



Electronics

“Stable Performance”

FINANCIAL HIGHLIGHTS For the third quarter ended 30 September 2004			
	2004 3Q	2003 3Q	Growth %
Turnover (\$m)	152	158	(4)
Investment, interest and other income (\$m)	0.5	0.7	(31)
Earnings before interest and tax (EBIT) (\$m)	16.0	15.4	4
Profit before tax (\$m)	16.4	15.9	3
Profit attributable to shareholders before EI (\$m)	13.0	12.5	4

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

- Profit before tax increased by 3% to \$16.4 million

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Electronics sector unaudited results for the third quarter ended 30 September 2004 :

	3Q2004 \$'000	3Q2003 \$'000	+ / (-) %
1. (a) Turnover	152,099	158,275	(3.9)
(b) Cost of sales	(117,024)	(122,132)	(4.2)
(c) Gross profit	35,075	36,143	(3.0)
(d) Other operating income	117	551	(78.8)
(e) Distribution and selling expenses	(5,146)	(7,149)	(28.0)
(f) Administrative expenses	(8,973)	(8,328)	7.7
(g) Other operating expenses	(4,872)	(5,203)	(6.4)
(h) Profit from operations	16,201	16,014	1.2
(i) Other income, net	368	154	139.0
(j) Financial expenses	(48)	(17)	182.4
(k) Exceptional item	-	-	-
	16,521	16,151	2.3
(l) Share of results of associated companies and joint ventures	(278)	(200)	39.0
(m) Write-back of amortisation / (amortisation) of goodwill on acquisition of associated companies	177	(62)	(385.5)
(n) Profit before taxation	16,420	15,889	3.3
(o) Taxation	(3,901)	(3,843)	1.5
(p) Profit after taxation	12,519	12,046	3.9
(q) Minority interests	521	499	4.4
(r) Net profit for the period	13,040	12,545	3.9
2. (a) Profit from operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation *	1,904	2,112	(9.8)
Provision / (write-back of provision) for doubtful debts & bad debts written off, net	(1,249)	(200)	524.5
Provision / (write-back of provision) for stock obsolescence, net	514	(473)	(208.7)
Provision / (write-back of provision) for impairment in value of investments	222	-	NM
* Exclude amortisation of associated companies and joint venture			
(b) Other operating income and Other income, net, comprises :			
Investment income	(405)	-	NM
Interest income	404	551	(26.7)
Foreign exchange gain / (loss), net	(127)	(144)	(11.8)
Others	613	298	105.7
	485	705	
* NM - Not Meaningful			
3. (a) Operating Profit [1(p) above] as a percentage of turnover			
	8.2%	7.6%	
(b) Operating Profit [1(r) above] as a percentage of issued capital and reserves at end of period			
	10.8%	10.6%	

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	2004 \$'000	2003 \$'000	+ / (-) %
4. (a) Sales reported for first half year	298,433	286,725	4.1
(b) Operating profit after tax before deducting minority interests reported for first half year	20,463	19,116	7.0
(c) Sales reported for third quarter	152,099	158,275	(3.9)
(d) Operating profit after tax before deducting minority interests reported for third quarter	12,519	12,046	3.9
(e) Sales reported for the nine months ended 30 September	450,532	445,000	1.2
(f) Operating profit after tax before deducting minority interests reported for nine months ended 30 September	32,982	31,162	5.8
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

	Turnover			Profit before Tax		
	2004 \$'000	2003 \$'000	+ / (-) %	2004 \$'000	2003 \$'000	+ / (-) %
Third Quarter						
Large-Scale Systems Group	55,540	52,104	6.6	978	1,520	(35.7)
Communication & Sensor Systems Group	50,352	56,027	(10.1)	6,672	6,932	(3.8)
Software Systems Group	46,207	50,144	(7.9)	8,770	7,437	17.9
Total	<u>152,099</u>	<u>158,275</u>	(3.9)	<u>16,420</u>	<u>15,889</u>	3.3
Nine Months Ended 30 September						
Large-Scale Systems Group	129,906	126,753	2.5	(1,823)	2,187	(183.4)
Communication & Sensor Systems Group	170,343	165,883	2.7	19,892	17,954	10.8
Software Systems Group	150,283	152,364	(1.4)	26,720	22,417	19.2
Total	<u>450,532</u>	<u>445,000</u>	1.2	<u>44,789</u>	<u>42,558</u>	5.2

	Turnover		
	3Q2004 \$'000	3Q2003 \$'000	+ / (-) %
<u>By Country of Incorporation</u>			
Asia	150,842	156,325	(3.5)
USA	842	339	148.4
Europe	-	-	-
Others	415	1,611	(74.2)
Total	<u>152,099</u>	<u>158,275</u>	(3.9)

By Geographical Areas

Asia	142,785	144,161	(1.0)
USA	1,287	999	28.8
Europe	1,766	2,431	(27.4)
Others	6,261	10,684	(41.4)
Total	<u>152,099</u>	<u>158,275</u>	(3.9)

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7. Review of Performance

(a) Turnover

3Q2004 vs 3Q2003

3Q2004	3Q2003	Growth	
\$152m	\$158m	(\$6m)	(4%)

The turnover of \$152 million recorded in 3Q2004 was slightly lower than that in 3Q2003 by 4% or \$6 million. **Communication & Sensor Systems Group's (CSG)** sales was lower mainly due to lower delivery of communications equipment. **Software Systems Group's (SSG)** sales was lower mainly due to fewer milestones completed. On the other hand, **Large-Scale Systems Group (LSG)** achieved higher sales with the milestone completions of the Land Transport Authority's (LTA) Circle Line project.

