

*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 laws or regulations.*

## Electronics

“Strong EBIT Performance”

<b>FINANCIAL HIGHLIGHTS</b> For the year ended 31 December 2010			
	<b>2010 FY</b>	<b>2009 FY</b>	<b>Growth %</b>
Turnover (\$m)	1,428	1,393	3
Earnings before interest and tax (EBIT) (\$m)	130.3	107.2	22
Other income, net (\$m)	5.9	14.4	(59)
Finance costs, net (\$m)	(8.5)	(7.2)	(18)
Profit before tax (PBT) (\$m)	127.6	115.3	11
Profit attributable to shareholders (\$m)	100.7	90.8	11
Economic value added (EVA) (\$m)	80.9	66.3	22

*“The Electronics sector achieved several significant milestones in 2010. We secured the Intelligent Energy System pilot project for the Singapore Energy Market Authority with Accenture, and commissioned the initial phase of the integrated security system for the Resorts World Sentosa in Singapore. In Thailand, we secured the Automatic Fare Collection Systems for the Bangkok Mass Transit System and Bus Rapid Transit System and delivered the first F16A Networked Mission Simulator to the Royal Thai Air Force. We were also awarded two airport projects; an Air Traffic Tower Simulator in Vietnam and a VSAT Network System in Ecuador.*

*For 2011, we will continue to pursue growth in new capabilities and market segments to expand our business.”*

*Lee Fook Sun, President*

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

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### Electronics sector audited results for the year ended 31 December 2010:

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
1. (a) Turnover	1,428,467	1,393,356	2.5
(b) Cost of sales	(1,013,473)	(1,002,368)	1.1
(c) <b>Gross Profit</b>	<b>414,994</b>	<b>390,988</b>	<b>6.1</b>
(d) Distribution and selling expenses	(88,901)	(97,701)	(9.0)
(e) Administrative expenses	(127,434)	(132,228)	(3.6)
(f) Other operating expenses	(68,337)	(53,881)	26.8
(g) <b>Profit from operations before taxation, other income and finance costs</b>	<b>130,322</b>	<b>107,178</b>	<b>21.6</b>
(h) Other income, net	5,915	14,428	(59.0)
(i) Finance income	1,359	1,693	(19.7)
(j) Finance costs	(9,916)	(8,934)	11.0
(k) Finance costs, net	(8,557)	(7,241)	18.2
(l) Share of results of associates and joint venture	(117)	911	(112.8)
(m) <b>Profit from operations before taxation</b>	<b>127,563</b>	<b>115,276</b>	<b>10.7</b>
(n) Taxation	(24,555)	(22,996)	6.8
(o) <b>Profit from operations after taxation</b>	<b>103,008</b>	<b>92,280</b>	<b>11.6</b>
Attributable to:			
(p) <b>Shareholders of the Company</b>	<b>100,708</b>	<b>90,803</b>	<b>10.9</b>
(q) Non-controlling interests	2,300	1,477	55.7
	<b>103,008</b>	<b>92,280</b>	<b>11.6</b>
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	22,626	25,847	(12.5)
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	3,555	18,115	(80.4)
Allowance/(write-back of allowance) for stock obsolescence, net	3,437	2,230	54.1
(b) Finance costs, net comprises:			
Interest income	1,129	1,636	(31.0)
Foreign exchange gain/(loss), net	(2,434)	(1,207)	101.7
Gain on disposal of investments	66	44	50.0
Impairment/(write-back of impairment) in value of investments, net	(241)	(1,020)	(76.4)
Interest expenses	(7,241)	(6,677)	8.4
Others	164	(17)	> (500)
	<b>(8,557)</b>	<b>(7,241)</b>	<b>18.2</b>

