

Electronics

“Growth sustained at 3rd Quarter”

FINANCIAL HIGHLIGHTS For the nine months ended 30 September 2002			
	2002 9 months	2001 9 months	Growth %
Turnover (\$m)	416	358	16
Investment, interest and other income (\$m)	4.1	7.6	(46)
Profit before tax (\$m)	41.3	37.0	12
Profit attributable to shareholders before EI (\$m)	30.7	24.7 [#]	24

[#] *Figure restated*

*“The Electronics sector maintained its growth in 3Q2002.
We will continue to develop international business and markets,
including Greater China, Mexico and Korea.”*

Seah Moon Ming, President

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

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Electronics sector unaudited results for the nine months ended 30 September 2002 :

	2002 \$'000 9 Months	2001 \$'000 9 Months	+ / (-) %
1. (a) Turnover	415,603	358,043	16.1
(b) Cost of Sales	(322,127)	(278,085)	15.8
(c) Gross Profit	<u>93,476</u>	<u>79,958</u>	16.9
(d) Investment Income	<u>-</u>	<u>-</u>	-
(e) Other Income including Interest Income	<u>4,106</u>	<u>7,633</u>	(46.2)
2. (a) Operating Profit before Income Tax, Minority Interests, Extraordinary Items, Interest on Borrowings, Depreciation and Amortisation, and Exceptional Items	48,484	42,540	14.0
(b) Interest on Borrowings	(5)	(1)	400.0
(c) Depreciation and Amortisation	(6,395)	(4,897)	30.6
(d) Exceptional Items	-	-	-
(e) Operating Profit before Income Tax, Minority Interests, Extraordinary Items but after Interest on Borrowings, Depreciation and Amortisation, and Exceptional Items	42,084	37,642	11.8
(f) Income derived from Associated Companies / Joint Ventures	(796)	(625)	27.4
(g) Operating Profit before Income Tax	41,288	37,017	11.5
(h) Less Income Tax	(11,025)	(12,512) #	(11.9)
(i) (a) Operating Profit after Tax before deducting Minority Interests	30,263	24,505 #	23.5
(b) Less Minority Interests	425	202	110.4
(j) Operating Profit after Tax attributable to Members of the Company	30,688	24,707 #	24.2
(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	30,688	24,707 #	24.2
3. (a) Operating Profit [2(i)(a) above] as a percentage of Turnover [1(a) above]	7.3%	6.8% #	
(b) Operating Profit [2(j) above] as a percentage of Issued Capital and Reserves at End of the Period	29.8%	26.6% #	
(c) Analysis of Expenses			

Nine Months Ended 30 September

Distribution and Selling Expenses	17,120	11,747	45.7
Administration Expenses	21,979	20,764	5.9
Other Operating Expenses	16,094	13,687	17.6
	<u>55,193</u>	<u>46,198</u>	19.5

Figures restated. See note 11.

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	2002	2001	+ / (-)
	\$'000	\$'000	%
4. (a) Sales reported for first half	270,821	228,008	18.8
(b) Operating Profit [2(i)(a) above] reported for first half	18,793	14,449 #	30.1
(c) Sales reported for third quarter	144,782	130,035	11.3
(d) Operating Profit [2(i)(a) above] reported for third quarter	11,470	10,056 #	14.1
(e) Sales reported for third quarter year-to-date	415,603	358,043	16.1
(f) Operating Profit [2(i)(a) above] reported for third quarter year-to-date	30,263	24,505 #	23.5
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	2001	+ / (-)	2002	2001	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
<u>By Business Group</u>						
Third Quarter						
Large-Scale Systems Group	38,939	45,876	(15.1)	1,144	3,233	(64.6)
Communication & Sensor Systems Group	58,141	50,691	14.7	7,026	5,052	39.1
Software Systems Group	47,702	33,468	42.5	7,043	6,086	15.7
Total	<u>144,782</u>	<u>130,035</u>	11.3	<u>15,213</u>	<u>14,371</u>	5.9

Nine Months Ended 30 September

Large-Scale Systems Group	128,703	120,854	6.5	4,449	7,713	(42.3)
Communication & Sensor Systems Group	163,118	149,379	9.2	17,580	14,528	21.0
Software Systems Group	123,782	87,810	41.0	19,259	14,776	30.3
Total	<u>415,603</u>	<u>358,043</u>	16.1	<u>41,288</u>	<u>37,017</u>	11.5

	Turnover		
	9M2002	9M2001	+ / (-)
	\$'000	\$'000	%
<u>By Country of Incorporation</u>			
Asia	409,427	358,043	14.4
USA	6,176	-	NM
Europe	-	-	NM
Others	-	-	NM
Total	<u>415,603</u>	<u>358,043</u>	16.1

By Geographical Areas

Asia	392,665	349,536	12.3
USA	8,416	1,868	350.5
Europe	6,871	2,657	158.6
Others	7,651	3,982	92.1
Total	<u>415,603</u>	<u>358,043</u>	16.1

* NM - Not Meaningful

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7. Review of Performance

(a) Turnover

3Q2002 vs 3Q2001

3Q2002	3Q2001	Growth	
\$145m	\$130m	\$15m	11%

The turnover of \$145 million recorded in 3Q2002 was higher than that in 3Q2001 by 11% or \$15 million. The increase was mainly contributed by **Software Systems Group (SSG)** with milestone completion of a ship console project and an aircraft simulator project. **Communication & Sensor Systems Group (CSG)** also achieved higher sales with the supply of communication equipment and milestone completion of Ministry of Home Affairs' (MHA) communication project. Sales for **Large-Scale Systems Group (LSG)** was lower due to fewer milestones being completed in 3Q2002.

