

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by laws or regulations.

Electronics

“Steady Profit Growth at 2Q”

FINANCIAL HIGHLIGHTS For the quarter ended 30 June 2010					
	2010 2Q	2009 2Q	Growth %	2010 1Q	Growth %
Turnover (\$m)	325	355	(9)	369	(12)
Earnings before interest and tax (EBIT) (\$m)	35.1	31.0	13	27.8	26
Investment, interest and other income (\$m)	1.9	4.0	(52)	2.3	(17)
Profit before tax (\$m)	34.7	32.9	6	28.1	24
Profit attributable to shareholders (\$m)	26.1	24.3	8	22.6	16

- Economic Value Added for the first half of 2010 was \$39.9 million

“The Electronics sector achieved steady growth in profits in the second quarter of 2010.

Several new orders were secured in 2Q including the Automatic Fare Collection System for Bangkok Bus Rapid Transit System, Passenger Information Systems for Brazil’s Rio de Janeiro Metro, Airfield Ground Lighting Control & Monitoring System for Changi Airport and several defence contracts. We continue to strengthen our core capabilities and improve our operations to position ourselves to meet the changing market conditions.”

Lee Fook Sun, President

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

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Electronics sector unaudited results for the second quarter ended 30 June 2010:

	2Q2010 \$'000	2Q2009 \$'000	+ / (-) %
1. (a) Turnover	324,635	354,796	(8.5)
(b) Cost of sales	(221,743)	(257,283)	(13.8)
(c) Gross Profit	102,892	97,513	5.5
(d) Other operating income	871	518	68.1
(e) Distribution and selling expenses	(22,145)	(22,282)	(0.6)
(f) Administrative expenses	(30,588)	(31,914)	(4.2)
(g) Other operating expenses	(15,084)	(12,305)	22.6
(h) Profit from operations before taxation, other income and financial expenses	35,946	31,530	14.0
(i) Other income, net	1,039	3,433	(69.7)
(j) Financial expenses	(1,801)	(1,710)	5.3
	35,184	33,253	5.8
(k) Share of results of associated companies and joint venture	(478)	(387)	23.5
(l) Profit from operations before taxation	34,706	32,866	5.6
(m) Taxation	(8,040)	(8,357)	(3.8)
(n) Profit from operations after taxation	26,666	24,509	8.8
Profit attributable to:			
(o) Shareholders of the Company	26,125	24,282	7.6
(p) Non-controlling interests	541	227	138.3
	26,666	24,509	8.8
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	6,401	6,135	4.3
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	298	1,398	(78.7)
Allowance/(write-back of allowance) for stock obsolescence, net	989	411	140.6
Impairment/(write-back of impairment) in value of investments, net	-	-	-
(b) Other operating income comprises:			
Investment income	364	6	>500
Interest income	307	534	(42.5)
Others	200	(22)	>(500)
	871	518	68.1
(c) Other income, net comprises:			
Foreign exchange gain/(loss), net	(302)	(114)	164.9
Rental income	51	68	(25.0)
Others	1,290	3,479	(62.9)
	1,039	3,433	(69.7)

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	2Q2010 \$'000	2Q2009 \$'000	+ / (-) %
3. (a) Profit from operations after taxation [1(n) above] as a percentage of turnover	8.2%	6.9%	
(b) Profit attributable to shareholders [1(o) above] as a percentage of share capital and reserves at end of period	10.6%	9.9%	
4. (a) Turnover reported for first quarter	369,084	337,662	9.3
(b) Profit from operations after taxation reported for first quarter	23,533	18,156	29.6
(c) Turnover reported for second quarter	324,635	354,796	(8.5)
(d) Profit from operations after taxation reported for second quarter	26,666	24,509	8.8
(e) Turnover reported for first half year	693,719	692,458	0.2
(f) Profit from operations after taxation reported for first half year	50,199	42,665	17.7
5. (a) There was an overprovision of current tax of \$670,000 and underprovision of deferred tax of \$473,000 in respect of prior years (2Q2009: There was an overprovision of current tax of \$3,000 and underprovision of deferred tax of \$482,000 in respect of prior years).			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	2010 \$'000	2009 \$'000		2010 \$'000	2009 \$'000	
Second Quarter						
Large-Scale Systems Group	60,906	75,951	(19.8)	8,687	7,233	20.1
Communication & Sensor Systems Group	169,177	182,650	(7.4)	20,738	17,273	20.1
Software Systems Group	94,552	96,195	(1.7)	5,281	8,360	(36.8)
Total	<u>324,635</u>	<u>354,796</u>	(8.5)	<u>34,706</u>	<u>32,866</u>	5.6
First Half Year						
Large-Scale Systems Group	146,327	141,632	3.3	17,205	12,605	36.5
Communication & Sensor Systems Group	355,310	339,871	4.5	31,001	24,249	27.8
Software Systems Group	192,082	210,955	(8.9)	14,578	17,738	(17.8)
Total	<u>693,719</u>	<u>692,458</u>	0.2	<u>62,784</u>	<u>54,592</u>	15.0

