests	<u>18,793</u>	<u>14,449</u> #	30.1
(b) Less Minority Interests	225	55	309.1
(j) Operating Profit after Tax attributable to Members of the Company	<u>19,018</u>	<u>14,504</u> #	31.1
(k) (i) Extraordinary Items	-	-	-
(ii) Less Minority Interests	-	-	-
(iii) Extraordinary Items attributable to Members of the Company	-	-	-
(l) Operating Profit after Tax and Extraordinary Items attributable to Members of the Company	<u>19,018</u>	<u>14,504</u> #	31.1
* Figures restated. See note 11.			
3. (a) Operating Profit [2(i)(a) above] as a percentage of Turnover [1(a) above]	6.9%	6.3% #	
(b) Operating Profit [2(j) above] as a percentage of Issued Capital and Reserves at End of the Period	15.6%	13.6% #	
(c) Analysis of Expenses			
Six Months Ended 30 June			
Distribution and Selling Expenses	10,587	7,598	39.3
Administration Expenses	15,424	14,185	8.7
Other Operating Expenses	10,839	8,114	33.6
	<u>36,850</u>	<u>29,897</u>	23.3

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	2002 \$'000	2001 \$'000	+ / (-) %
4. (a) Sales reported for first quarter	139,217	102,314	36.1
(b) Operating Profit [2(i)(a) above] reported for first quarter	8,467	5,222 #	62.1
(c) Sales reported for second quarter	131,604	125,694	4.7
(d) Operating Profit [2(i)(a) above] reported for second quarter	10,326	9,227 #	11.9
(e) Sales reported for first half year	270,821	228,008	18.8
(f) Operating Profit [2(i)(a) above] reported for first half year	18,793	14,449 #	30.1
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 pre-acquisition profit included in the results reported.			
(c) There was no disposal of property during the period.			
(d) There was no extraordinary item during the period.			

6. Business Grouping Information

	Turnover			Profit before Tax		
	2002 \$'000	2001 \$'000	+ / (-) %	2002 \$'000	2001 \$'000	+ / (-) %
<u>By Business Group</u>						
Second Quarter						
Large-Scale Systems Group	34,503	37,593	(8.2)	867	2,553	(66.0)
Communication & Sensor Systems Group	52,890	53,790	(1.7)	5,600	5,591	0.2
Software Systems Group	44,211	34,311	28.9	7,737	5,705	35.6
Total	<u>131,604</u>	<u>125,694</u>	4.7	<u>14,204</u>	<u>13,849</u>	2.6

Six Months Ended 30 June

Large-Scale Systems Group	89,764	74,978	19.7	3,305	4,480	(26.2)
Communication & Sensor Systems Group	104,977	98,688	6.4	10,554	9,476	11.4
Software Systems Group	76,080	54,342	40.0	12,216	8,690	40.6
Total	<u>270,821</u>	<u>228,008</u>	18.8	<u>26,075</u>	<u>22,646</u>	15.1

	Turnover		
	1H2002 \$'000	1H2001 \$'000	+ / (-) %
<u>By Country of Incorporation</u>			
Asia	266,417	228,008	16.8
USA	4,404	-	NM
Europe	-	-	-
Others	-	-	-
Total	<u>270,821</u>	<u>228,008</u>	18.8

By Geographical Areas

Asia	254,700	222,516	14.5
USA	5,915	936	531.9
Europe	5,127	1,265	305.3
Others	5,079	3,291	54.3
Total	<u>270,821</u>	<u>228,008</u>	18.8

* NM - Not Meaningful

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7. Review of Performance

(a) Turnover

<u>2Q2002 vs 2Q2001</u>	2Q2002	2Q2001	Growth	
		\$132m	\$126m	\$6m

The 2Q2002 turnover increased by 5% or \$6 million to \$132 million. The increase was contributed by **Software System Group (SSG)** with milestone completion of the Hong Kong Fire Services project and an aircraft simulator project. In **Communication & Sensor Systems Group (CSG)**, sales was comparable with the same period last year. Sales for **Large-Scale Systems Group (LSG)** was lower due to fewer milestones being completed in 2Q2002.

<u>1H2002 vs 1H2001</u>	1H2002	1H2001	Growth	
		\$271m	\$228m	\$43m

The turnover of \$271 million recorded in 1H2002 was higher than that in 1H2001 by 19% or \$43 million. The increase was contributed by all three business groups. **SSG** achieved higher sales with milestone completion of the aircraft simulator projects, ship console project and Hong Kong Fire Services project. The increase for **LSG** was largely contributed by milestone completion of the LTA's North-East Line MRT projects. In **CSG**, major sales was recorded from the supply of RFID system to National Library Board and communication equipment.

(b) Profitability

<u>2Q2002 vs 2Q2001</u>	2Q2002	2Q2001	Growth	
		\$14.2m	\$13.8m	\$0.4m

The profit before tax of \$14.2 million for 2Q2002 was slightly higher than that in 2Q2001 by 3% or \$0.4 million. Higher gross profit was recorded due to higher turnover. At the same time, there was lower interest income and higher operating costs mainly in marketing and R&D expenses. At business group level, **SSG** had contributed higher profits due to higher sales. **LSG** recorded a lower profit mainly due to higher marketing and R&D expenses, share of associated company / joint venture's start-up losses and lower interest income. The profit of **CSG** was comparable with the same period last year.