3Q2004 vs 2Q2004

3Q2004	2Q2004	Growth	
\$152m	\$154m	(\$2m)	(1%)

The turnover of \$152 million recorded in 3Q2004 was marginally lower than that in 2Q2004 by \$2 million. **CSG** and **SSG** recorded lower sales mainly due to lower value in project milestone completions in 3Q2004. **LSG** recorded higher sales with the milestone completions of the LTA's Circle Line project.

(b) Profitability

3Q2004 vs 3Q2003

3Q2004	3Q2003	Growth	
\$16.4m	\$15.9m	\$0.5m	3%

The profit before tax of \$16.4 million for 3Q2004 was slightly higher than that in 3Q2003 by 3% or \$0.5 million. At the business group level, the increase in profit for **SSG** was mainly due to better margins in project milestones completed. **LSG** recorded a lower profit mainly due to lower profit margins in project milestones completed. **CSG** recorded a slight decrease in profit mainly due to lower sales.

3Q2004 vs 2Q2004

3Q2004	2Q2004	Growth	
\$16.4m	\$16.3m	\$0.1m	1%

The profit before tax of \$16.4 million for 3Q2004 was comparable with that in 2Q2004. At business group level, **LSG** registered a profit due to higher sales and lower losses incurred by overseas subsidiaries. **CSG** recorded lower profit mainly due to lower sales. **SSG's** profit was lower mainly due to lower sales and profit margins.

8. Prospect

4Q2004

In 4Q2004, the Electronics sector expects several milestone completions. Under **LSG**, these include the completion of milestones in LTA's Circle Line project. Under **CSG**, we expect the completion of milestones in CityCab's integrated taxi booking and dispatch system project, shipboard integrated communications system project and sales of VSAT equipment. Under **SSG**, the completion of milestones in the Hong Kong Fire Services project and a simulator project is expected.

The Electronics sector expects higher turnover and profit before tax in 4Q2004 compared to 3Q2004.

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9. Balance Sheet

	30 Sep 2004 \$'000	31 Dec 2003 \$'000
Fixed assets	32,566	25,162
Associated companies and joint ventures	42,345	10,213
Long-term investments	35,707	22,120
Intangible assets	2,689	7,988
Loan receivables, non-current	4,563	17
Deferred tax assets	7,805	10,064
Current assets	500,750	517,019
Less: Current liabilities	(434,124)	(412,394)
Net current assets	66,626	104,625
	192,301	180,189
Less: Non-current liabilities	(66,343)	(67,226)
	125,958	112,963
Share capital and reserves	120,788	107,882
Minority interests	5,170	5,081
	125,958	112,963

Fixed assets increased mainly due to purchase of Jurong East Building.

The increase in investment in associated companies and joint ventures was mainly due to the investment in ECS Holdings Limited. Long term investments was higher mainly due to additional investment in Sino Stride Technology (Holdings) Limited.

10. Cash Flow Statement for the third quarter ended 30 September 2004

	3Q2004 \$'000	3Q2003 \$'000
Cash flow used in operating activities	(51,109)	(27,612)
Cash flow used in investing activities	(36,261)	(6,433)
Proceeds from sale of fixed assets	73	5
Purchase of fixed assets	(1,365)	(1,431)
Purchase of investments	(5,338)	(2)
Loan to an investee company	(2,044)	-
Loan to an associated company	(241)	-
Investment in associated companies/convertible loan	(27,230)	(5,005)
Net cash on dilution of interest in subsidiaries	(116)	-
Cash flow from / (used in) financing activities	522	(17)
Capital contribution from minority shareholder of a subsidiary	570	-
Interest paid	(48)	(17)
Net decrease in cash and cash equivalents	(86,848)	(34,062)
Cash and cash equivalents as at 1 July	209,040	282,370
Exchange difference on cash and cash equivalents	(787)	501
Cash and cash equivalents as at 30 September	121,405	248,809

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 2003, except for the early adoption of the following new and revised Singapore Financial Reporting Standards ("FRS") issued in July 2004 by the Council on Corporate Disclosure and Governance ("CCDG"), with effect from the financial year beginning 1 January 2004:

FRS 103	Business Combinations
Revised FRS 36	Impairment of Assets
Revised FRS 38	Intangible Assets

On 1 July 2004, CCDG issued FRS 103, revised FRS 36 and revised FRS 38. Accordingly, FRS 22 Business Combinations was withdrawn. These FRS are to be applied to the accounting for business combinations for annual periods beginning on or after 1 July 2004. However, the Sector has adopted these FRS with effect from 1 January 2004. In accordance with FRS, early adoption is permitted under certain circumstances, and must be applied prospectively from 1 January 2004.

The early adoption of FRS 103, revised FRS 36 and revised FRS 38 resulted in a change in the accounting treatment for goodwill. FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised, instead, impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The replaced FRS 22 required acquired goodwill to be systematically amortised over its useful life, and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

The effect of the early adoption of FRS 103, together with the revised FRS 36 and revised FRS 38, resulted in the following adjustments:

- + Increased the Sector's 3Q2004 PBT by \$0.5 million, arising from the reversal of goodwill amortisation previously charged against the Sector's PBT in 1H2004. For the year ended 31 December 2004, the early adoption of FRS 103 is likely to eliminate a potential goodwill amortisation to the Statement of Profit & Loss of \$0.8 million, subject to impairment assessment of goodwill at year end.
- + Restatement of the Sector's opening retained earnings as at 1 July 2004 of \$0.3 million, arising from the de-recognition of previously recognised negative goodwill in the Balance Sheet.

There was no material financial impact to the Sector's PBT on 1 January 2004 from the early adoption of the revised FRS 36 and revised FRS 38. However, an impairment loss of \$0.2 million was charged to the Sector's PBT in 3Q2004.

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