



Electronics

“Steady PBT Growth at 2Q”

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2008			
	2008 2Q	2007 2Q	Growth %
Turnover (\$m)	283	273	3
Investment, interest and other income (\$m)	1.1	0.7	42
Earnings before interest and tax (EBIT) (\$m)	30.2	25.7	18
Profit before tax (\$m)	29.3	25.9	13
Profit attributable to shareholders (\$m)	21.1	19.9	6

- Economic Value Added for first half of 2008 was \$24.1 million

“The Electronics sector continues to secure international projects, including the US\$8m advanced taxi management system project for Sharjah Public Transport Corporation in the United Arab Emirates and the RMB88.7m Automatic Fare Collection systems project for the Guangzhou Metro in China. VT iDirect Inc. launched the first suite of DVB-S2/ACM satellite communication products.

The Electronics sector remains focused on developing new market opportunities in e-Government & e-Enterprise, Satellite Communications and Interactive Media. We will continue to expand our international presence, especially in the Asia Pacific region and the Gulf States.”

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 2008:

	2Q2008 \$'000	2Q2007 \$'000	+ / (-) %
1. (a) Turnover	282,554	273,196	3.4
(b) Cost of sales	(186,319)	(184,851)	0.8
(c) Gross Profit	96,235	88,345	8.9
(d) Other operating income	909	642	41.6
(e) Distribution and selling expenses	(21,339)	(20,244)	5.4
(f) Administrative expenses	(30,964)	(30,063)	3.0
(g) Other operating expenses	(13,676)	(12,353)	10.7
(h) Profit from continuing operations before taxation, other income and financial expenses	31,165	26,327	18.4
(i) Other income, net	156	106	47.2
(j) Financial expenses	(2,220)	(2,344)	(5.3)
	29,101	24,089	20.8
(k) Share of results of associated companies and joint venture	167	1,770	(90.6)
(l) Profit from continuing operations before taxation	29,268	25,859	13.2
(m) Taxation	(7,098)	(5,166)	37.4
(n) Profit from continuing operations after taxation	22,170	20,693	7.1
Attributable to:			
(o) Shareholders of the Company	21,147	19,864	6.5
(p) Minority interests	1,023	829	23.4
	22,170	20,693	7.1
2. (a) Profit from continuing operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	4,750	3,982	19.3
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	(404)	(704)	(42.6)
Allowance/(write-back of allowance) for stock obsolescence, net	422	192	119.8
Impairment/(write-back of impairment) in value of investments, net	-	-	-
(b) Other operating income comprises:			
Investment income	37	(576)	(106.4)
Interest income	855	1,182	(27.7)
Others	17	36	(52.8)
	909	642	41.6
(c) Other income, net comprises:			
Foreign exchange gain/(loss), net	(133)	24	NM
Rental income	66	62	6.5
Others	223	20	NM
	156	106	47.2

* NM - Not Meaningful

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	2Q2008 \$'000	2Q2007 \$'000	+ / (-) %
3. (a) Profit from continuing operations after taxation [1(n) above] as a percentage of turnover	7.8%	7.6%	
(b) Profit attributable to shareholders [1(o) above] as a percentage of share capital and reserves at end of period	11.2%	9.0%	
4. (a) Turnover reported for first quarter	248,001	233,710	6.1
(b) Profit from continuing operations after taxation reported for first quarter	16,626	16,420	1.3
(c) Turnover reported for second quarter	282,554	273,196	3.4
(d) Profit from continuing operations after taxation reported for second quarter	22,170	20,693	7.1
(e) Turnover reported for first half year	530,555	506,906	4.7
(f) Profit from continuing operations after taxation reported for first half year	38,796	37,113	4.5
5. (a) There was a net adjustment of \$3,000 for under provision of current and deferred tax in respect of prior years (2Q2007: over provision of tax of \$1,198,000).			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Turnover			Profit before Taxation		
	2008 \$'000	2007 \$'000	+ / (-) %	2008 \$'000	2007 \$'000	+ / (-) %
Second Quarter						
Large-Scale Systems Group	45,534	49,751	(8.5)	3,675	3,516	4.5
Communication & Sensor Systems Group	137,301	128,540	6.8	13,942	11,940	16.8
Software Systems Group	99,719	94,905	5.1	11,651	10,403	12.0
Total	<u>282,554</u>	<u>273,196</u>	3.4	<u>29,268</u>	<u>25,859</u>	13.2
First Half Year						
Large-Scale Systems Group	96,317	96,321	-	7,728	5,277	46.4
Communication & Sensor Systems Group	256,776	237,242	8.2	19,867	19,753	0.6
Software Systems Group	177,462	173,343	2.4	21,821	23,064	(5.4)
Total	<u>530,555</u>	<u>506,906</u>	4.7	<u>49,416</u>	<u>48,094</u>	2.7

By Country of Incorporation

	Turnover		
	2Q2008 \$'000	2Q2007 \$'000	
Asia	210,326	213,896	(1.7)
USA	55,633	59,161	(6.0)
Europe	5,806	-	NM
Others	10,789	139	NM
Total	<u>282,554</u>	<u>273,196</u>	3.4

By Geographical Areas

	Turnover		
	2Q2008 \$'000	2Q2007 \$'000	
Asia	198,409	205,633	(3.5)
USA	45,278	31,556	43.5
Europe	20,139	12,137	65.9
Others	18,728	23,870	(21.5)
Total	<u>282,554</u>	<u>273,196</u>	3.4

* NM - Not Meaningful

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7. Review of Performance

(a) Turnover

2Q2008 vs 2Q2007

2Q2008	2Q2007	Growth	
\$283m	\$273m	\$10m	3%

The turnover of \$283 million recorded in 2Q2008 was higher than that in 2Q2007 by 3% or \$10 million. The increase was mainly contributed by **Communication & Sensor Systems Group (CSG)** with the sales of telematics systems and the milestone completions of a communication project. Sales for **Software Systems Group (SSG)** were higher with milestone completions of a command and control system project. **Large-Scale Systems Group's (LSG)** sales were lower mainly due to lower value project milestone completions.

