



Electronics

“Good Performance”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2004			
	2004	2003	Growth %
Turnover (\$m)	637	621	3
Investment, interest and other income (\$m)	3.4	2.0	70
Earnings before interest and tax (EBIT) (\$m)	62.1	59.9	4
Profit before tax (\$m)	65.7	61.4	7
Profit attributable to shareholders before EI (\$m)	52.8	48.0	10
Economic Value Added (EVA) (\$m)	45.9	39.3	17

- Profit before tax increased by 7% to \$65.7 million

“In 2004, we secured several overseas orders, including a major telematics contract in Bangkok, and rail electronic system projects in Guangzhou, Taipei and Kaohsiung. This was the result of our strategy to grow our international business by focusing on good customer relationship management and the development of niche offerings and local partnerships in the global market.”

We will continue to seek more business deals and strategic investments in China, India and the Middle East.”

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 2004 :

	FY2004 \$'000	FY2003 \$'000	+ / (-) %
1. (a) Turnover	636,681	621,100	2.5
(b) Cost of sales	(494,803)	(479,151)	3.3
(c) Gross profit	141,878	141,949	(0.1)
(d) Other operating income	1,877	106	1,670.8
(e) Distribution and selling expenses	(28,044)	(25,397)	10.4
(f) Administrative expenses	(33,098)	(32,728)	1.1
(g) Other operating expenses	(18,634)	(23,844)	(21.9)
(h) Profit from operations	63,979	60,086	6.5
(i) Other income, net	1,506	1,879	(19.9)
(j) Financial expenses	(113)	(48)	135.4
(k) Exceptional item	-	-	-
	65,372	61,917	5.6
(l) Share of results of associated companies and joint ventures	345	(269)	(228.3)
(m) Amortisation of goodwill on acquisition of associated companies	-	(258)	(100.0)
(n) Profit before taxation	65,717	61,390	7.0
(o) Taxation	(14,215)	(15,137)	(6.1)
(p) Profit after taxation	51,502	46,253	11.3
(q) Minority interests	1,301	1,765	(26.3)
(r) Net profit for the year	52,803	48,018	10.0
2. (a) Profit from operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation *	8,750	8,411	4.0
Provision / (write-back of provision) for doubtful debts & bad debts written off, net	2,053	552	271.9
Provision / (write-back of provision) for stock obsolescence, net	534	391	36.6
Provision / (write-back of provision) for impairment in value of investments	2,604	4,046	(35.6)
* Exclude amortisation of associated companies and joint venture			
(b) Other operating income and Other income, net, comprises :			
Investment income	35	(2,530)	(101.4)
Interest income	1,918	2,614	(26.6)
Foreign exchange gain / (loss), net	(263)	385	(168.3)
Others	1,693	1,516	11.7
	3,383	1,985	
3. (a) Operating Profit [1(p) above] as a percentage of turnover	8.1%	7.4%	
(b) Operating Profit [1(r) above] as a percentage of issued capital and reserves at end of year	48.8%	44.5%	

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	FY2004 \$'000	FY2003 \$'000	+ / (-) %
4. (a) Sales reported for first half year	298,433	286,725	4.1
(b) Operating profit after tax before deducting minority interests reported for first half year	20,463	19,116	7.0
(c) Sales reported for second half year	338,248	334,375	1.2
(d) Operating profit after tax before deducting minority interests reported for second half year	31,039	27,137	14.4
5. (a) There was an adjustment for over provision of tax amounting to \$3,616,000 (2003: \$1,345,000) 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

By Business Group

Fourth Quarter vs Third Quarter (unaudited)

	Turnover			Profit before Tax		
	4Q2004 \$'000	3Q2004 \$'000	+ / (-) %	4Q2004 \$'000	3Q2004 \$'000	+ / (-) %
Large-Scale Systems Group	61,414	55,540	10.6	6,429	978	557.4
Communication & Sensor Systems Group	54,744	50,352	8.7	7,173	6,672	7.5
Software Systems Group	69,991	46,207	51.5	7,326	8,770	(16.5)
Total	<u>186,149</u>	<u>152,099</u>	22.4	<u>20,928</u>	<u>16,420</u>	27.5

