

Electronics

“Performance Maintained in 1st Quarter”

| FINANCIAL HIGHLIGHTS For the three months ended 31 March 2004 | | | |
|--|--------------------|--------------------|---------------------|
| | 2004 1Q | 2003 1Q | Growth % |
| Turnover (\$m) | 145 | 134 | 8 |
| Investment, interest and other income (\$m) | 0.7 | 1.3 | (44) |
| Earnings before interest and tax (EBIT) (\$m) | 11.7 | 11.1 | 5 |
| Profit before tax (\$m) | 12.1 | 12.0 | 1 |
| Profit attributable to shareholders before EI (\$m) | 8.8 | 8.7 | 1 |

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

- 1Q2004 sales was 8% higher than that in 1Q2003. Profit before tax was comparable with lower investment & interest income.

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Electronics sector unaudited results for the three months ended 31 March 2004 :

| | 1Q2004 \$'000 | 1Q2003 \$'000 | + / (-) % |
|---|------------------|------------------|--------------|
| 1. (a) Turnover | 144,541 | 133,791 | 8.0 |
| (b) Cost of Sales | (112,258) | (100,127) | 12.1 |
| (c) Gross Profit | 32,283 | 33,664 | (4.1) |
| (d) Other operating income | 386 | 990 | (61.0) |
| (e) Distribution and selling expenses | (6,449) | (6,363) | 1.4 |
| (f) Administrative expenses | (9,349) | (10,433) | (10.4) |
| (g) Other operating expenses | (4,806) | (5,764) | (16.6) |
| (h) Profit from operations | 12,065 | 12,094 | (0.2) |
| (i) Other income, net | 341 | 306 | 11.4 |
| (j) Financial expenses | (13) | (10) | 30.0 |
| (k) Exceptional Item | - | - | - |
| | 12,393 | 12,390 | 0.0 |
| (l) Share of results of associated companies and joint ventures | (251) | (369) | (32.0) |
| (m) Amortisation of goodwill on acquisition of associated companies | (87) | (46) | 89.1 |
| (n) Profit before taxation | 12,055 | 11,975 | 0.7 |
| (o) Taxation | (3,534) | (3,904) | (9.5) |
| (p) Profit after taxation | 8,521 | 8,071 | 5.6 |
| (q) Minority Interests | 260 | 589 | (55.9) |
| (r) Net profit for the period | 8,781 | 8,660 | 1.4 |
| 2. (a) Profit from operations is arrived at after charging/(crediting) the following : | | | |
| Depreciation and amortisation * | 2,161 | 2,064 | 4.7 |
| Provision / (write-back of provision) for doubtful debts & bad debts written off, net | 78 | 324 | (75.9) |
| Provision / (write-back of provision) for stock obsolescence, net | 57 | 229 | (75.1) |
| Provision / (write-back of provision) for impairment in value of investments | - | - | - |
| * Exclude amortisation of associated companies and joint venture | | | |
| (b) Other Operating Income and Other Income, net, comprises : | | | |
| Investment income | - | 191 | (100.0) |
| Interest income | 386 | 799 | (51.7) |
| Foreign exchange loss, net | (135) | (143) | (5.6) |
| Other income, net | 476 | 449 | 6.0 |
| | 727 | 1,296 | |
| 3. (a) Operating Profit [1(p) above] as a percentage of Turnover | 5.9% | 6.0% | |
| (b) Operating Profit [1(r) above] as a percentage of Issued Capital and Reserves at end of period | 7.5% | 7.6% | |

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| | 1Q2004 | 1Q2003 | + / (-) |
|---|---------------|---------------|----------------|
| | \$'000 | \$'000 | % |
| 4. (a) Sales reported for first quarter | 144,541 | 133,791 | 8.0 |
| (b) Operating profit after tax before deducting minority interests reported for first quarter | 8,521 | 8,071 | 5.6 |
| 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

First Quarter

| | Turnover | | | Profit before Tax | | |
|--------------------------------------|-----------------|----------------|----------------|--------------------------|---------------|----------------|
| | 2004 | 2003 | + / (-) | 2004 | 2003 | + / (-) |
| | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| Large-Scale Systems Group | 32,299 | 36,240 | (10.9) | (1,352) | 264 | (612.1) |
| Communication & Sensor Systems Group | 59,552 | 51,989 | 14.5 | 6,240 | 5,135 | 21.5 |
| Software Systems Group | 52,690 | 45,562 | 15.6 | 7,167 | 6,576 | 9.0 |
| Total | <u>144,541</u> | <u>133,791</u> | 8.0 | <u>12,055</u> | <u>11,975</u> | 0.7 |

By Country of Incorporation

| | | | |
|--------|----------------|----------------|--------|
| Asia | 143,409 | 132,490 | 8.2 |
| USA | 321 | 136 | 136.0 |
| Europe | - | - | - |
| Others | 811 | 1,165 | (30.4) |
| Total | <u>144,541</u> | <u>133,791</u> | 8.0 |

By Geographical Areas

| | | | |
|--------|----------------|----------------|--------|
| Asia | 136,065 | 125,713 | 8.2 |
| USA | 1,139 | 727 | 56.7 |
| Europe | 4,145 | 2,138 | 93.9 |
| Others | 3,192 | 5,213 | (38.8) |
| Total | <u>144,541</u> | <u>133,791</u> | 8.0 |