2Q2008 vs 1Q2008

2Q2008	1Q2008	Growth	
\$283m	\$248m	\$35m	14%

The turnover of \$283 million recorded in 2Q2008 was higher than that in 1Q2008 by 14% or \$35 million. The increase was contributed by **SSG** and **CSG**. Sales for **SSG** were higher with milestone completions of a command and control system project and a managed services project. **CSG** recorded higher sales with milestone completions of a communication project and sales of satellite communication products. **LSG's** sales were lower mainly due to lower value project milestone completions.

(b) Profitability

2Q2008 vs 2Q2007

2Q2008	2Q2007	Growth	
\$29.3m	\$25.9m	\$3.4m	13%

The profit before tax of \$29.3 million for 2Q2008 was higher than that in 2Q2007 by 13% or \$3.4 million. All three business groups recorded higher profits. **CSG** recorded higher profit mainly due to higher sales and better margins from satellite communication product sales. **SSG's** profit was higher due mainly to increased sales and better profit margins, partially offset by lower income from associated companies arising from the divestment of an associated company in 4Q2007. **LSG's** profit was higher mainly due to better margins in completed project milestones.

2Q2008 vs 1Q2008

2Q2008	1Q2008	Growth	
\$29.3m	\$20.1m	\$9.2m	46%

The profit before tax of \$29.3 million for 2Q2008 was higher than that in 1Q2008 by 46% or \$9.2 million. At the business group level, the increase in profit was mainly contributed by **CSG**, largely due to higher sales and better margins from satellite communication product sales. **SSG** recorded higher profit mainly due to higher sales. **LSG's** profit was lower mainly due to lower sales.

8. Prospects

2H2008

Barring unforeseen circumstances, turnover and profit before tax for 2H2008 are expected to be higher compared to 1H2008.

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9. Balance Sheet

	30-Jun-08 \$'000	31-Dec-07 \$'000
Property, plant and equipment	41,565	42,262
Associated companies and joint venture	9,291	8,971
Investments	25,634	28,827
Intangible assets	335,831	351,722
Investment property	1,408	1,428
Long-term receivables	1,165	1,815
Deferred tax assets	21,533	22,581
Non-current assets	436,427	457,606
Current assets	909,542	934,891
Total assets	1,345,969	1,392,497
Current liabilities	725,329	856,973
Non-current liabilities	543,279	445,517
Total liabilities	1,268,608	1,302,490
Share capital and reserves	60,828	75,611
Minority interests	16,533	14,396
Total equity and liabilities	1,345,969	1,392,497

The decrease in current liabilities was mainly due to lower other creditors as a result of payment made for the acquisition of Telematics Wireless Ltd.

The increase in non-current liabilities was due mainly from higher long-term customers advances and higher long-term loans from related corporation to finance the acquisition of Telematics Wireless Ltd.

10. Cash Flow Statement for the second quarter ended 30 June 2008

	2Q2008 \$'000	2Q2007 \$'000
Net cash from/(used in) operating activities	45,291	(22,740)
Net cash (used in)/from investing activities	(3,559)	7,896
Proceeds from sale of property, plant and equipment	11	6
Proceed from sale of an associated company	-	2,700
Dividend from an associated company	-	1,138
Dividend from an investment	37	-
Proceed from sale of investment	-	45
Purchase of property, plant and equipment	(3,506)	(2,831)
Loan to an associated company	(360)	-
Acquisition of a subsidiary	259	6,838
Net cash used in financing activities	(58,122)	(44,457)
Capital contribution from minority shareholder of a subsidiary	-	980
(Repayment of)/proceeds from inter-company loans, net	(21,590)	10,987
Proceeds from/(repayment of) bank loans, net	837	(4,966)
Repayment of convertible loan	-	(980)
Repayment of lease obligations	(11)	(10)
Dividend paid to shareholder	(36,223)	(48,675)
Dividend paid to minority shareholder of a subsidiary	-	(112)
Interest paid	(1,135)	(1,681)
Net decrease in cash and cash equivalents	(16,390)	(59,301)
Cash and cash equivalents at 1 April	253,359	209,563
Exchange difference on cash and cash equivalents	(2,026)	952
Cash and cash equivalents at 30 June	234,943	151,214

2Q2008 net cash from operating activities was higher than 2Q2007 due mainly to lower trade debtors and other working capital movements.



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11. Accounting Policies

The Sector has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2007 except for the adoption of the Financial Reporting Standards (FRS) and INT FRS that are mandatory for financial years beginning on or after 1 January 2008. The adoption of these FRS and INT FRS has no significant impact to the Sector.

12. Economic Value Added (EVA)

EVA for 1H2008 was \$24.1 million, a decrease of \$2.2 million or 8% over 1H2007. The weighted average cost of capital was 6.2% for 2008 (2007: 6.5%).

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