



Electronics

“Steady Performance”

FINANCIAL HIGHLIGHTS For the three months ended 31 March 2005			
	2005 1Q	2004 1Q (Restated)	Growth %
Turnover (\$m)	151	145	5
Investment, interest and other income (\$m)	0.6	0.7	(19)
Earnings before interest and tax (EBIT) (\$m)	11.9	11.6	3
Profit before tax (\$m)	13.8	12.1	14
Profit attributable to shareholders (\$m)	10.0	8.8	14

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

- Profit before tax increased by 14% to \$13.8 million

Electronics

Electronics sector unaudited results for the three months ended 31 March 2005 :

	1Q2005 \$'000	1Q2004 \$'000 (Restated)	+ / (-) %
1. (a) Turnover	151,182	144,541	4.6
(b) Cost of sales	(117,935)	(112,258)	5.1
(c) Gross Profit	33,247	32,283	3.0
(d) Other operating income	297	386	(23.1)
(e) Distribution and selling expenses	(6,794)	(6,449)	5.3
(f) Administrative expenses	(10,232)	(9,425)	8.6
(g) Other operating expenses	(4,310)	(4,806)	(10.3)
(h) Profit from continuing operations before tax, other income and financial expenses	12,208	11,989	1.8
(i) Other income, net	294	341	(13.8)
(j) Financial expenses	(45)	(13)	246.2
	<u>12,457</u>	<u>12,317</u>	1.1
(k) Share of results of associated companies and joint ventures	1,326	(251)	(628.3)
(l) Profit before taxation	13,783	12,066	14.2
(m) Taxation	(3,807)	(3,534)	7.7
(n) Profit after taxation	9,976	8,532	16.9
Attributable to:			
(o) Shareholders of the Company	10,028	8,792	14.1
(p) Minority interests	(52)	(260)	(80.0)
	<u>9,976</u>	<u>8,532</u>	16.9
2. (a) Profit from operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation	1,952	2,014	(3.1)
Provision / (write-back of provision) for doubtful debts & bad debts written off, net	977	78	NM
Provision / (write-back of provision) for stock obsolescence, net	(80)	57	(240.4)
Provision / (write-back of provision) for impairment in value of investments	-	-	-
* NM - Not Meaningful			
(b) Other operating income and Other income, net, comprises :			
Investment income	-	-	-
Interest income	483	386	25.1
Other income, net	108	341	(68.3)
	<u>591</u>	<u>727</u>	(18.7)
3. (a) Operating Profit [1(n) above] as a percentage of Turnover	6.6%	5.9%	
(b) Operating Profit [1(o) above] as a percentage of Issued Capital and Reserves at end of period	6.8%	7.5%	

Electronics

	1Q2005 \$'000	1Q2004 \$'000 (Restated)	+ / (-) %
4. (a) Sales reported for first quarter	151,182	144,541	4.6
(b) Operating profit after tax before deducting minority interests reported for first quarter	9,976	8,532	16.9
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		
	2005 \$'000	2004 \$'000	+ / (-) %	2005 \$'000	2004 \$'000 (Restated)	+ / (-) %
Large-Scale Systems Group	43,429	32,299	34.5	(688)	(1,305)	(47.3)
Communication & Sensor Systems Group	57,301	59,552	(3.8)	6,678	6,195	7.8
Software Systems Group	50,452	52,690	(4.2)	7,793	7,176	8.6
Total	<u>151,182</u>	<u>144,541</u>	4.6	<u>13,783</u>	<u>12,066</u>	14.2

By Country of Incorporation

Asia	150,313	143,409	4.8
USA	236	321	(26.5)
Europe	-	-	-
Others	633	811	(21.9)
Total	<u>151,182</u>	<u>144,541</u>	4.6

By Geographical Areas

Asia	142,706	136,065	4.9
USA	496	1,139	(56.5)
Europe	2,093	4,145	(49.5)
Others	5,887	3,192	84.4
Total	<u>151,182</u>	<u>144,541</u>	4.6

Electronics

7. Review of Performance

(a) Turnover

1Q2005 vs 1Q2004

1Q2005	1Q2004	Growth	
\$151m	\$145m	\$6m	5%

The turnover of \$151 million recorded in 1Q2005 was higher than that in 1Q2004 by 5% or \$6 million. The increase was contributed by **Large-Scale Systems Group (LSG)** with milestone completions in the Land Transport Authority's (LTA) Circle Line project. **Communication & Sensor Systems Group's (CSG)** sales were lower due to fewer delivery of communications equipment. Sales for **Software Systems Group (SSG)** were lower as a result of fewer milestones completed in 1Q2005.

1Q2005 vs 4Q2004

1Q2005	4Q2004	Growth	
\$151m	\$186m	(\$35m)	(19%)

The turnover of \$151 million recorded in 1Q2005 was lower than that in 4Q2004 by 19% or \$35 million. The decrease was from **LSG** and **SSG** as a result of lower value project milestone completions. **CSG's** sales were higher mainly due to higher value project milestones completed in 1Q2005.

(b) Profitability

1Q2005 vs 1Q2004

1Q2005	1Q2004 (Restated)	Growth	
\$13.8m	\$12.1m	\$1.7m	14%

The profit before tax of \$13.8 million for 1Q2005 was higher than that in 1Q2004 by 14% or \$1.7 million. At the business group level, the increases in profit for **CSG** and **SSG** were mainly due to better margins in project milestones completed and higher income from associated companies. **LSG** recorded a smaller loss as compared to 1Q2004 mainly due to higher sales.

