

Electronics

“Good EBIT Performance”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2008			
	FY2008	FY2007	Growth %
Turnover (\$m)	1,158	1,038	12
Investment, interest and other income (\$m)	(15.5)	30.2	(151)
Earnings before interest and tax (EBIT) (\$m)	118.1	85.7	38
Profit before tax (\$m)	93.9	115.3	(19)
Profit attributable to shareholders (\$m)	68.1	88.2	(23)
Economic Value Added (EVA) (\$m)	60.0	65.0	(8)

- EBIT grew by a strong 38%
- Investment, interest and other income recorded a loss of S\$15.5 million mainly due to impairment in value of quoted investments amounting to S\$18.7 million following the global financial market meltdown

“The Electronics sector secured several major orders from local and international markets. Key projects awarded include the advanced taxi management system for Sharjah Public Transport Corporation in UAE, the 2 large MRT projects for Land Transport Authority and the IT and security systems for Resorts World at Sentosa.”

Even though 2009 is expected to be a challenging year, we will continue to strengthen our core capabilities, improve our cost efficiencies, focus on growing our services revenue and expand our presence in Asia and the Gulf States.”

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 2008:

	FY2008 \$'000	FY2007 \$'000	+ / (-) %
1. (a) Turnover	1,157,704	1,038,284	11.5
(b) Cost of sales	(781,489)	(719,077)	8.7
(c) Gross Profit	<u>376,215</u>	<u>319,207</u>	17.9
(d) Other operating income/(loss), net	(14,905)	30,027	(149.6)
(e) Distribution and selling expenses	(89,745)	(78,786)	13.9
(f) Administrative expenses	(114,919)	(107,486)	6.9
(g) Other operating expenses	(53,500)	(47,187)	13.4
(h) Profit from operations before taxation, other income and financial expenses	<u>103,146</u>	<u>115,775</u>	(10.9)
(i) Other income/(expenses), net	(612)	131	NM
(j) Financial expenses	(10,282)	(9,461)	8.7
	<u>92,252</u>	<u>106,445</u>	(13.3)
(k) Share of results of associated companies and joint venture	1,688	8,891	(81.0)
(l) Profit from operations before taxation	<u>93,940</u>	<u>115,336</u>	(18.6)
(m) Taxation	(22,817)	(24,893)	(8.3)
(n) Profit from operations after taxation	<u>71,123</u>	<u>90,443</u>	(21.4)
Attributable to:			
(o) Shareholders of the Company	68,111	88,223	(22.8)
(p) Minority interests	3,012	2,220	35.7
	<u>71,123</u>	<u>90,443</u>	(21.4)
* NM - Not Meaningful			
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	22,335	15,524	43.9
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	4,519	2,903	55.7
Allowance/(write-back of allowance) for stock obsolescence, net	525	1,461	(64.1)
Impairment/(write-back of impairment) in value of investments, net	18,688	(4,400)	NM
(b) Other operating income/(loss), net comprises:			
Investment income/(loss)	(18,627)	25,182	(174.0)
Interest income	3,680	4,866	(24.4)
Others	42	(21)	(300.0)
	<u>(14,905)</u>	<u>30,027</u>	(149.6)
(c) Other income/(expenses), net comprises:			
Foreign exchange gain/(loss), net	(1,774)	(449)	295.1
Rental income	269	252	6.7
Others	893	328	172.3
	<u>(612)</u>	<u>131</u>	NM