Full Year Ended 31 December

	Turnover			Profit before Tax		
	FY2004 \$'000	FY2003 \$'000	+ / (-) %	FY2004 \$'000	FY2003 \$'000	+ / (-) %
Large-Scale Systems Group	191,320	185,459	3.2	4,606	4,103	12.3
Communication & Sensor Systems Group	225,087	230,136	(2.2)	27,065	27,053	0.0
Software Systems Group	220,274	205,505	7.2	34,046	30,234	12.6
Total	<u>636,681</u>	<u>621,100</u>	2.5	<u>65,717</u>	<u>61,390</u>	7.0

By Country of Incorporation

	Turnover		
	FY2004 \$'000	FY2003 \$'000	+ / (-) %
Asia	631,177	614,948	2.6
USA	2,926	1,066	174.5
Europe	-	-	-
Others	2,578	5,086	(49.3)
Total	<u>636,681</u>	<u>621,100</u>	2.5

By Geographical Areas

Asia	582,829	569,756	2.3
USA	4,917	3,507	40.2
Europe	15,721	13,566	15.9
Others	33,214	34,271	(3.1)
Total	<u>636,681</u>	<u>621,100</u>	2.5

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7. Review of Performance

(a) Turnover

FY2004 vs FY2003

FY2004	FY2003	Growth	
\$637m	\$621m	\$16m	3%

The turnover of \$637 million recorded in FY2004 was slightly higher than that in FY2003 by 3% or \$16 million. The increase was mainly contributed by **Software Systems Group (SSG)** with milestone completions of a command and control systems project, a ship console project and simulator projects. Sales for **Large-Scale Systems Group (LSG)** was marginally higher than the previous year with milestone completions of the Land Transport Authority's (LTA) Circle Line project and the supply of Multi-channel Multi-point Distribution System (MMDS) product to Mexico. Sales for **Communication & Sensor Systems Group (CSG)** was marginally lower than the previous year mainly due to lower delivery of communications equipment.

4Q2004 vs 3Q2004 (unaudited)

4Q2004	3Q2004	Growth	
\$186m	\$152m	\$34m	22%

The turnover of \$186 million recorded in 4Q2004 was higher than that in 3Q2004 by 22% or \$34 million. The increase was contributed by all three business groups, with major contribution from **SSG** with milestone completions of a command and control systems project and simulator projects. Sales for **LSG** was higher with milestone completions of the LTA's Circle Line project. In **CSG**, major sales was recorded from milestone completions of CityCab's integrated taxi booking and dispatch system project.

(b) Profitability

FY2004 vs FY2003

FY2004	FY2003	Growth	
\$65.7m	\$61.4m	\$4.3m	7%

The profit before tax of \$65.7 million for FY2004 was higher than that in FY2003 by 7% or \$4.3 million. The increase in profit was mainly contributed by **SSG** on higher sales. **LSG** recorded a higher profit mainly due to higher sales and better operational efficiency. **CSG's** profit was comparable with that in previous year.

4Q2004 vs 3Q2004 (unaudited)

4Q2004	3Q2004	Growth	
\$20.9m	\$16.4m	\$4.5m	27%

The profit before tax of \$20.9 million for 4Q2004 was higher than that in 3Q2004 by 27% or \$4.5 million. At business group level, the increase in profit for **LSG** was due to better margins in project milestones completed and lower losses incurred by overseas subsidiaries. **CSG** recorded a higher profit mainly due to higher sales. **SSG's** profit was lower mainly due to the lower margins in project milestones completed.

8. Prospect

1Q2005

In 1Q2005, the Electronics sector expects fewer project milestone completions. Under **LSG**, these include the completion of milestones in LTA's Circle Line project and the Kaohsiung MRT integrated communications system project. Under **CSG**, we expect sales of VSAT equipment to be maintained. Under **SSG**, we expect the completion of milestones of the Hong Kong Fire Services project.

The Electronics sector expects lower turnover and profit before tax in 1Q2005 as compared to 4Q2004.