	Turnover		
	2Q2010 \$'000	2Q2009 \$'000	
<u>By Geographical Areas</u>			
Asia	233,641	269,334	(13.3)
USA	35,305	34,697	1.8
Europe	18,507	16,336	13.3
Others	37,182	34,429	8.0
Total	<u>324,635</u>	<u>354,796</u>	(8.5)

By Country of Incorporation

Asia	249,985	283,005	(11.7)
USA	57,989	61,185	(5.2)
Europe	5,263	3,711	41.8
Others	11,398	6,895	65.3
Total	<u>324,635</u>	<u>354,796</u>	(8.5)

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7. Review of Performance

(a) Turnover

2Q2010 vs 2Q2009

2Q2010	2Q2009	Growth	
\$325m	\$355m	(\$30m)	(9%)

The turnover of \$325 million recorded in 2Q2010 was lower than that in 2Q2009 by 9% or \$30 million. **Large-Scale Systems Group (LSG)** recorded lower sales mainly due to lower value project milestone completions. Sales for **Communication & Sensor Systems Group (CSG)** was lower mainly due to lower value project milestone completions and lower sales of electro-optics equipment. **Software Systems Group's (SSG)** sales were comparable to 2Q2009.

2Q2010 vs 1Q2010

2Q2010	1Q2010	Growth	
\$325m	\$369m	(\$44m)	(12%)

The turnover of \$325 million recorded in 2Q2010 was lower than that in 1Q2010 by 12% or \$44 million. All three business groups recorded lower sales. **LSG** and **SSG** recorded lower sales mainly due to lower value project milestone completions. **CSG's** sales were lower mainly due to lower value project milestone completions and lower sales of electro-optics equipment.

(b) Profitability

2Q2010 vs 2Q2009

2Q2010	2Q2009	Growth	
\$34.7m	\$32.9m	\$1.8m	6%

The profit before tax of \$34.7 million for 2Q2010 was higher than that in 2Q2009 by 6% or \$1.8 million. At the business group level, the increase in profit was contributed by **CSG** and **LSG**. **CSG** recorded higher profit mainly due to favourable sales mix and higher contribution from satellite communication product sales. Despite lower sales, **LSG's** profit was higher mainly due to favourable sales mix and lower operating expenses. The decrease in profit for **SSG** was mainly due to less favourable sales mix and lower other income from the Jobs Credit Scheme.

2Q2010 vs 1Q2010

2Q2010	1Q2010	Growth	
\$34.7m	\$28.1m	\$6.6m	24%

The profit before tax of \$34.7 million for 2Q2010 was higher than that in 1Q2010 by 24% or \$6.6 million. At the business group level, the increase in profit was mainly contributed by **CSG**, largely due to higher contribution from satellite communication product sales. The decrease in **SSG's** profit was mainly due to lower sales and higher operating expenses. **LSG's** profit was comparable to 1Q2010 mainly due to lower operating expenses offset by lower sales.

8. Prospects

2H2010

Barring unforeseen circumstances, 2H2010 turnover is expected to be higher and profit before tax is expected to be comparable to 1H2010.

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9. Balance Sheet

	30-Jun-10 \$'000	31-Dec-09 \$'000
Property, plant and equipment	53,909	57,084
Associated companies and joint venture	11,454	11,560
Investments	13,124	16,792
Intangible assets	362,507	363,993
Derivative financial instruments	14	-
Deferred tax assets	26,716	25,790
Non-current assets	467,724	475,219
Current assets	974,148	1,002,649
Total assets	1,441,872	1,477,868
Current liabilities	805,447	848,745
Non-current liabilities	501,350	501,187
Total liabilities	1,306,797	1,349,932
Share capital and reserves	118,708	111,253
Non-controlling interests	16,367	16,683
Total equity and liabilities	1,441,872	1,477,868

10. Statement of Cash Flows for the second quarter ended 30 June 2010

	2Q2010 \$'000	2Q2009 \$'000
Net cash used in operating activities	(6,930)	(5,136)
Net cash used in investing activities	(3,662)	(6,390)
Proceeds from sale of property, plant and equipment	39	21
Proceed from sale of an unquoted investment	684	-
Proceed from sale of a subsidiary	326	-
Dividend from an associated company	-	2
Dividend from an investment	-	6
Purchase of property, plant and equipment	(3,320)	(5,469)
Investment in a joint venture	(206)	-
Acquisition of subsidiaries	604	-
Acquisition of non-controlling interests	(1,789)	(950)
Net cash used in financing activities	(34,213)	(95,603)
Repayment of loan from an associated company	241	493
Repayment of inter-company loans, net	(917)	(74,904)
Proceeds from bank loans	1,884	-
Repayment of lease obligations	(3)	(16)
Dividend paid to shareholder	(34,958)	(20,704)
Dividend paid to non-controlling interests	(192)	-
Interest paid	(268)	(472)
Net decrease in cash and cash equivalents	(44,805)	(107,129)
Cash and cash equivalents at beginning of period	319,343	378,047
Exchange difference on cash and cash equivalents	(838)	(2,293)
Cash and cash equivalents at end of period	273,700	268,625



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11. Economic Value Added (EVA)

EVA for 1H2010 was 39.9 million, an increase of \$8.3 million or 26% over 1H2009. The weighted average cost of capital was 5.7% for 2010 (2009: 6.1%).

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