



## Electronics

### “Steady Performance at Mid-Year”

<b>FINANCIAL HIGHLIGHTS</b> For the second quarter ended 30 June 2004			
	<b>2004</b>	<b>2003</b>	<b>Growth</b>
	<b>2Q</b>	<b>2Q</b>	<b>%</b>
Turnover (\$m)	154	153	1
Investment, interest and other income (\$m)	3.7	2.0	82
Earnings before interest and tax (EBIT) (\$m)	12.8	12.6	2
Profit before tax (\$m)	16.3	14.7	11
Profit attributable to shareholders before EI (\$m)	12.3	11.3	9

- Profit before tax increased by 11% to \$16.3 million. The Sector received a higher investment income
- Economic Value Added for first half of 2004 was \$18.1 million

*“The Electronics sector showed steady performance at mid year. The award of an Automatic Fare Collection System contract by the Guangzhou Metro has provided us a presence in the China MRT/Rail-Electronic Systems market.*

*We expect to maintain our growth. Greater China, ASEAN and Latin America will continue to be our focus for market development and strategic investment.”*

*Seah Moon Ming, President*

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

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### Electronics sector unaudited results for the second quarter ended 30 June 2004 :

	2Q2004 \$'000	2Q2003 \$'000	+ / (-) %
1. (a) Turnover	153,892	152,934	0.6
(b) Cost of Sales	(116,666)	(117,754)	(0.9)
(c) <b>Gross Profit</b>	<b>37,226</b>	<b>35,180</b>	<b>5.8</b>
(d) Other operating income	3,086	1,399	120.6
(e) Distribution and selling expenses	(7,875)	(6,394)	23.2
(f) Administrative expenses	(11,996)	(9,830)	22.0
(g) Other operating expenses	(4,499)	(6,365)	(29.3)
(h) <b>Profit from operations</b>	<b>15,942</b>	<b>13,990</b>	<b>14.0</b>
(i) Other income, net	585	616	(5.0)
(j) Financial expenses	(32)	(10)	220.0
(k) Exceptional Item	-	-	-
	16,495	14,596	13.0
(l) Share of results of associated companies and joint ventures	(91)	165	(155.2)
(m) Amortisation of goodwill on acquisition of associated companies	(90)	(67)	34.3
(n) <b>Profit before taxation</b>	<b>16,314</b>	<b>14,694</b>	<b>11.0</b>
(o) Taxation	(4,372)	(3,649)	19.8
(p) <b>Profit after taxation</b>	<b>11,942</b>	<b>11,045</b>	<b>8.1</b>
(q) Minority Interests	386	295	30.8
(r) <b>Net profit for the period</b>	<b>12,328</b>	<b>11,340</b>	<b>8.7</b>
2. (a) Profit from operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation *	2,323	2,046	13.5
Provision / (write-back of provision) for doubtful debts & bad debts written off, net	1,427	(53)	NM
Provision / (write-back of provision) for stock obsolescence, net	183	(150)	(222.0)
Provision / (write-back of provision) for impairment in value of investments	-	(62)	(100.0)
* Exclude amortisation of associated companies and joint venture			
(b) Other Operating Income and Other Income, net, comprises :			
Investment income	2,536	759	234.1
Interest income	460	620	(25.8)
Foreign exchange gain / (loss), net	112	201	(44.3)
Other income, net	563	435	29.4
	3,671	2,015	
* NM - Not Meaningful			
3. (a) Operating Profit [1(p) above] as a percentage of Turnover	7.8%	7.2%	
(b) Operating Profit [1(r) above] as a percentage of Issued Capital and Reserves at end of period	11.5%	10.8%	

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	2004 \$'000	2003 \$'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
(c) Sales reported for second quarter	153,892	152,934	0.6
(d) Operating profit after tax before deducting minority interests reported for second quarter	11,942	11,045	8.1
(e) Sales reported for first half year	298,433	286,725	4.1
(f) Operating profit after tax before deducting minority interests reported for first half year	20,463	19,116	7.0
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

##### Second Quarter

	Turnover			Profit before Tax		
	2004 \$'000	2003 \$'000	+ / (-) %	2004 \$'000	2003 \$'000	+ / (-) %
Large-Scale Systems Group	42,067	38,409	9.5	(1,449)	403	(459.6)
Communication & Sensor Systems Group	60,439	57,867	4.4	6,980	5,887	18.6
Software Systems Group	51,386	56,658	(9.3)	10,783	8,404	28.3
Total	<u>153,892</u>	<u>152,934</u>	0.6	<u>16,314</u>	<u>14,694</u>	11.0

##### Six Months Ended 30 June

Large-Scale Systems Group	74,366	74,649	(0.4)	(2,801)	667	(519.9)
Communication & Sensor Systems Group	119,991	109,856	9.2	13,220	11,022	19.9
Software Systems Group	104,076	102,220	1.8	17,950	14,980	19.8
Total	<u>298,433</u>	<u>286,725</u>	4.1	<u>28,369</u>	<u>26,669</u>	6.4

