



Electronics

“Turnover Crossed S\$1 Billion Mark”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2007			
	2007	2006	Growth %
Turnover (\$m)	1,038	966	8
Investment, interest and other income (\$m)	30.2	17.8	70
Earnings before interest and tax (EBIT) (\$m)	85.7	91.1	(6)
Profit before tax (\$m)	115.3	104.6	10
Profit attributable to shareholders (\$m)	88.2	76.3	16
Economic Value Added (EVA) (\$m)	65.0	67.3	(3)

“In 2007, the Electronics sector achieved \$1 billion in revenue. During the year, the Sector continued to expand internationally with several major project wins, including 3 large MRT projects. We also made significant inroads into the Middle East with the award of a Saudi Traffic Management System and a Dubai Integrated Security System. Other key projects awarded include the Bangladesh Bank project and a 10-year shared services contract from MINDEF.”

This year, we will continue to seek new market opportunities in e-Government & e-Enterprise, including e-Supply Chain Management; Satellite Communications and Interactive Media, and develop capabilities that will sustain our growth.”

Seah Moon Ming, President

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

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Electronics sector audited results for the year ended 31 December 2007 :

	FY2007 \$'000	FY2006 \$'000	+ / (-) %
1. (a) Turnover	1,038,284	965,757	7.5
(b) Cost of sales	(719,077)	(664,529)	8.2
(c) Gross Profit	319,207	301,228	6.0
(d) Other operating income	30,027	17,674	69.9
(e) Distribution and selling expenses	(78,786)	(69,034)	14.1
(f) Administrative expenses	(107,486)	(103,265)	4.1
(g) Other operating expenses	(47,187)	(37,847)	24.7
(h) Profit from continuing operations before taxation, other income and financial expenses	115,775	108,756	6.5
(i) Other income, net	131	99	32.3
(j) Financial expenses	(9,461)	(8,879)	6.6
	106,445	99,976	6.5
(k) Share of results of associated companies and joint venture	8,891	4,674	90.2
(l) Profit from continuing operations before taxation	115,336	104,650	10.2
(m) Taxation	(24,893)	(26,515)	(6.1)
(n) Profit from continuing operations after taxation	90,443	78,135	15.8
Attributable to:			
(o) Shareholders of the Company	88,223	76,318	15.6
(p) Minority interests	2,220	1,817	22.2
	90,443	78,135	15.8
2. (a) Profit from continuing operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation	15,524	15,520	-
Allowance / (write-back of allowance) for doubtful debts & bad debts written off, net	2,903	5,019	(42.2)
Allowance / (write-back of allowance) for stock obsolescence, net	1,461	1,636	(10.7)
Impairment / (write-back of impairment) in value of investments, net	(4,400)	15,187	(129.0)
(b) Other operating income comprises :			
Investment income	25,182	11,930	111.1
Interest income	4,866	5,107	(4.7)
Others	(21)	637	(103.3)
	30,027	17,674	69.9
(c) Other income comprises :			
Foreign exchange gain / (loss), net	(449)	(726)	(38.2)
Rental income	252	277	(9.0)
Others	328	548	(40.1)
	131	99	32.3

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	FY2007 \$'000	FY2006 \$'000	+ / (-) %
3. (a) Profit from continuing operations after taxation [1(n) above] as a percentage of turnover	8.7%	8.1%	
(b) Profit attributable to shareholders [1(o) above] as a percentage of share capital and reserves at end of year	43.2%	32.9%	
4. (a) Turnover reported for first half year	506,906	431,943	17.4
(b) Profit from continuing operations after taxation reported for first half year	37,113	32,175	15.3
(c) Turnover reported for second half year	531,378	533,814	(0.5)
(d) Profit from continuing operations after taxation reported for second half year	53,330	45,960	16.0
5. (a) There was a net adjustment of \$2,993,000 for over provision of current and deferred tax in respect of prior years (FY2006 : \$4,569,000).			
(b) There was no disposal of property during the year.			