1Q2005 vs 4Q2004

1Q2005	4Q2004 (Restated)	Growth	
\$13.8m	\$20.6m	(\$6.8m)	(33%)

The profit before tax of \$13.8 million for 1Q2005 was lower than that in 4Q2004 by 33% or \$6.8 million. At the business group level, **LSG** recorded a loss due to operating losses incurred mainly by an overseas subsidiary. **CSG** recorded a lower profit mainly due to lower profit margins in project milestones completed. **SSG's** profit was higher due to better margins in project milestones completed and higher income from associated companies.

8. Prospect

2Q2005

In 2Q2005, the Electronics sector expects several project milestone completions. Under **LSG**, these include the completion of milestones in LTA's Circle Line project. Under **CSG**, the completion of milestones in CityCab's integrated taxi booking and despatch system project and sales of VSAT and Electro-Optics equipment are expected. Under **SSG**, the completion of a milestone in a simulator project is expected.

The Electronics sector expects higher turnover and profit before tax in 2Q2005 as compared to 1Q2005.

Electronics

9. Balance Sheet

	31 Mar 2005	31 Dec 2004
	\$'000	\$'000
		(Restated)
Fixed Assets	31,481	32,179
Associated companies and joint ventures	60,174	40,301
Long-term investments	54,577	37,178
Intangible assets	4,652	2,850
Deferred expenditure	1,113	-
Long-term receivables	18,474	18,722
Deferred tax assets	10,262	10,740
Current assets	509,249	437,764
Less: Current liabilities	(482,142)	(410,375)
Net current assets	<u>27,107</u>	<u>27,389</u>
	207,840	169,359
Less: Non-current liabilities	(55,209)	(55,759)
	<u>152,631</u>	<u>113,600</u>
Share capital and reserves	147,397	108,095
Minority interests	5,234	5,505
	<u>152,631</u>	<u>113,600</u>

During the quarter, Sino Stride Technology (Holdings) Limited has become an associated company due to additional investment of \$5.8m (Total investment \$18.9m). This has mainly resulted in an increase of \$19.9m in associated companies and joint ventures.

The increase in long-term investments was due to fair valuation of quoted investments as a result of the adoption of FRS 39 (see Note 11).

10. Cash Flow Statement for the period ended 31 March 2005

	1Q2005	1Q2004
	\$'000	\$'000
Net cash from operating activities	13,802	7,465
Net cash from / (used in) investing activities	6,992	(11,561)
Proceed from sale of fixed assets	14	7
Purchase of fixed assets	(797)	(1,385)
Purchase of investments / convertible loan	(1,925)	(7,133)
Loan to an investee company	(55)	(2,625)
Additional investment in associated companies / convertible loan	(5,974)	(425)
Acquisition of a subsidiary	15,729	-
Net cash from financing activities	1,454	3,009
Proceeds from bank loans	2,574	-
Capital contribution from minority shareholders	-	3,022
Dividend paid to minority shareholders of a subsidiary	(1,075)	-
Interest paid	(45)	(13)
Net increase / (decrease) in cash and cash equivalents	22,248	(1,087)
Cash and cash equivalents at beginning of year	101,400	207,851
Exchange difference on cash and cash equivalents at beginning of year	(93)	(212)
Cash and cash equivalents at end of period	<u>123,555</u>	<u>206,552</u>

Electronics

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 2004 except for the adoption of the following new Financial Reporting Standards (FRS) that are mandatory for financial years beginning on or after 1 January 2005.

FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment

The impact of the changes in accounting policies are as follows:

FRS 39

In accordance with the transitional provisions of FRS 39, the effect of recognition, derecognition and measurement of financial instruments, for periods prior to 1 January 2005, is not restated. Consequently, the comparative figures for 2004 have not been restated. On 1 January 2005, the following transitional adjustments were made.

	Fair Value Reserve	Retained earnings	Total
	\$'000	\$'000	\$'000
Fair Valuation of:			
Investments	29,493	-	29,493
Derivatives	-	199	199
Hedge Accounting:			
Cash flow hedge	147	-	147
Fair value hedge	-	-	-
	<u>29,640</u>	<u>199</u>	<u>29,839</u>

The adoption of FRS 39 has resulted in an increase in equity as at 1 January 2005 of \$29.8 million. This is after adjusting for the related deferred taxes. In accordance with the transitional adjustment rules, there is no restatement of the 1Q2004 profit and loss account for the Sector.

FRS 102

As a result of adopting FRS 102, the Sector adjusted downwards the opening retained earnings as at 1 January 2004 by \$0.4 million; likewise, the opening other reserves were adjusted upwards by the same amount. Overall, as at 1 January 2004, there was no impact on the share capital and reserves of the Sector. Further, the Sector's profit and loss account for FY2004 was reduced by \$1.2 million. The impact on the Sector's profit and loss account for 1Q2004 was \$0.2 million.

Apart from the above, the Sector adopted various revisions in FRS, applicable from 1 January 2005. These do not have a financial impact on the Sector. Therefore, apart from the changes in accounting policies arising from the adoption of new FRS mentioned above, the Sector continued to adopt the same accounting policies as in 2004.

FRS 103

As announced in 3Q2004, the Sector had early adopted FRS 103 : Business Combinations with effect from 1 January 2004. FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. However, 1Q2004 and 2Q2004 announcements had stated the results of the Sector on the basis of amortising goodwill; these were restated in the results for the year ended 31 December 2004. The 1Q2004 comparative figures in this announcement have been restated to account for the impact of FRS 103. As such, the profit and loss account for 1Q2004 was increased by \$0.2 million. Further, the negative goodwill of \$0.3 million, as of 1 January 2004, was adjusted to opening retained earnings as at that date, in accordance with the transitional provisions of FRS 103.

Press Contact:
Magdalen Loh
AVP / Head, Corporate Communications
Tel: (65) 64131788
Fax: (65) 64848840
Email: lohmm@stee.stengg.com