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	FY2010 \$'000	FY2009 \$'000	+ / (-) %
3. (a) Profit from operations after taxation [1(o) above] as a percentage of turnover	7.2%	6.6%	
(b) Profit attributable to shareholders [1(p) above] as a percentage of share capital and reserves at end of the year	42.5%	37.8%	
4. (a) Turnover reported for first half year	693,719	692,458	0.2
(b) Profit from operations after taxation reported for first half year	50,199	42,665	17.7
(c) Turnover reported for second half year	734,748	700,898	4.8
(d) Profit from operations after taxation reported for second half year	52,809	49,615	6.4
5. (a) There was an overprovision of current tax of \$1,285,000 and underprovision of deferred tax of \$194,000 in respect of prior years (FY2009: There was an overprovision of current tax of \$1,499,000 and underprovision of deferred tax of \$1,255,000 in respect of prior years).			
(b) During the year, the Sector performed a benchmarking study of the depreciation rates of its property, plant and equipment with external consultants and revised the estimated useful lives of the property, plant and equipment. The effect of these changes resulted in a decrease in depreciation charge of \$3,535,000 on the income statement.			
(c) There was a disposal of property for a gain of \$1,048,000 during the year.			

### 6. Business Group Information

#### By Business Group

##### Fourth Quarter vs Third Quarter (unaudited)

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	4Q2010 \$'000	3Q2010 \$'000		4Q2010 \$'000	3Q2010 \$'000	
Large-Scale Systems Group	77,724	55,649	39.7	323	3,618	(91.1)
Communication & Sensor Systems Group	182,660	176,444	3.5	22,274	19,069	16.8
Software Systems Group	128,897	113,374	13.7	10,620	8,875	19.7
Total	<u>389,281</u>	<u>345,467</u>	12.7	<u>33,217</u>	<u>31,562</u>	5.2

##### Full Year Ended 31 December

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	FY2010 \$'000	FY2009 \$'000		FY2010 \$'000	FY2009 \$'000	
Large-Scale Systems Group	279,700	300,104	(6.8)	21,146	21,703	(2.6)
Communication & Sensor Systems Group	714,414	669,502	6.7	72,344	49,598	45.9
Software Systems Group	434,353	423,750	2.5	34,073	43,975	(22.5)
Total	<u>1,428,467</u>	<u>1,393,356</u>	2.5	<u>127,563</u>	<u>115,276</u>	10.7

#### By Geographical Areas

	Turnover		
	FY2010 \$'000	FY2009 \$'000	
Asia	1,095,235	1,067,374	2.6
USA	125,292	129,280	(3.1)
Europe	69,111	75,214	(8.1)
Others	138,829	121,488	14.3
Total	<u>1,428,467</u>	<u>1,393,356</u>	2.5

#### By Country of Incorporation

Asia	1,157,326	1,118,409	3.5
USA	216,352	230,747	(6.2)
Europe	17,710	18,001	(1.6)
Others	37,079	26,199	41.5
Total	<u>1,428,467</u>	<u>1,393,356</u>	2.5

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### 7. Review of Performance

#### (a) Turnover

##### FY2010 vs FY2009

FY2010	FY2009	Growth	
\$1,428m	\$1,393m	\$35m	3%

The turnover of \$1,428 million recorded in FY2010 was comparable to that in FY2009. **Communication & Sensor Systems Group (CSG)** recorded higher sales mainly due to delivery of telematics systems and milestone completions of communication projects and a VSAT network project. **Software Systems Group's (SSG)** sales were comparable to FY2009. Sales for **Large-Scale Systems Group (LSG)** were lower mainly due to lower value project milestone completions.

##### 4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$389m	\$345m	\$44m	13%

The turnover of \$389 million recorded in 4Q2010 was higher than that in 3Q2010 by 13% or \$44 million. All three business groups recorded higher sales. **LSG's** sales were higher mainly due to milestone completions of the Taiwan MRT projects, the Land Transport Authority's Circle Line project and the half height platform screen doors project. **SSG** recorded higher sales mainly due to milestone completions of simulator projects and a software system project. Sales for **CSG** were higher mainly due to sales of satellite communication products.

#### (b) Profitability

##### FY2010 vs FY2009

FY2010	FY2009	Growth	
\$127.6m	\$115.3m	\$12.3m	11%

The profit before tax of \$127.6 million for FY2010 was higher than that in FY2009 by 11% or \$12.3 million. At the business group level, the increase in profit was contributed by **CSG** mainly due to higher sales and favourable sales mix, partially offset by lower other income from the Jobs Credit Scheme. The decrease in **LSG's** profit was mainly due to reduction in sales and lower other income from the Jobs Credit Scheme, partially offset by lower operating expenses. **SSG's** profit was lower mainly due to less favourable sales mix, higher operating expenses and lower other income from the Jobs Credit Scheme.