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	FY2008 \$'000	FY2007 \$'000	+ / (-) %
3. (a) Profit from operations after taxation [1(n) above] as a percentage of turnover	6.1%	8.7%	
(b) Profit attributable to shareholders [1(o) above] as a percentage of share capital and reserves at end of the year	31.8%	43.2%	
4. (a) Turnover reported for first half year	530,555	506,906	4.7
(b) Profit from operations after taxation reported for first half year	38,796	37,113	4.5
(c) Turnover reported for second half year	627,149	531,378	18.0
(d) Profit from operations after taxation reported for second half year	32,327	53,330	(39.4)
5. (a) There was a net adjustment of \$1,743,000 for over provision of current and deferred tax in respect of prior years (FY2007: \$2,993,000).			
(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		
	4Q2008 \$'000	3Q2008 \$'000	+ / (-) %	4Q2008 \$'000	3Q2008 \$'000	+ / (-) %
Large-Scale Systems Group	61,959	70,888	(12.6)	(13,076)	4,166	(413.9)
Communication & Sensor Systems Group	166,775	134,379	24.1	9,820	14,644	(32.9)
Software Systems Group	97,627	95,521	2.2	17,816	11,154	59.7
Total	<u>326,361</u>	<u>300,788</u>	8.5	<u>14,560</u>	<u>29,964</u>	(51.4)

Full Year Ended 31 December

	Turnover			Profit before Taxation		
	FY2008 \$'000	FY2007 \$'000	+ / (-) %	FY2008 \$'000	FY2007 \$'000	+ / (-) %
Large-Scale Systems Group	229,164	211,980	8.1	(1,182)	11,581	(110.2)
Communication & Sensor Systems Group	557,930	488,233	14.3	44,331	50,773	(12.7)
Software Systems Group	370,610	338,071	9.6	50,791	52,982	(4.1)
Total	<u>1,157,704</u>	<u>1,038,284</u>	11.5	<u>93,940</u>	<u>115,336</u>	(18.6)

	Turnover		
	FY2008 \$'000	FY2007 \$'000	+ / (-) %

By Country of Incorporation

Asia	894,423	822,667	8.7
USA	204,982	215,347	(4.8)
Europe	16,371	-	NM
Others	41,928	270	NM
Total	<u>1,157,704</u>	<u>1,038,284</u>	11.5

By Geographical Areas

Asia	846,986	780,002	8.6
USA	128,730	123,465	4.3
Europe	63,545	47,658	33.3
Others	118,443	87,159	35.9
Total	<u>1,157,704</u>	<u>1,038,284</u>	11.5

* NM - Not Meaningful

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7. Review of Performance

(a) Turnover

<u>FY2008 vs FY2007</u>	FY2008	FY2007	Growth	
	\$1,158m	\$1,038m	\$120m	12%

The turnover of \$1,158 million recorded in FY2008 was higher than that in FY2007 by 12% or \$120 million. The increase was contributed by all three business groups. **Communication & Sensor Systems Group (CSG)** recorded higher sales with the milestone completions of a communication project, sales of satellite communication products and telematics systems. **Software Systems Group's (SSG)** sales were higher with milestone completions of software system projects, a managed services project and higher simulation business. Sales for **Large-Scale Systems Group (LSG)** were higher with milestone completions of the Land Transport Authority's Circle Line project and Taiwan MRT projects.

<u>4Q2008 vs 3Q2008</u>	4Q2008	3Q2008	Growth	
	\$326m	\$301m	\$25m	9%

The turnover of \$326 million recorded in 4Q2008 was higher than that in 3Q2008 by 9% or \$25 million. The increase was mainly contributed by **CSG** with milestone completions of communication projects and the sales of electro-optics equipment. **LSG** recorded lower sales mainly due to lower value project milestone completions. **SSG's** sales were comparable to 3Q2008.

(b) Profitability

<u>FY2008 vs FY2007</u>	FY2008	FY2007	Growth	
	\$93.9m	\$115.3m	(\$21.4m)	(19%)

The profit before tax of \$93.9 million for FY2008 was lower than that in FY2007 by 19% or \$21.4 million. Despite higher sales and margins, **LSG** recorded a loss mainly due to impairment in value of a quoted investment amounting to \$16.5 million. **CSG's** profit was lower mainly due to lower contribution from satellite communication product sales and impairment in value of a quoted investment amounting to \$2.2 million. Despite higher sales, **SSG's** profit was impacted by reduction in investment income and lower income from associated companies arising from the divestment of an associated company in 4Q2007.