6. Business Group Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)

	Turnover			Profit before Taxation		
	4Q2007 \$'000	3Q2007 \$'000	+ / (-) %	4Q2007 \$'000	3Q2007 \$'000	+ / (-) %
Large-Scale Systems Group	64,271	51,388	25.1	5,465	839	NM
Communication & Sensor Systems Group	134,270	116,721	15.0	14,657	16,363	(10.4)
Software Systems Group	91,926	72,802	26.3	17,262	12,656	36.4
Total	<u>290,467</u>	<u>240,911</u>	20.6	<u>37,384</u>	<u>29,858</u>	25.2

Full Year Ended 31 December

	Turnover			Profit before Taxation		
	FY2007 \$'000	FY2006 \$'000	+ / (-) %	FY2007 \$'000	FY2006 \$'000	+ / (-) %
Large-Scale Systems Group	211,980	211,610	0.2	11,581	4,534	155.4
Communication & Sensor Systems Group	488,233	475,811	2.6	50,773	58,227	(12.8)
Software Systems Group	338,071	278,336	21.5	52,982	41,889	26.5
Total	<u>1,038,284</u>	<u>965,757</u>	7.5	<u>115,336</u>	<u>104,650</u>	10.2

By Country of Incorporation

	Turnover		
	FY2007 \$'000	FY2006 \$'000	+ / (-) %
Asia	822,667	766,202	7.4
USA	215,347	199,151	8.1
Europe	-	-	-
Others	270	404	(33.2)
Total	<u>1,038,284</u>	<u>965,757</u>	7.5

By Geographical Areas

Asia	780,002	743,256	4.9
USA	123,465	92,599	33.3
Europe	47,658	50,709	(6.0)
Others	87,159	79,193	10.1
Total	<u>1,038,284</u>	<u>965,757</u>	7.5

* NM - Not Meaningful

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7. Review of Performance

(a) Turnover

FY2007 vs FY2006

FY2007	FY2006	Growth	
\$1,038m	\$966m	\$72m	8%

The turnover of \$1,038 million recorded in FY2007 was higher than that in FY2006 by 8% or \$72 million. The increase was mainly contributed by **Software Systems Group (SSG)** with the milestone completions of command and control system projects, a managed services project, data centre infrastructure projects and simulator projects. **Communication & Sensor Systems Group (CSG)** recorded higher sales with sales of satellite communication products and electro-optics equipment, and milestone completions of various intelligent transport system and communication projects. Sales for **Large-Scale Systems Group (LSG)** were comparable with last year.

4Q2007 vs 3Q2007

4Q2007	3Q2007	Growth	
\$290m	\$241m	\$49m	21%

The turnover of \$290 million recorded in 4Q2007 was higher than that in 3Q2007 by 21% or \$49 million. The increase was contributed by all three business groups. **SSG** and **CSG** recorded higher sales mainly due to higher value in project milestone completions. Sales for **LSG** were higher with milestone completions of the Land Transport Authority's Circle Line project and Taiwan MRT projects.

(b) Profitability

FY2007 vs FY2006

FY2007	FY2006	Growth	
\$115.3m	\$104.6m	\$10.7m	10%

The profit before tax of \$115.3 million for FY2007 was higher than that in FY2006 by 10% or \$10.7m. At the business group level, the increase in profit was contributed by **SSG** and **LSG**. **SSG** recorded a higher profit mainly due to higher sales and higher investment income. **LSG's** profit was higher mainly due to better overall performance of overseas subsidiaries and higher investment income. **CSG** recorded a lower profit mainly due to lower profit contribution from satellite communication product sales and lower investment income. Overall, the Group recorded higher investment income in FY2007.

4Q2007 vs 3Q2007

4Q2007	3Q2007	Growth	
\$37.4m	\$29.9m	\$7.5m	25%

The profit before tax of \$37.4 million for 4Q2007 was higher than that in 3Q2007 by 25% or \$7.5 million. At the business group level, **SSG** and **LSG** recorded higher profits mainly due to higher investment income. **CSG's** profit was lower mainly due to lower profit contribution from satellite communication product sales.

