

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 law or regulation.

Electronics

“Higher Profit in 3Q2011”

FINANCIAL HIGHLIGHTS For the quarter ended 30 September 2011					
	2011 3Q	2010 3Q	Growth %	2011 2Q	Growth %
Revenue (\$m)	317	345	(8)	329	(4)
Earnings before interest and tax (EBIT) (\$m)	37.6	34.1	10	37.1	1
Other income, net (\$m)	0.3	0.4	(19)	0.5	(24)
Finance income/(costs), net (\$m)	(1.1)	(2.4)	53	(1.5)	21
Profit before tax (PBT) (\$m)	36.3	31.6	15	35.7	2
Profit attributable to shareholders (\$m)	28.7	27.3	5	26.9	7

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

Electronics

Electronics sector unaudited results for the third quarter ended 30 September 2011:

	3Q2011 \$'000	3Q2010 \$'000	+ / (-) %
1. (a) Revenue	316,581	345,467	(8.4)
(b) Cost of sales	(204,614)	(244,090)	(16.2)
(c) Gross Profit	111,967	101,377	10.4
(d) Distribution and selling expenses	(20,478)	(19,936)	2.7
(e) Administrative expenses	(36,269)	(29,516)	22.9
(f) Other operating expenses	(17,648)	(17,871)	(1.2)
(g) Profit from operations	37,572	34,054	10.3
(h) Other income, net	354	438	(19.2)
(i) Finance income	520	276	88.4
(j) Finance costs	(1,654)	(2,702)	(38.8)
(k) Finance income/(costs), net	(1,134)	(2,426)	
(l) Share of results of associates and jointly controlled entity	(524)	(504)	4.0
(m) Profit before taxation	36,268	31,562	14.9
(n) Taxation	(6,907)	(4,161)	66.0
(o) Profit for the period	29,361	27,401	7.2
Profit attributable to:			
(p) Shareholders of the Company	28,674	27,338	4.9
(q) Non-controlling interests	687	63	>500
	29,361	27,401	7.2
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	6,055	6,521	(7.1)
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	(117)	(896)	(86.9)
Allowance/(write-back of allowance) for inventory obsolescence, net	(4,220)	1,110	(480.2)
Impairment of intangible assets	4,404	-	NM
(b) Finance income/(costs), net comprises			
Interest income	387	276	40.2
Foreign exchange gain/(loss), net	133	(836)	(115.9)
Interest expenses	(1,566)	(1,804)	(13.2)
Others	(88)	(62)	41.9
	(1,134)	(2,426)	(53.3)

* NM - Not Meaningful

Electronics

	3Q2011 \$'000	3Q2010 \$'000	+ / (-) %
3. (a) Profit for the period [1(o) above] as a percentage of revenue	9.3%	7.9%	
(b) Profit attributable to shareholders [1(p) above] as a percentage of share capital and reserves at end of period	10.0%	10.5%	
4. (a) Revenue reported for first half year	784,433	693,719	13.1
(b) Profit for the period reported for first half year	54,773	50,199	9.1
(c) Revenue reported for third quarter	316,581	345,467	(8.4)
(d) Profit for the period reported for third quarter	29,361	27,401	7.2
(e) Revenue reported for first nine months	1,101,014	1,039,186	5.9
(f) Profit for the period reported for first nine months	84,134	77,600	8.4
5. (a) There was an overprovision of current tax of \$1,472,000 and overprovision of deferred tax of \$157,000 in respect of prior years (3Q2010: There was an overprovision of current tax of \$51,000 and an underprovision of deferred tax of \$133,000 in respect of prior years).			
(b) During the year, the Sector engaged independent consultants to perform an industry and benchmarking study on the basis and estimates (the "obsolescence rates") used to determine allowance for inventory obsolescence. The study considered the industry practices of the Sector and compared the obsolescence rates against the industry peer companies. Based on the results obtained, the Sector revised the obsolescence rates to align more closely with the industry practices. The effect of this change resulted in a write-back of allowance for inventory obsolescence of \$4,296,000 to the income statement.			
(c) During the year, the Sector made an impairment in value of intangible asset of \$4,404,539 to the income statement (3Q2010 : nil).			
(d) There was no disposal of property during the third quarter.			

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	2011 \$'000	2010 \$'000	+ / (-) %	2011 \$'000	2010 \$'000	+ / (-) %
Third Quarter						
Large-Scale Systems Group	50,924	55,649	(8.5)	7,492	3,618	107.1
Communication & Sensor Systems Group	150,694	176,444	(14.6)	21,464	19,069	12.6
Software Systems Group	114,963	113,374	1.4	7,312	8,875	(17.6)
Total	<u>316,581</u>	<u>345,467</u>	(8.4)	<u>36,268</u>	<u>31,562</u>	14.9

Nine Months Ended 30 September

Large-Scale Systems Group	236,742	201,976	17.2	23,846	20,823	14.5
Communication & Sensor Systems Group	529,929	531,754	(0.3)	53,606	50,070	7.1
Software Systems Group	334,343	305,456	9.5	26,854	23,453	14.5
Total	<u>1,101,014</u>	<u>1,039,186</u>	5.9	<u>104,306</u>	<u>94,346</u>	10.6