<u>4Q2008 vs 3Q2008</u>	4Q2008	3Q2008	Growth	
	\$14.6m	\$30.0m	(\$15.4m)	(51%)

The profit before tax of \$14.6 million for 4Q2008 was lower than that in 3Q2008 by 51% or \$15.4 million. At the business group level, **LSG** recorded a loss mainly due to impairment in value of a quoted investment amounting to \$16.5 million in 4Q2008. The reduction in **CSG's** profit was lower mainly due to lower contribution from satellite communication product sales and impairment in value of a quoted investment amounting to \$2.2 million. **SSG's** profit was higher mainly due to higher sales and better margins in project milestones completed.

8. Prospects

FY2009

Barring unforeseen circumstances, the Sector expects comparable turnover and higher profit before tax for FY2009 compared to FY2008.

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9. Balance Sheet

	31-Dec-08 \$'000	31-Dec-07 \$'000 (Restated)
Property, plant and equipment	58,996	42,262
Associated companies and joint venture	11,305	8,971
Investments	12,425	27,382
Intangible assets	364,998	364,030
Investment property	1,389	1,428
Long-term receivables	4	1,815
Deferred tax assets	23,103	22,919
Non-current assets	472,220	468,807
Current assets	947,210	930,318
Total assets	1,419,430	1,399,125
Current liabilities	771,724	857,508
Non-current liabilities	545,755	451,127
Total liabilities	1,317,479	1,308,635
Share capital and reserves	85,042	75,611
Minority interests	16,909	14,879
Total equity and liabilities	1,419,430	1,399,125

The decrease in investments was mainly due to impairment in value of quoted investments.

The decrease in current liabilities was mainly due to lower other creditors as a result of payment made for the acquisition of Telematics Wireless Ltd.

The increase in non-current liabilities was due mainly to higher long-term customers advances and higher long-term loans from related corporation to finance its acquisition of Telematics Wireless Ltd.

10. Cash Flow Statement for the year ended 31 December 2008

	FY2008 \$'000	FY2007 \$'000
Net cash from operating activities	216,305	92,949
Net cash (used in)/from investing activities	(155,233)	51,599
Proceeds from sale of property, plant and equipment	21	34
Proceeds from sale of associated companies	15	58,292
Proceeds from sale of investments	-	45
Dividend from associated company	17	1,138
Dividends from investments	46	-
Purchase of property, plant and equipment	(31,955)	(13,627)
Acquisition of subsidiaries	(121,482)	6,325
Acquisition of additional interest in a subsidiary	(1,895)	(313)
Purchase of an investment	-	(295)
Net cash used in financing activities	(112,292)	(10,697)
Capital contribution from minority shareholders of subsidiaries	-	2,304
(Repayment of)/proceeds from inter-company loans, net	(33,265)	105,830
Repayment of bank loans, net	(3,911)	(7,993)
Repayment of loan by a minority shareholder	582	-
Repayment of convertible loan	-	(980)
Repayment of lease obligations	(45)	(54)
Dividends paid to shareholder	(65,923)	(103,308)
Dividends paid to minority shareholders of subsidiaries	(1,056)	(1,259)
Loans to associated companies/joint venture	(942)	-
Interest paid	(7,732)	(5,237)
Net increase/(decrease) in cash and cash equivalents	(51,220)	133,851
Cash and cash equivalents at beginning of the year	275,583	144,344
Exchange difference on cash and cash equivalents	(696)	(2,612)
Cash and cash equivalents at end of the year	223,667	275,583



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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 period compared with the audited financial statements as at 31 December 2007 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 2008. The adoption of these FRS and INT FRS has no significant impact to the Sector.

12. Economic Value Added (EVA)

EVA for FY2008 was \$60.0 million, a decrease of \$5.0 million or 8% over FY2007. The weighted average cost of capital was 6.2% for 2008 (2007: 6.5%).

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