

Electronics

“Sustained Performance in 3rd Quarter”

FINANCIAL HIGHLIGHTS For the third quarter ended 30 September 2003			
	2003 3Q	2002 3Q	Growth %
Turnover (\$m)	158	145	9
Investment, interest and other income (\$m)	0.7	1.4	(51)
Earnings before interest and tax (EBIT) (\$m)	15.4	14.0	10
Profit before tax (\$m)	15.9	15.2	4
Profit attributable to shareholders before EI (\$m)	12.5	11.7	8

“The Electronics sector has shown modest growth in the third quarter and is expected to maintain this for the next quarter.

We will continue to grow our businesses overseas including Greater China, Latin America, Australia, Korea and Thailand.”

Seah Moon Ming, President

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

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Electronics sector unaudited results for the third quarter ended 30 September 2003 :

	2003	2002	+ / (-)
	\$'000	\$'000	%
	3Q	3Q	
1. (a) Turnover	158,275	144,782	9.3
(b) Cost of Sales	(122,132)	(112,456)	8.6
(c) Gross Profit	36,143	32,326	11.8
(d) Other operating income	551	922	(40.2)
(e) Distribution and selling expenses	(7,149)	(6,533)	9.4
(f) Administration expenses	(8,328)	(6,555)	27.0
(g) Other operating expenses	(5,203)	(5,255)	(1.0)
(h) Profit from operations	16,014	14,905	7.4
(i) Other income, net	154	521	(70.4)
(j) Financial expenses	(17)	(2)	750.0
(k) Exceptional Item	-	-	-
	<u>16,151</u>	<u>15,424</u>	4.7
(l) Share of results of associated companies and joint ventures	(200)	(166)	20.5
(m) Amortisation of goodwill on acquisition of associated companies	(62)	(45)	37.8
(n) Profit before taxation	15,889	15,213	4.4
(o) Taxation	(3,843)	(3,743)	2.7
(p) Profit after taxation	12,046	11,470	5.0
(q) Minority Interests	499	200	149.5
(r) Net profit for the period	12,545	11,670	7.5
2. (a) Profit from operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation *	2,112	2,332	(9.4)
Provision / (write-back) of provision for doubtful debts & bad debts written off, net	(200)	85	(335.3)
Provision / (write-back) of provision for stock obsolescence, net	(473)	115	(511.3)
Provision / (write-back) of provision for impairment in value of investments	-	-	-
* Exclude amortisation of associated companies and joint venture			
(b) Other Operating Income and Other Income, net, comprises :			
Investment income	-	-	-
Interest income	551	922	(40.2)
Foreign exchange gain / (loss), net	(144)	(35)	311.4
Others	298	556	(46.4)
	<u>705</u>	<u>1,443</u>	
3. (a) Operating Profit [1(p) above] as a percentage of Turnover	7.6%	7.9%	
(b) Operating Profit [1(r) above] as a percentage of Issued Capital and Reserves at end of period	10.6%	11.3%	

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	2003 \$'000	2002 \$'000	+ / (-) %
4. (a) Sales reported for first half	286,725	270,821	5.9
(b) Operating profit after tax before deducting minority interests reported for first half	19,116	18,793	1.7
(c) Sales reported for third quarter	158,275	144,782	9.3
(d) Operating profit after tax before deducting minority interests reported for third quarter	12,046	11,470	5.0
(e) Sales reported for third quarter year-to-date	445,000	415,603	7.1
(f) Operating profit after tax before deducting minority interests reported for third quarter year-to-date	31,162	30,263	3.0
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

	Turnover			Profit before Tax		
	2003 \$'000	2002 \$'000	+ / (-) %	2003 \$'000	2002 \$'000	+ / (-) %
<u>By Business Group</u>						
Third Quarter						
Large-Scale Systems Group	52,104	38,939	33.8	1,520	1,144	32.9
Communication & Sensor Systems Group	56,027	58,141	(3.6)	6,932	7,026	(1.3)
Software Systems Group	50,144	47,702	5.1	7,437	7,043	5.6
Total	<u>158,275</u>	<u>144,782</u>	9.3	<u>15,889</u>	<u>15,213</u>	4.4

Nine Months Ended 30 September

Large-Scale Systems Group	126,753	128,703	(1.5)	2,187	4,449	(50.8)
Communication & Sensor Systems Group	165,883	163,118	1.7	17,954	17,580	2.1
Software Systems Group	152,364	123,782	23.1	22,417	19,259	16.4
Total	<u>445,000</u>	<u>415,603</u>	7.1	<u>42,558</u>	<u>41,288</u>	3.1

	Turnover		
	3Q2003 \$'000	3Q2002 \$'000	+ / (-) %
<u>By Country of Incorporation</u>			
Asia	156,325	143,010	9.3
USA	339	1,772	(80.9)
Europe	-	-	-
Others	1,611	-	NM
Total	<u>158,275</u>	<u>144,782</u>	9.3

