



Electronics

“Better Performance”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2002			
	2002	2001	Growth %
Turnover (\$m)	579	498	16
Investment, interest and other income (\$m)	5.9	11.1	(47)
Profit before tax (\$m)	56.7	52.2	9
Profit attributable to shareholders before EI (\$m)	42.8	34.5 [#]	24
Economic Value Added (EVA) (\$m)	20.2	24.6	(18)

[#] Figure restated

“We expect steady performance in 2003 with sales realisation from our order book. We will continue to invest in development of products and international markets, especially in Greater China, Latin America, Korea and Australia for 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 2002 :

	2002 \$'000	2001 \$'000	+ / (-) %
1. (a) Turnover	579,376	498,477	16.2
(b) Cost of Sales	(453,996)	(381,132)	19.1
(c) Gross Profit	125,380	117,345	6.8
(d) Other operating income	4,288	8,253	(48.0)
(e) Distribution and selling expenses	(21,952)	(16,720)	31.3
(f) Administration expenses	(29,494)	(31,718)	(7.0)
(g) Other operating expenses	(21,927)	(18,584)	18.0
(h) Profit from operations	56,295	58,576	(3.9)
(i) Other income, net	1,322	(5,553)	NM
(j) Financial expenses	(5)	(5)	-
(k) Exceptional Items	-	-	-
	<u>57,612</u>	<u>53,018</u>	8.7
(l) Share of results of associated companies and joint ventures	(840)	(840)	-
(m) Amortisation of goodwill on acquisition of associated companies	(73)	(27)	170.4
(n) Profit before taxation	56,699	52,151	8.7
(o) Taxation	(14,816)	(17,778) #	(16.7)
(p) Profit after taxation	41,883	34,373 #	21.8
(q) Minority Interests	917	126	627.8
(r) Net profit for the year	42,800	34,499 #	24.1
* NM - Not Meaningful			
# Figures restated. See note 11.			
2. (a) Investment income	187	-	NM
(b) Other income including interest income	5,723	11,098	(48.4)
(c) Depreciation and amortisation	(8,424)	(7,269)	15.9
(d) (Provision) / Write-back of provision for doubtful debts & bad debts written off	1,179	481	145.1
(e) Provision for stock obsolescence	(338)	(902)	(62.5)
(f) Impairment in value of investments	-	(4,639)	NM
(g) Foreign exchange (loss) / gain, net	(76)	998	NM
3. (a) Operating Profit [1(p) above] as a percentage of Turnover	7.2%	6.9% #	
(b) Operating Profit [1(r) above] as a percentage of Issued Capital and Reserves at End of the Year	41%	33.5% #	

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	2002	2001	+ / (-)
	\$'000	\$'000	%
4. (a) Sales reported for first half year	270,821	228,008	18.8
(b) Operating profit after tax before deducting minority interests reported for first half year	18,793	14,449 #	30.1
(c) Sales reported for second half year	308,555	270,469	14.1
(d) Operating profit after tax before deducting minority interests reported for second half year	23,090	19,924 #	15.9
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 year.			
(c) There was no extraordinary item during the year.			

6. Business Grouping Information

	Turnover			Profit before Tax		
	2002	2001	+ / (-)	2002	2001	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
<u>By Business Group</u>						
Fourth Quarter						
Large-Scale Systems Group	55,764	50,846	9.7	1,230	3,750	(67.2)
Communication & Sensor Systems Group	56,537	37,382	51.2	6,810	4,869	39.9
Software Systems Group	51,472	52,206	(1.4)	7,371	6,515	13.1
Total	<u>163,773</u>	<u>140,434</u>	16.6	<u>15,411</u>	<u>15,134</u>	1.8

Full Year Ended 31 December

Large-Scale Systems Group	184,467	171,700	7.4	5,679	11,463	(50.5)
Communication & Sensor Systems Group	219,655	186,761	17.6	24,390	19,397	25.7
Software Systems Group	175,254	140,016	25.2	26,630	21,291	25.1
Total	<u>579,376</u>	<u>498,477</u>	16.2	<u>56,699</u>	<u>52,151</u>	8.7