<u>1H2002 vs 1H2001</u>	1H2002	1H2001	Growth	
		\$26.1m	\$22.6m	\$3.5m

The profit before tax of \$26.1 million for 1H2002 was higher than that in 1H2001 by 15% or \$3.5 million. Increase in gross profit due to higher sales was partly offset by increased operating expenses mainly in marketing and R&D expenses. Both **SSG** and **CSG** reported higher profits due to higher sales. **LSG** recorded lower profit due to higher marketing and R&D expenses. However, the overall performance was affected by lower interest income.

8. Third Quarter and Full Year Prospects

3Q2002

Turnover in the third quarter is expected to be better than 2Q2002 with the completion of major milestones in the LTA's and Taiwan LRT/MRT projects under **LSG**; Hong Kong Fire Services project and a ship console project under **SSG**. Revenue will also come from MHA's Communication Network system project, VSAT and microwave radio sales and the supply of radio communications equipment under **CSG**.

The Sector expects higher turnover and profit before tax in the third quarter.

FY2002

In FY2002, we expect to see additional milestones completion for our rail electronic systems for the LTA's and Taiwan LRT/MRT projects; Manila LRT project; Hong Kong Fire Services project; a ship console project; aircraft simulator projects; MHA's Communication Network system project; NLB's RFID library management system project; and the supply of communications equipment.

Overall, we expect the turnover and profit before tax of FY2002 to be higher than that of FY2001.

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9. Cash Flow Statement for the period ended 30 June

	2002	2001
	\$'000	\$'000
Cash flow from operating activities	52,540	72,934
Cash flow from investing activities	(13,825)	(21,391)
Proceeds from sale of fixed assets	66	1
Investment in associated companies/joint ventures	(2,128)	(1,680)
Purchase of fixed assets	(3,514)	(3,362)
Purchase of investments	(8,619)	(16,452)
Loans to staff	70	102
Capital contribution from minority shareholders	300	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	38,715	51,543
Cash and cash equivalents at beginning of year	292,718 [#]	287,863
Cash and cash equivalents at end of period	<u>331,433</u>	<u>339,406 [#]</u>

[#] Figures restated due to exclusion of Amount under Fund Management from Cash & Cash Equivalents.

10. Balance Sheet

	30 June 2002	31 Mar 2002
	\$'000	\$'000
Fixed Assets	25,861	26,220
Associated companies and joint ventures	5,100	1,186
Long-term investments	60,869	62,961
Intangible assets	764	751
Loans receivable, non-current	111	114
Deferred tax assets	10,039	10,949
Current assets	667,521	654,889
Less: Current liabilities	(547,360)	(549,989)
Net current assets	<u>120,161</u>	<u>104,900</u>
	222,905	207,081
Less: Non-current liabilities	(98,995)	(93,625)
	<u>123,910</u>	<u>113,456</u>
Share capital and reserves	121,791	111,313
Minority interests	2,119	2,143
	<u>123,910</u>	<u>113,456</u>

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11. Accounting Policies

Except as disclosed below, the Sector has adopted 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 2001.

With effect from 1 January 2002, the Sector changed its accounting policy with respect to the treatment of deferred taxation in order to conform with the new requirements of Statement of Accounting Standard 12 on Income Taxes, which is effective for financial periods beginning on or after 1 April 2001. The change in accounting policy resulted in a prior period adjustment to reserves as at 31 December 2001 amounting to \$11.1 million.

The comparative information, which was restated based on the new accounting policy is presented below.

Profit & Loss Statement

	1H2002 \$'000	1H2001 \$'000
Turnover	<u>270,821</u>	<u>228,008</u>
Profit before tax	26,660	22,992
Share of results of associated companies and joint ventures	<u>(585)</u>	<u>(346)</u>
	26,075	22,646
Income Tax		
- Current year	(7,282)	(7,693)
- Change in accounting policy with adoption of SAS 12 Income Taxes	<u>-</u>	<u>(504)</u>
	18,793	14,449 [#]
Minority Interest	<u>225</u>	<u>55</u>
Net profit for the period	<u>19,018</u>	<u>14,504 [#]</u>

Statement of Share Capital & Reserves

	30 June 2002 \$'000	31 Mar 2002 \$'000
Share capital & reserves		
At beginning of year (previously stated)	91,788	91,788
Effect of change in accounting policy		
- with respect to adoption of SAS 12 Income Taxes	<u>11,148</u>	<u>11,148</u>
At beginning of year (restated)	102,936	102,936
Foreign currency translation differences	(163)	(41)
Net profit for the period	<u>19,018</u>	<u>8,418</u>
At end of period	<u>121,791</u>	<u>111,313</u>

[#] Figures restated.

12. Economic Value Added (EVA)

EVA for 1H2002 was \$12.2 million, an increase of \$3.4million or 38% over 1H2001. The weighted average cost of capital was 9.3% for 2002 (2001 : 9.4%).

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