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7. Review of Performance

(a) Turnover

1Q2004 vs 1Q2003

| 1Q2004 | 1Q2003 | Growth | |
|--------|--------|--------|----|
| \$145m | \$134m | \$11m | 8% |

The turnover of \$145 million recorded in 1Q2004 was higher than that in 1Q2003 by 8% or \$11 million. The increase was mainly contributed by **Communication & Sensor Systems Group (CSG)** and **Software Systems Group (SSG)**. **CSG** achieved higher sales with the delivery of communication equipment to a customer. Sales for **SSG** was higher with milestone completions of command & control system projects, a simulator project and the Hong Kong Fire Services project. The decrease in **Large-Scale Systems Group's (LSG)** sales was due to lower value in project milestone completions.

1Q2004 vs 4Q2003

| 1Q2004 | 4Q2003 | Growth | |
|--------|--------|---------|-------|
| \$145m | \$176m | (\$31m) | (18%) |

The turnover of \$145 million recorded in 1Q2004 was lower than that in 4Q2003 by 18% or \$31 million. The decrease was mainly from **LSG** and **CSG** as a result of lower value in project milestone completions. **LSG's** lower sales was also due to the delivery of a smaller volume of Multi-channel Multi-point Distribution System (MMDS) product.

(b) Profitability

1Q2004 vs 1Q2003

| 1Q2004 | 1Q2003 | Growth | |
|---------|---------|--------|----|
| \$12.1m | \$12.0m | \$0.1m | 1% |

The profit before tax of \$12.1 million for 1Q2004 was comparable with 1Q2003. At the business group level, the increase in profit for **CSG** and **SSG** was mainly due to higher sales. **LSG** recorded a loss mainly due to lower sales and profit margin, and loss incurred by an overseas subsidiary. The overall performance of the Group was adversely affected by lower interest and investment income.

1Q2004 vs 4Q2003

| 1Q2004 | 4Q2003 | Growth | |
|---------|---------|----------|-------|
| \$12.1m | \$18.8m | (\$6.7m) | (36%) |

The profit before tax of \$12.1 million for 1Q2004 was lower than 4Q2003 by 36% or \$6.7 million. All three business groups recorded lower profit mainly due to lower sales and profit margin.

8. Prospects

2Q2004

In 2Q2004, the Electronics sector expects several milestone completions. Under **LSG**, these include the completion of milestones in Manila LRT project and the supply of MMDS product to a Latin American country. Under **CSG**, we expect to make customer deliveries of radio communication and VSAT equipment. Under **SSG**, the completion of milestones in the Hong Kong Fire Services project and a simulator project are expected.

The Sector expects higher turnover and profit before tax in 2Q2004 as compared to 1Q2004.

FY2004

For FY2004, other than the sales recognition from projects mentioned for 2Q2004 above, expected major sales for the full year include sales recognition from Land Transport Authority's Circle Line project, a command and control system project and another simulator project.

Overall, we expect the turnover and profit before tax for FY 2004 to be higher than that of FY 2003.

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9. Balance Sheet

| | 31 Mar 2004 | 31 Dec 2003 |
|---|--------------------|--------------------|
| | \$'000 | \$'000 |
| Fixed Assets | 24,527 | 25,162 |
| Associated companies and joint ventures | 10,970 | 10,213 |
| Long-term investments | 28,653 | 22,120 |
| Intangible assets | 8,181 | 7,988 |
| Loan receivables, non-current | 14 | 17 |
| Deferred tax assets | 9,070 | 10,064 |
| Current assets | 550,147 | 517,019 |
| Less: Current liabilities | (431,261) | (412,394) |
| Net current assets | 118,886 | 104,625 |
| | 200,301 | 180,189 |
| Less: Non-current liabilities | (75,714) | (67,226) |
| | 124,587 | 112,963 |
| Share capital and reserves | 116,746 | 107,882 |
| Minority interests | 7,841 | 5,081 |
| | 124,587 | 112,963 |

The increase in long term investments was mainly due to additional investment in Sino Stride Technology (Holdings) Limited.

10. Cash Flow Statement for the period ended 31 March 2004

| | 1Q2004 | 1Q2003 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Cash flow from / (used in) operating activities | 7,465 | (10,379) |
| Cash flow used in investing activities | (11,561) | (5,453) |
| Proceed from sale of fixed assets | 7 | - |
| Dividend from investment | - | 191 |
| Purchase of fixed assets | (1,385) | (1,642) |
| Purchase of investments/convertible loan | (7,133) | (204) |
| Loan to an investee company | (2,625) | - |
| Additional investment/acquisition of associated companies | (425) | (3,408) |
| Acquisition of a subsidiary | - | (390) |
| Cash flow from financing activities | 3,009 | 40 |
| Capital contribution from minority shareholders | 3,022 | 50 |
| Interest paid | (13) | (10) |
| Net decrease in cash and cash equivalents | (1,087) | (15,792) |
| Cash and cash equivalents at beginning of year | 207,851 | 308,793 |
| Exchange difference on cash and cash equivalents at beginning of year | (212) | 1,330 |
| Cash and cash equivalents at end of period | 206,552 | 294,331 |

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.

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