By Geographical Areas

Asia	144,161	137,965	4.5
USA	999	2,501	(60.1)
Europe	2,431	1,744	39.4
Others	10,684	2,572	315.4
Total	<u>158,275</u>	<u>144,782</u>	9.3

* NM - Not Meaningful

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7. Review of Performance

(a) Turnover

3Q2003 vs 3Q2002

3Q2003	3Q2002	Growth	
\$158m	\$145m	\$13m	9%

The turnover of \$158 million recorded in 3Q2003 was higher than that in 3Q2002 by 9% or \$13 million. The increase was mainly contributed by **Large-Scale Systems Group (LSG)** with the milestone completion of the Manila LRT project, the supply of Infrared Fever Screening System (IFss) to various customers and Multichannel Multipoint Distribution System (MMDS) product to a Latin American country. **Software Systems Group (SSG)** also achieved higher sales with the milestone completion of a ship console project and the Hong Kong Fire Services project. Sales for **Communication & Sensor Systems Group (CSG)** was slightly lower mainly due to fewer milestones being completed in 3Q2003.

3Q2003 vs 2Q2003

3Q2003	2Q2003	Growth	
\$158m	\$153m	\$5m	3%

The turnover of \$158 million recorded in 3Q2003 was higher than that in 2Q2003 by 3% or \$5 million. Likewise, the increase was contributed by **LSG** due to higher value in project milestone completion and the supply of IFss.

(b) Profitability

3Q2003 vs 3Q2002

3Q2003	3Q2002	Growth	
\$15.9m	\$15.2m	\$0.7m	4%

The profit before tax of \$15.9 million for 3Q2003 was higher than that in 3Q2002 by 4% or \$0.7 million. At business group level, the increase in profit for **LSG** and **SSG** was mainly due to higher sales. Profit for **CSG** was comparable to the same period last year. The overall performance of the Group was affected by lower interest income.

3Q2003 vs 2Q2003

3Q2003	2Q2003	Growth	
\$15.9m	\$14.7m	\$1.2m	8%

The profit before tax of \$15.9 million for 3Q2003 was higher than that in 2Q2003 by 8% or \$1.2 million. At business group level, the increase in profit for **LSG** was due to higher sales and better operational efficiency. **CSG** recorded a higher profit due to lower operating expenses. **SSG's** profit was lower mainly due to lower sales as compared with previous quarter.

8. Prospects

4Q2003

In 4Q2003, the Electronics sector expects several milestone completions. Under **LSG**, these include the completion of milestones in Land Transport Authority's Circle Line project and the supply of MMDS to a Latin American country. Under **CSG**, we expect the completion of milestones in a shipboard integrated communications system project and the supply of VSAT equipment. Under **SSG**, the completion of milestones in the Hong Kong Fire Services project is expected.

The Sector expects higher turnover and profit before tax in 4Q2003 as compared to 3Q2003.

FY2003

For FY2003, other than the expected sales recognition from projects mentioned for 4Q2003 above, major sales for the full year will include sales recognition from the Manila LRT project, the aircraft simulator projects, the Ministry of Home Affairs' Communication Network project, a command and control system project and the delivery of radio communication and IFss equipment.

Overall, we expect the turnover and profit before tax for FY2003 to be higher than that of FY2002.

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9. Balance Sheet

	30 Sep 2003	31 Dec 2002
	\$'000	\$'000
Fixed Assets	24,716	25,429
Associated companies and joint ventures	10,543	4,708
Long-term investments	78,414	59,688
Intangible assets	7,658	5,153
Loans receivable, non-current	51	58
Deferred tax assets	9,908	10,339
Current assets	526,339	592,169
Less: Current liabilities	(464,835)	(524,680)
Net current assets	61,504	67,489
	192,794	172,864
Less: Non-current liabilities	(69,388)	(65,760)
	123,406	107,104
Share capital and reserves	118,126	105,121
Minority interests	5,280	1,983
	123,406	107,104

The increase in associated companies and joint ventures was mainly due to investment in PolarSat Inc and iWOW Technology Pte Ltd. The higher long term investments were mainly due to additional investment in floating rate notes.

10. Cash Flow Statement for the third quarter ended 30 September 2003

	2003	2002
	3Q	3Q
	\$'000	\$'000
Cash flow from operating activities	(27,612)	13,296
Cash flow from investing activities	(6,433)	(3,352)
Proceeds from sale of fixed assets	5	-
Investment in associated companies/joint ventures/convertible loan	(5,005)	(576)
Purchase of fixed assets	(1,431)	(2,276)
Purchase of investments	(2)	(500)
Cash flow from financing activities	(17)	(30,262)
Dividend paid	-	(30,260)
Interest paid	(17)	(2)
Net decrease in cash and cash equivalents	(34,062)	(20,318)
Cash and cash equivalents at 1 July	282,370	331,433
Exchange difference on cash and cash equivalents	501	(50)
Cash and cash equivalents at 30 September	248,809	311,065

Cash outflow from operating activities in 3Q2003 was mainly due to decrease in customers' advances and other working capital movements.

11. Accounting Policies

The 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 2002.

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