8. Prospects

FY2008

Barring unforeseen circumstances and any material deterioration in the global economy, the Sector expects to achieve higher turnover and profit before tax for FY2008 compared to FY2007.

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9. Balance Sheet

	31 Dec 2007 \$'000	31 Dec 2006 \$'000 (Restated)
Property, plant and equipment	42,262	37,867
Investment property	1,428	1,468
Associated companies and joint venture	8,971	61,573
Investments	28,827	8,299
Intangible assets	351,722	274,510
Long-term receivables	1,815	2,872
Deferred tax assets	22,581	27,274
Current assets	934,891	791,343
Less: Current liabilities	(856,973)	(726,633)
Net current assets	77,918	64,710
	535,524	478,573
Less: Non-current liabilities	(445,517)	(364,476)
	90,007	114,097
Share capital and reserves	75,611	103,488
Minority interests	14,396	10,609
	90,007	114,097

The decrease in associated companies and joint venture is mainly due to the sale of a quoted investment in 4Q2007.

10. Cash Flow Statement for the year ended 31 December 2007

	FY2007 \$'000	FY2006 \$'000 (Restated)
Net cash from operating activities	92,949	34,760
Net cash from/(used in) investing activities	51,599	(15,516)
Proceeds from sale of property, plant and equipment	34	262
Proceed from capital redemption of an associated company	-	170
Proceeds from sale of associated companies	58,292	-
Proceeds from sale of investments	45	29,264
Dividends from associated companies	1,138	2,025
Dividend from investment	-	378
Purchase of property, plant and equipment	(13,627)	(12,006)
Acquisition of subsidiaries	6,325	(28,133)
Acquisition of additional interest in a subsidiary	(313)	-
Investment in associated company/joint venture	-	(6,611)
Loan to an associated company	-	(140)
Purchase of investment/convertible loans	(295)	(725)
Net cash from/(used in) financing activities	(10,697)	21,598
Capital contribution from minority shareholders of subsidiaries	2,304	-
Proceeds from inter-company loans, net of repayment	105,830	100,396
(Repayment of)/proceeds from bank loans, net	(7,993)	2,591
Repayment of convertible loan	(980)	-
Repayment of lease obligations	(54)	(51)
Dividends paid to shareholder	(103,308)	(76,000)
Dividends paid to minority shareholders of subsidiaries	(1,259)	(889)
Interest paid	(5,237)	(4,449)
Net increase in cash and cash equivalents	133,851	40,842
Cash and cash equivalents at beginning of year	144,344	106,809
Exchange difference on cash and cash equivalents	(2,612)	(3,307)
Cash and cash equivalents at end of year	275,583	144,344

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11. Accounting Policies

The Sector has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting year compared with the audited financial statements as at 31 December 2006 except for the adoption of the Financial Reporting Standards (FRS) and INT FRS that are mandatory for financial years beginning on or after 1 January 2007. The adoption of these FRS and INT FRS has no significant impact to the Sector.

The new FRS 40 : Investment Property that came into effect for the Sector in the financial year beginning 1 January 2007 requires the properties (land or a building, or part of a building, or both) held to earn rentals to be classified as "Investment Property". In adopting FRS 40, investment property of the Sector is measured at cost less accumulated depreciation and impairment losses. Under the provision of FRS 40, the change in accounting policy has resulted in the following accounts in the financial statements as at 31 December 2006 being reclassified with no impact to the profit and loss account.

	\$ m
Property, plant and equipment	(1)
Investment property	1

12. Economic Value Added (EVA)

EVA for FY2007 was \$65.0 million, a decrease of \$2.3 million or 3% over FY2006. The weighted average cost of capital was 6.5% for 2007 (2006 : 6.6%).

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