



Electronics

“Strong Operating Performance”

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2007			
	2007 2Q	2006 2Q	Growth %
Turnover (\$m)	273	213	28
Investment, interest and other income (\$m)	0.7	9.8	(92)
Earnings before interest and tax (EBIT) (\$m)	25.7	16.9	52
Profit before tax (\$m)	25.9	25.4	2
Profit attributable to shareholders (\$m)	19.9	19.5	2

- Economic Value Added for first half of 2007 was \$26.3 million

“Electronics sector achieved an operating profit (EBIT) growth of 52% riding on a 28% increase in turnover in 2Q2007.

In this quarter, we secured the S\$123m Marmaray Commuter Rail project in Turkey and an Integrated Security System project for the Dubai Festival City. We also inked an LOI with Corus Entertainment to co-produce a series of animated DTV titles.

The Electronics sector will focus on its three business thrusts: e-Government & Defence, Digital Media and Satellite Communication to expand its global presence, especially in the Asia Pacific and Gulf States.”

Seah Moon Ming, President

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

Electronics

Electronics sector unaudited results for the second quarter ended 30 June 2007 :

	2Q2007 \$'000	2Q2006 \$'000	+ / (-) %
1. (a) Turnover	273,196	213,403	28.0
(b) Cost of sales	(184,851)	(148,920)	24.1
(c) Gross Profit	88,345	64,483	37.0
(d) Other operating income	642	9,739	(93.4)
(e) Distribution and selling expenses	(20,244)	(13,635)	48.5
(f) Administrative expenses	(30,063)	(23,565)	27.6
(g) Other operating expenses	(12,353)	(10,383)	19.0
(h) Profit from continuing operations before taxation, other income and financial expenses	26,327	26,639	(1.2)
(i) Other income, net	106	23	360.9
(j) Financial expenses	(2,344)	(2,446)	(4.2)
	24,089	24,216	(0.5)
(k) Share of results of associated companies and joint ventures	1,770	1,225	44.5
(l) Profit from continuing operations before taxation	25,859	25,441	1.6
(m) Taxation	(5,166)	(5,681)	(9.1)
(n) Profit from continuing operations after taxation	20,693	19,760	4.7
Attributable to:			
(o) Shareholders of the Company	19,864	19,536	1.7
(p) Minority interests	829	224	270.1
	20,693	19,760	4.7
2. (a) Profit from continuing operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation	3,982	4,897	(18.7)
Allowance / (write-back of allowance) for doubtful debts & bad debts written off, net	(704)	(2,285)	(69.2)
Allowance / (write-back of allowance) for stock obsolescence, net	192	(474)	(140.5)
Impairment / (write-back of impairment) in value of investments, net	-	7,181	(100.0)
(b) Other operating income comprises :			
Investment income	(576)	8,067	(107.1)
Interest income	1,182	1,516	(22.0)
Others	36	156	(76.9)
	642	9,739	(93.4)
(c) Other income comprises :			
Foreign exchange gain / (loss), net	24	(180)	(113.3)
Rental income	62	77	(19.5)
Others	20	126	(84.1)
	106	23	360.9