	Revenue		
	3Q2011 \$'000	3Q2010 \$'000	

By Geographical Areas

Asia	231,522	269,046	(13.9)
USA	28,543	31,046	(8.1)
Europe	29,324	14,490	102.4
Others	27,192	30,885	(12.0)
Total	<u>316,581</u>	<u>345,467</u>	(8.4)

By Country of Incorporation

Asia	240,803	282,966	(14.9)
USA	63,227	52,292	20.9
Europe	3,080	2,599	18.5
Others	9,471	7,610	24.5
Total	<u>316,581</u>	<u>345,467</u>	(8.4)

Electronics

7. Review of Performance

(a) Revenue

3Q2011 vs 3Q2010

3Q2011	3Q2010	Growth	
\$317m	\$345m	(\$28m)	(8%)

Revenue of \$317 million recorded in 3Q2011 was lower than that in 3Q2010 by 8% or \$28 million. Both **Communication & Sensor Systems Group (CSG)** and **Large-Scale Systems Group (LSG)** recorded lower sales mainly due to lower value project milestone completions. **Software Systems Group's (SSG)** sales were comparable to 3Q2010.

3Q2011 vs 2Q2011

3Q2011	2Q2011	Growth	
\$317m	\$329m	(\$12m)	(4%)

Revenue of \$317 million recorded in 3Q2011 was comparable to that in 2Q2011. The increase in sales from **SSG** was offset by lower sales in **CSG** and **LSG**. **SSG's** sales were higher mainly due to milestone completions of simulator projects. **CSG** and **LSG** recorded lower sales mainly due to lower value project milestone completions.

(b) Profitability

3Q2011 vs 3Q2010

3Q2011	3Q2010	Growth	
\$36.3m	\$31.6m	\$4.7m	15%

The profit before tax of \$36.3 million for 3Q2011 was higher than that in 3Q2010 by 15% or \$4.7 million. At the business group level, the increase in profit was contributed by **LSG** and **CSG**. **LSG** recorded higher profit mainly due to the write-back of the allowance for stock obsolescence. Despite the lower sales, **CSG's** profit was higher mainly due to favourable sales mix and better contribution from satellite communication product sales, partially offset by higher operating expenses. The decrease in **SSG's** profit was mainly impacted by the impairment in value of intangible asset.

3Q2011 vs 2Q2011

3Q2011	2Q2011	Growth	
\$36.3m	\$35.7m	\$0.6m	2%

The profit before tax of \$36.3 million for 3Q2011 was comparable to that in 2Q2011. At the business group level, **LSG** recorded higher profit mainly due to the write-back of the allowance for stock obsolescence. Despite the lower sales, **CSG** recorded comparable profit mainly due to favourable sales mix, offset by higher operating expenses. The lower profit from **SSG** was mainly due to the impairment in value of intangible asset, partially offset by lower operating expenses.

8. Prospects

FY2011

Barring unforeseen circumstances, revenue and profit before tax for FY2011 are expected to be higher compared to FY2010.

Electronics

9. Balance Sheet

	30-Sep-11 \$'000	31-Dec-10 \$'000
Property, plant and equipment	75,746	60,862
Associates and jointly controlled entity	12,378	11,349
Investments	9,272	10,888
Intangible assets	321,895	327,463
Deferred tax assets	28,990	30,917
Non-current assets	448,281	441,479
Current assets	1,093,992	992,159
Total assets	1,542,273	1,433,638
Current liabilities	901,480	856,156
Non-current liabilities	473,870	455,829
Total liabilities	1,375,350	1,311,985
Share capital and reserves	154,613	105,637
Non-controlling interests	12,310	16,016
Total equity and liabilities	1,542,273	1,433,638
Net current assets	192,512	136,003

10. Statement of Cash Flows for the third quarter ended 30 September 2011

	3Q2011 \$'000	3Q2010 \$'000
Net cash (used in)/from operating activities	(10,173)	14,105
Net cash used in investing activities	(6,815)	(10,126)
Proceeds from sale of property, plant and equipment	3	3
Proceed from transfer of a subsidiary	-	1,623
Disposal of a subsidiary	(109)	-
Dividend from an associated company	90	132
Purchase of property, plant and equipment	(3,694)	(10,254)
Acquisition of controlling interests in subsidiaries	-	(451)
Acquisition of other intangible assets	(705)	(1,179)
Investment in a jointly controlled entity	(2,400)	-
Net cash used in financing activities	(30,100)	(41,059)
Repayment of bank loan	(297)	(22)
Repayment of inter-company loans	(2,922)	(10,275)
Proceeds from inter-company loans	461	1,064
Proceeds from bank loans	258	-
Dividend paid to non-controlling interests	-	(457)
Loans to inter-companies	(27,500)	(30,000)
Repayment of lease obligations	(12)	(3)
Interest paid	(88)	(1,366)
Net decrease in cash and cash equivalents	(47,088)	(37,080)
Cash and cash equivalents at beginning of period	339,463	273,848
Exchange difference on cash and cash equivalents	3,674	(3,480)
Cash and cash equivalents at end of period	296,049	233,288