##### 4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$33.2m	\$31.6m	\$1.6m	5%

The profit before tax of \$33.2 million for 4Q2010 was higher than that in 3Q2010 by 5% or \$1.6 million. At the business group level, the increase in profit was recorded by **SSG** and **CSG**. **SSG** recorded higher profit mainly due to higher sales and better contribution from an associated company, partially offset by higher operating expenses. **CSG's** profit was higher mainly due to increased sales, favourable sales mix and better contribution from satellite communication product sales, partially offset by higher operating expenses. The lower profit from **LSG** was mainly due to higher operating expenses.

### 8. Prospects

#### FY2011

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

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### 9. Balance Sheet

	31-Dec-10 \$'000	31-Dec-09 \$'000 (Restated)
Property, plant and equipment	60,862	56,652
Associates and joint venture	11,349	11,560
Investments	10,888	16,792
Intangible assets	327,463	365,610
Deferred tax assets	30,917	25,790
Non-current assets	441,479	476,404
Current assets	992,159	1,002,549
<b>Total assets</b>	<b>1,433,638</b>	<b>1,478,953</b>
Current liabilities	856,156	849,772
Non-current liabilities	455,829	501,245
<b>Total liabilities</b>	<b>1,311,985</b>	<b>1,351,017</b>
Share capital and reserves	105,637	111,253
Non-controlling interests	16,016	16,683
<b>Total equity and liabilities</b>	<b>1,433,638</b>	<b>1,478,953</b>
<b>Net current assets</b>	<b>136,003</b>	<b>152,777</b>

### 10. Statement of Cash Flows for the year ended 31 December 2010

	FY2010 \$'000	FY2009 \$'000 (Restated)
Net cash from operating activities	189,387	237,188
Net cash used in investing activities	<b>(21,886)</b>	<b>(28,900)</b>
Proceeds from sale of property, plant and equipment	2,260	53
Proceed from sale of an investment property	-	1,800
Proceeds from sale of subsidiaries	1,218	-
Proceed from transfer of a subsidiary	1,623	-
Proceed from sale of a quoted investment	-	368
Proceeds from sale of unquoted investments	686	-
Dividends from associates	132	175
Dividend from other investment	-	6
Purchase of property, plant and equipment	(21,355)	(16,375)
Additional investment in a joint venture	(206)	-
Acquisition of other intangible assets	(3,451)	(4,570)
Acquisition of controlling interests in subsidiaries	(793)	(8,115)
Acquisition of non-controlling interests in subsidiaries	(2,000)	(2,242)
Net cash used in financing activities	<b>(155,142)</b>	<b>(186,227)</b>
Repayment of inter-company loans, net	(77,014)	(110,051)
Proceeds from bank loans, net	1,824	748
Repayment of loan by an associate	241	493
Repayment of lease obligations	(13)	(36)
Dividends paid to shareholder	(76,000)	(67,704)
Dividends paid to non-controlling interests	(949)	(600)
Interest paid	(3,231)	(9,077)
Net increase in cash and cash equivalents	12,359	22,061
Cash and cash equivalents at beginning of the year	245,093	223,667
Exchange difference on cash and cash equivalents at beginning of the year	(7,272)	(635)
<b>Cash and cash equivalents at end of the year</b>	<b>250,180</b>	<b>245,093</b>



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### 11. Economic Value Added (EVA)

EVA for FY2010 was \$80.9 million, an increase of \$14.6 million or 22% over FY2009. The weighted average cost of capital was 5.7% for 2010 (2009: 6.1%).

Media Contact:  
Magdalen Loh  
AVP / Head, Corporate Communications  
Tel: (65) 64131788  
Fax: (65) 64848840  
Email: [lohlmm@stee.stengg.com](mailto:lohlmm@stee.stengg.com)