9M2002 vs 9M2001

9M2002	9M2001	Growth	
\$416m	\$358m	\$58m	16%

The turnover of \$416 million recorded in 9M2002 was higher than that in 9M2001 by 16% or \$58 million. The increase was contributed by all three business groups, with major contribution from **SSG** with the milestone completion of the aircraft simulator projects, a ship console project and Hong Kong Fire Services project. In **CSG**, major sales was recorded from the sales of communication equipment in addition to the supply of RFID system to National Library Board and milestone completion of MHA's communication project. The higher sales recorded in **LSG** was due to milestone completion of the Land Transport Authority's (LTA) North-East Line MRT projects.

(b) Profitability

3Q2002 vs 3Q2001

3Q2002	3Q2001	Growth	
\$15.2m	\$14.4m	\$0.8m	6%

The profit before tax of \$15.2 million for 3Q2002 was slightly higher than that in 3Q2001 by 6% or \$0.8 million. Higher gross profit was contributed by higher turnover. At business group level, increased profit in **SSG** was due to higher sales. In **CSG**, the increase in profit was due to higher sales and higher margins in project milestones completed. **LSG** recorded a lower profit due to lesser sales and lower margins in project milestones completed. The overall performance was affected by lower interest income.

9M2002 vs 9M2001

9M2002	9M2001	Growth	
\$41.3m	\$37.0m	\$4.3m	12%

The profit before tax of \$41.3 million for 9M2002 was higher than that in 9M2001 by 12% or \$4.3 million. The increase in gross profit was the result of higher sales. This was partly affected by increased selling and marketing expenses. At business group level, **SSG** reported higher profit mainly due to higher sales. **CSG** recorded higher profit due to higher sales and higher margins in project milestones completed. **LSG** recorded lower profit due to lower margins in project milestones completed, higher marketing and R&D expenses. The overall performance was affected by lower interest income.

8. Fourth Quarter and Full Year Prospects

4Q2002

Turnover in the fourth quarter is expected to be higher than that in 3Q2002. Revenue will come from the completion of milestones in LTA's and Manila Light Rail Transit Authority's MRT/LRT projects, the delivery of MMDS Access Control Downconverter to Mexico under **LSG**; the completion of milestones in the Hong Kong Fire Services Project and aircraft simulator projects under **SSG**; and the completion of milestones in an integrated communication project, and the supply of radio communications equipment and VSAT under **CSG**.

The Sector expects higher turnover and profit before tax in the fourth quarter as compared to 3Q2002.

FY2002

In FY 2002, the major projects contributing to the full year sales are expected to include the LTA's and Manila Light Rail Transit Authority's MRT/LRT projects; the Hong Kong Fire Services Project; the MHA's Communication, Command & Control Projects; the aircraft simulator projects; and the supply of radio 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. Balance Sheet

	30 Sept 2002 \$'000	30 Jun 2002 \$'000	31 Dec 2001 \$'000
Fixed Assets	25,714	25,861	26,482
Associated companies and joint ventures	5,444	5,100	1,343
Long-term investments	61,366	60,869	54,526
Intangible assets	719	764	792
Loans receivable, non-current	110	111	115
Deferred tax assets	10,314	10,039	11,148 [#]
Current assets	612,959	667,521	596,297
Less: Current liabilities	(513,142)	(547,360)	(510,516)
Net current assets	99,817	120,161	85,781
	203,484	222,905	180,187 [#]
Less: Non-current liabilities	(98,454)	(98,995)	(75,155)
	105,030	123,910	105,032 [#]
Share capital and reserves	103,124	121,791	102,936 [#]
Minority interests	1,906	2,119	2,096
	105,030	123,910	105,032 [#]

[#] Figures restated. See Note 11.

The decrease in current assets was mainly due to the dividend payment of \$30m.

10. Cash Flow Statement for the period ended 30 September

	2002 \$'000	2001 \$'000
Cash flow from operating activities	65,758	75,414
Cash flow from investing activities	(17,151)	(27,912)
Proceeds from sale of fixed assets	66	2
Investment in associated companies/joint ventures	(2,704)	(1,855)
Purchase of fixed assets	(5,790)	(5,486)
Purchase of investments	(9,119)	(23,444)
Loans to staff & third party	96	683
Capital contribution from minority shareholders	300	2,188
Cash flow from financing activities	(30,260)	(24,157)
Dividend paid to shareholders of the company	(30,260)	(24,157)
Net increase in cash and cash equivalents	18,347	23,345
Cash and cash equivalents at beginning of year	292,718 [#]	287,863
Cash and cash equivalents at end of period	311,065	311,208 [#]

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

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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

	9M2002 \$'000	9M2001 \$'000
Turnover	<u>415,603</u>	<u>358,043</u>
Profit before tax	42,084	37,642
Share of results of associated companies and joint ventures	<u>(796)</u>	<u>(625)</u>
	41,288	37,017
Income Tax		
- Current year	(11,025)	(11,768)
- Change in accounting policy with adoption of SAS 12 Income Taxes	-	(744)
	<u>30,263</u>	<u>24,505</u> *
Minority Interest	425	202
Net profit for the period	<u>30,688</u>	<u>24,707</u> *

Statement of Share Capital & Reserves

	30 Sept 2002 \$'000	30 Jun 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	11,148	11,148
At beginning of year (restated)	<u>102,936</u>	<u>102,936</u>
Foreign currency translation differences	(240)	(163)
Net profit for the period	30,688	19,018
Dividends	(30,260)	-
At end of period	<u>103,124</u>	<u>121,791</u>

* Figures restated

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