	Turnover		
	2Q2004 \$'000	2Q2003 \$'000	+ / (-) %

#### By Country of Incorporation

Asia	152,582	151,544	0.7
USA	492	120	310.0
Europe	-	-	-
Others	818	1,270	(35.6)
Total	<u>153,892</u>	<u>152,934</u>	0.6

#### By Geographical Areas

Asia	131,499	143,563	(8.4)
USA	772	834	(7.4)
Europe	6,574	3,518	86.9
Others	15,047	5,019	199.8
Total	<u>153,892</u>	<u>152,934</u>	0.6

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### 7. Review of Performance

#### (a) Turnover

##### 2Q2004 vs 2Q2003

2Q2004	2Q2003	Growth	
\$154m	\$153m	\$1m	1%

The turnover of \$154 million recorded in 2Q2004 was comparable with 2Q2003. **Large-Scale Systems Group's (LSG)** sales was higher with the milestone completions of the Manila LRT project and the supply of the Multi-channel Multi-point Distribution System (MMDS) product to Mexico. **Communication & Sensor Systems Group (CSG)** also achieved higher sales with the milestone completion of a Ministry of Home Affairs' (MHA) Communication Network project and the delivery of communication and VSAT equipment. Sales for **Software Systems Group (SSG)** was lower as a result of fewer milestones being completed in 2Q2004.

##### 2Q2004 vs 1Q2004

2Q2004	1Q2004	Growth	
\$154m	\$145m	\$9m	6%

The turnover of \$154 million recorded in 2Q2004 was higher than that in 1Q2004 by 6% or \$9 million. The increase was mainly contributed by **LSG** due to higher deliveries of the MMDS product and higher value in project milestone completions. **CSG's** sales was comparable with 1Q2004. Sales for **SSG** was lower as a result of fewer milestones being completed in 2Q2004.

#### (b) Profitability

##### 2Q2004 vs 2Q2003

2Q2004	2Q2003	Growth	
\$16.3m	\$14.7m	\$1.6m	11%

The profit before tax of \$16.3 million for 2Q2004 was higher than that in 2Q2003 by 11% or \$1.6 million. At the business group level, the increase in profit for **SSG** was mainly due to better margin in project milestones completed. In **CSG**, the increase was mainly due to better operational efficiency. **LSG** recorded a loss due to the losses incurred by overseas subsidiaries.

##### 2Q2004 vs 1Q2004

2Q2004	1Q2004	Growth	
\$16.3m	\$12.1m	\$4.2m	35%

The profit before tax of \$16.3 million for 2Q2004 was higher than that in 1Q2004 by 35% or \$4.2 million. The increase was mainly contributed by **SSG** as a result of better margin in project milestones completed.

### 8. Prospect

#### 3Q2004

In 3Q2004, the Electronics sector expects several milestone completions. Under **LSG**, these include the completion of milestone in Land Transport Authority's Circle Line project and the supply of MMDS product to Mexico. Under **CSG**, we expect the milestone completion of the MHA's Communication Network project and sales of VSAT equipment. Under **SSG**, the completion of milestone in a simulator project is expected.

The Electronics sector expects comparable turnover and profit before tax in 3Q2004 as compared to 2Q2004.

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### 9. Balance Sheet

	30 Jun 2004	31 Dec 2003
	\$'000	\$'000
Fixed Assets	33,601	25,162
Associated companies and joint ventures	11,439	10,213
Long-term investments	30,369	22,120
Intangible assets	7,752	7,988
Loan receivables, non-current	2,595	17
Deferred tax assets	8,251	10,064
Current assets	519,091	517,019
Less: Current liabilities	(431,284)	(412,394)
Net current assets	87,807	104,625
	181,814	180,189
Less: Non-current liabilities	(66,386)	(67,226)
	115,428	112,963
Share capital and reserves	107,665	107,882
Minority interests	7,763	5,081
	115,428	112,963

Fixed assets increased due to purchase of Jurong East Building in 2Q2004.

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

### 10. Cash Flow Statement for the quarter ended 30 June 2004

	2Q2004	2Q2003
	\$'000	\$'000
Cash flow from operating activities	24,620	12,951
Cash flow used in investing activities	(1,364)	(4,519)
Proceeds from sale of fixed assets	33	12
Dividends from investments	1,588	697
Proceeds from maturity and sale of investments	10,948	116
Purchase of fixed assets	(11,277)	(1,714)
Purchase of investment	(1,716)	(2,070)
Additional investment in associated companies	(940)	(1,560)
Cash flow used in financing activities	(21,072)	(19,929)
Capital contribution from minority shareholder of a subsidiary	570	-
Dividend paid to shareholder	(21,381)	(19,919)
Dividend paid to minority shareholders of a subsidiary	(229)	-
Interest paid	(32)	(10)
Net increase / (decrease) in cash and cash equivalents	2,184	(11,497)
Cash and cash equivalents as at 1 April	206,552	294,331
Exchange difference on cash and cash equivalents	304	(464)
Cash and cash equivalents as at 30 June	209,040	282,370

### 11. Accounting Policies

The Electronics 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.

### 12. Economic Value Added (EVA)

EVA for 1H2004 was \$18.1 million, an increase of 48% or \$5.9 million over 1H2003. The weighted average cost of capital was 7.4% for 2004 (2003 : 6.5%).

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