	Turnover		
	2002	2001	+ / (-)
	\$'000	\$'000	%
<u>By Country of Incorporation</u>			
Asia	572,384	496,086	15.4
USA	6,632	2,391	177.4
Europe	-	-	-
Others	360	-	NM
Total	<u>579,376</u>	<u>498,477</u>	16.2

By Geographical Areas

Asia	547,896	482,700	13.5
USA	9,595	4,898	95.9
Europe	8,729	5,864	48.9
Others	13,156	5,015	162.3
Total	<u>579,376</u>	<u>498,477</u>	16.2

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7. Review of Performance

(a) Turnover

4Q2002 vs 4Q2001

4Q2002	4Q2001	Growth	
\$164m	\$140m	\$24m	17%

The turnover of \$164 million recorded in 4Q2002 was higher than that in 4Q2001 by 17% or \$24 million. The increase was mainly contributed by **Communication & Sensor Systems Group (CSG)** with the delivery of communication equipments and a shipboard integrated communication system. **Large-Scale Systems Group (LSG)** also achieved higher sales with the milestone completion of the Land Transport Authority's (LTA) North-East Line MRT and Sengkang LRT projects as well as the Manila LRT project, and the supply of the Multichannel Multipoint Distribution System (MMDS) product to Mexico. Sales for **Software Systems Group (SSG)** was comparable with the same period last year.

FY2002 vs FY2001

FY2002	FY2001	Growth	
\$579m	\$498m	\$81m	16%

The turnover of \$579 million recorded in FY2002 was higher than that in FY2001 by 16% or \$81 million. The increase was contributed by all three business groups. In **CSG**, major sales was recorded from the milestone completion of Ministry of Home Affairs' (MHA) communication project, the sale of communication equipments and the delivery of a shipboard integrated communication system. **SSG** achieved higher sales with the milestone completion of the aircraft simulator projects, a ship console project and Hong Kong Fire Services project. The higher sales recorded in **LSG** was largely due to milestone completion of the LTA's North-East Line MRT and Sengkang LRT projects and the Manila LRT project.

(b) Profitability

4Q2002 vs 4Q2001

4Q2002	4Q2001	Growth	
\$15.4m	\$15.1m	\$0.3m	2%

The profit before tax of \$15.4 million for 4Q2002 was higher than that in 4Q2001 by 2% or \$0.3 million. Increase in gross profit due to higher sales was partly offset by increased operating expenses mainly in marketing and selling and R&D. At business group level, increased profit in **CSG** was due to higher sales. In **SSG**, the increase in profit was due to project milestone completions. **LSG** recorded a lower profit due to lower margins in project milestones completed, start up costs in an overseas subsidiary as well as higher marketing and R&D expenses. The overall performance was affected by lower interest income.

FY2002 vs FY2001

FY2002	FY2001	Growth	
\$56.7m	\$52.2m	\$4.5m	9%

The profit before tax of \$56.7 million for FY2002 was higher than that in FY2001 by 9% or \$4.5 million. The increase in gross profit was the result of higher sales. This was partly affected by increased marketing and selling and R&D expenses. At business group level, **CSG** and **SSG** reported higher profit due to higher sales. **LSG** reported a lower profit due to higher R&D and marketing expenses, start up costs in an overseas subsidiary and lower margins in project milestones completed. The overall performance was affected by lower interest income.

8. Prospects

1Q2003

In 1Q2003, the Electronics sector expects the milestone completion in LTA's Circle Line project and the supply of MMDS product to Mexico under **LSG**; the completion of milestones in Taiwan's I-Call Taxi Despatch System project, iDA's Call For Collaboration on mobile payment solution project, and the supply of radio communications and VSAT equipment under **CSG**; and the completion of milestones in Hong Kong Fire Services project and an aircraft simulator project under **SSG**. However, the total value of these milestone completions is expected to be less than that of 4Q2002.

Accordingly, the Sector expects lower turnover and profit before tax in 1Q2003 as compared to 4Q2002.