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9. Balance Sheet

	31 Dec 2004	31 Dec 2003
	\$'000	\$'000
Fixed assets	32,179	25,162
Associated companies and joint ventures	40,301	10,213
Long-term investments	37,178	22,120
Intangible assets	2,850	7,988
Long-term receivables	18,722	9,280
Deferred tax assets	10,740	10,064
Current assets	437,764	507,756
Less: Current liabilities	(410,123)	(412,394)
Net current assets	27,641	95,362
	169,611	180,189
Less: Non-current liabilities	(56,011)	(67,226)
	113,600	112,963
Share capital and reserves	108,095	107,882
Minority interests	5,505	5,081
	113,600	112,963

Fixed assets increased mainly due to purchase of Jurong East Building.

The increase in investment in associated companies and joint ventures was mainly due to the investment in ECS Holdings Limited. Long term investments was higher mainly due to additional investment in Sino Stride Technology (Holdings) Limited.

Net current assets reduced mainly due to decrease in cash and cash equivalents.

10. Cash Flow Statement for the year ended 31 December 2004

	FY2004	FY2003
	\$'000	\$'000
Cash flow used in operating activities	(4,178)	(36,297)
Cash flow used in investing activities	(53,583)	(19,942)
Proceeds from sale of fixed assets	134	25
Dividend from an associated company	714	119
Dividends from investments	1,589	1,516
Proceeds from maturity and sale of investments	10,948	116
Purchase of fixed assets	(16,012)	(7,426)
Purchase of investments	(16,322)	(7,304)
Loans to an investee company	(5,682)	-
Loan to an associated company	(241)	-
Additional investment/acquisition of associated companies	(28,595)	(6,598)
Acquisition of a subsidiary	-	(390)
Dilution of interest in subsidiaries	(116)	-
Cash flow used in financing activities	(48,410)	(45,598)
Capital contribution from minority shareholders of subsidiaries	4,732	50
Dividends paid to shareholder	(52,800)	(45,600)
Dividend paid to minority shareholders of a subsidiary	(229)	-
Interest paid	(113)	(48)
Net decrease in cash and cash equivalents	(106,171)	(101,837)
Cash and cash equivalents at beginning of year	207,851	308,793
Exchange difference on cash and cash equivalents at beginning of year	(280)	895
Cash and cash equivalents at end of year	101,400	207,851

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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, except for the early adoption of the following new and revised Singapore Financial Reporting Standards ("FRS") issued in July 2004 by the Council on Corporate Disclosure and Governance ("CCDG"), with effect from the financial year beginning 1 January 2004:

FRS 103	Business Combinations
Revised FRS 36	Impairment of Assets
Revised FRS 38	Intangible Assets

On 1 July 2004, CCDG issued FRS 103, revised FRS 36 and revised FRS 38. Accordingly, FRS 22 Business Combinations was withdrawn. These FRS are to be applied to the accounting for business combinations for annual periods beginning on or after 1 July 2004. However, the Sector has adopted these FRS with effect from 1 January 2004. In accordance with FRS, early adoption is permitted under certain circumstances, and must be applied prospectively from 1 January 2004.

The early adoption of FRS 103, revised FRS 36 and revised FRS 38 resulted in a change in the accounting treatment for goodwill. FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised, instead, impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The replaced FRS 22 required acquired goodwill to be systematically amortised over its useful life, and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

The effect of the early adoption of FRS 103, together with the revised FRS 36 and revised FRS 38, resulted in the following adjustments:

- For the year ended 31 December 2004, the early adoption of FRS 103 has eliminated a potential goodwill amortisation to the Statement of Profit and Loss of \$0.8 million. However, an impairment loss of \$0.1 million was charged to the Statement of Profit and Loss during the year.
- Restatement of the Sector's opening retained earnings as at 1 January 2004 of \$0.3 million, arising from the de-recognition of previously recognised negative goodwill in the Balance Sheet.

12. Economic Value Added (EVA)

EVA for FY2004 was \$45.9 million, an increase of 17% or \$6.6 million over FY2003. The weighted average cost of capital was 7.4% for 2004 (2003 : 6.5%).

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