FY2003

In FY2003, we expect sales recognition from the LTA's MRT/LRT projects, Manila LRT project and supply of MMDS product to Mexico; Hong Kong Fire Services project; the delivery of ship console for defence applications; aircraft simulator projects; MHA's Communication Network project; and the delivery of communication and VSAT equipment.

Overall, we expect the turnover and profit before tax of FY2003 to be higher than that of FY2002.

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9. Balance Sheet

	31 Dec 2002	31 Dec 2001
	\$'000	\$'000
Fixed Assets	25,429	26,482
Associated companies and joint ventures	4,708	1,343
Long-term investments	59,688	54,526
Intangible assets	5,153	792
Loans receivable, non-current	58	115
Deferred tax assets	10,339	11,148 [#]
Current assets	592,169	596,991
Less: Current liabilities	(524,680)	(511,043)
Net current assets	67,489	85,948
	172,864	180,354
Less: Non-current liabilities	(65,760)	(75,322)
	107,104	105,032 [#]
Share capital and reserves	105,121	102,936 [#]
Minority interests	1,983	2,096
	107,104	105,032 [#]

[#] Figures restated. See Note 11.

10. Cash Flow Statement for the year ended 31 December

	2002	2001
	\$'000	\$'000
Cash flow from operating activities	80,064	63,728
Cash flow from investing activities	(23,724)	(34,711)
Proceeds from sale of fixed assets	86	2
Investment in associated companies/joint ventures	(4,081)	(2,855)
Purchase of fixed assets	(7,066)	(10,345)
Purchase of investments	(9,119)	(23,730)
Investment in subsidiary	(4,439)	(73)
Capital contribution from minority shareholder	895	2,188
Exchange difference on investing activities	-	102
Cash flow from financing activities	(40,265)	(24,162)
Dividend paid to shareholders of the company	(40,260)	(24,157)
Interest paid	(5)	(5)
Net increase in cash and cash equivalents	16,075	4,855
Cash and cash equivalents at beginning of year	292,718	287,863
Cash and cash equivalents at end of year	308,793	292,718 [#]

Purchase of investments in FY2001 included \$10 million under Fund Management.

[#] Figures restated due to exclusion of Amount under Fund Management from Cash & Cash Equivalents.

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11. Accounting Policies

Except as disclosed below, 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 2001.

With effect from 1 January 2002, the Sector changed its accounting policy with respect to the treatment of deferred taxation in order to conform with the new requirements of Statement of Accounting Standard 12 on Income Taxes, which is effective for financial periods beginning on or after 1 April 2001. The change in accounting policy resulted in a prior year adjustment to reserves as at 31 December 2001 amounting to \$11.1 million.

The comparative information, which was restated based on the new accounting policy is presented below.

Profit & Loss Statement

	FY2002 \$'000	FY2001 \$'000
Turnover	<u>579,376</u>	<u>498,477</u>
Profit before tax	57,612	53,018
Share of results of associated companies and joint ventures	<u>(913)</u>	<u>(867)</u>
	56,699	52,151
Income Tax		
- Current year	(14,816)	(15,277)
- Change in accounting policy with adoption of SAS 12 Income Taxes	<u>-</u>	<u>(2,501)</u>
	41,883	34,373
Minority Interest	917	126
Net profit for the year	<u>42,800</u>	<u>34,499</u> [#]

Statement of Share Capital & Reserves

	31 Dec 2002 \$'000	31 Dec 2001 \$'000
Share capital & reserves		
At beginning of year (previously stated)	102,936 [#]	78,746
Effect of change in accounting policy		
- with respect to adoption of SAS 12 Income Taxes	<u>-</u>	<u>13,649</u>
At beginning of year (restated)	102,936	92,395 [#]
Foreign currency translation differences	(355)	199
Net profit for the year	42,800	34,499 [#]
Dividends	<u>(40,260)</u>	<u>(24,157)</u>
At end of year	<u>105,121</u>	<u>102,936</u> [#]

[#] Figures restated

12. Economic Value Added (EVA)

EVA for FY2002 was \$20.2 million, a decrease of \$4.4 million or 18% over FY2001. The weighted average cost of capital was 9.3% for 2002 (2001 : 9.4%).

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