Electronics

	2Q2007 \$'000	2Q2006 \$'000	+ / (-) %
3. (a) Profit from continuing operations after taxation [1(n) above] as a percentage of turnover	7.6%	9.3%	
(b) Profit attributable to shareholders [1(o) above] as a percentage of share capital and reserves at end of period	9.0%	7.9%	
4. (a) Turnover reported for first quarter	233,710	218,540	6.9
(b) Profit from continuing operations after taxation reported for first quarter	16,420	12,415	32.3
(c) Turnover reported for second quarter	273,196	213,403	28.0
(d) Profit from continuing operations after taxation reported for second quarter	20,693	19,760	4.7
(e) Turnover reported for first half year	506,906	431,943	17.4
(f) Profit from continuing operations after taxation reported for first half year	37,113	32,175	15.3
5. (a) There was an adjustment of \$1,198,000 for over provision of tax in respect of prior years. (2Q2006 - under provision of tax of \$83,000)			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	2007 \$'000	2006 \$'000		2007 \$'000	2006 \$'000	
Second Quarter						
Large-Scale Systems Group	49,751	46,936	6.0	3,516	1,739	102.2
Communication & Sensor Systems Group	128,540	111,911	14.9	11,940	16,379	(27.1)
Software Systems Group	94,905	54,556	74.0	10,403	7,323	42.1
Total	<u>273,196</u>	<u>213,403</u>	28.0	<u>25,859</u>	<u>25,441</u>	1.6
First Half Year						
Large-Scale Systems Group	96,321	81,024	18.9	5,277	(2,574)	NM
Communication & Sensor Systems Group	237,242	222,288	6.7	19,753	28,069	(29.6)
Software Systems Group	173,343	128,631	34.8	23,064	19,431	18.7
Total	<u>506,906</u>	<u>431,943</u>	17.4	<u>48,094</u>	<u>44,926</u>	7.1

	Turnover		+ / (-) %
	2Q2007 \$'000	2Q2006 \$'000	
<u>By Country of Incorporation</u>			
Asia	213,896	166,016	28.8
USA	59,161	47,295	25.1
Europe	-	-	-
Others	139	92	51.1
Total	<u>273,196</u>	<u>213,403</u>	28.0

By Geographical Areas

Asia	205,633	161,725	27.1
USA	31,556	19,983	57.9
Europe	12,137	14,483	(16.2)
Others	23,870	17,212	38.7
Total	<u>273,196</u>	<u>213,403</u>	28.0

* NM - Not Meaningful

Electronics

7. Review of Performance

(a) Turnover

2Q2007 vs 2Q2006

2Q2007	2Q2006	Growth	
\$273m	\$213m	\$60m	28%

The turnover of \$273 million recorded in 2Q2007 was higher than that in 2Q2006 by 28% or \$60 million. The increase was contributed by all three business groups, with major contribution from **Software Systems Group (SSG)** with milestone completions of command and control system projects and the Hong Kong Fire Services project. Sales for **Communication & Sensor Systems Group (CSG)** were higher with the sales of satellite communication products and electro-optics equipment. **Large-Scale Systems Group's (LSG)** sales were higher with milestone completions of the Land Transport Authority's (LTA) Circle Line project.

2Q2007 vs 1Q2007

2Q2007	1Q2007	Growth	
\$273m	\$234m	\$39m	17%

The turnover of \$273 million recorded in 2Q2007 was higher than that in 1Q2007 by 17% or \$39 million. The increase was contributed by all three business groups. **SSG** and **LSG** recorded higher sales mainly due to higher value in project milestone completions. **CSG's** sales were higher with the sales of satellite communication products and electro-optics equipment.

(b) Profitability

2Q2007 vs 2Q2006

2Q2007	2Q2006	Growth	
\$25.9m	\$25.4m	\$0.5m	2%

The profit before tax of \$25.9 million for 2Q2007 was comparable with that in 2Q2006. At the business group level, **SSG** recorded a higher profit mainly due to higher sales. **LSG's** profit was higher mainly due to lower operating loss incurred by an overseas subsidiary. **CSG** recorded a lower profit due to lower investment income. Overall, the Group recorded a lower investment and interest income in 2Q2007.

2Q2007 vs 1Q2007

2Q2007	1Q2007	Growth	
\$25.9m	\$22.2m	\$3.7m	16%

The profit before tax of \$25.9 million for 2Q2007 was higher than that in 1Q2007 by 16% or \$3.7 million. At the business group level, the increase in profit was contributed by **CSG** and **LSG**. **CSG's** profit was higher mainly due to higher sales and higher profit contribution from satellite communication products sales. **LSG** recorded a higher profit mainly due to better margins in project milestones completed and better overall performance of overseas subsidiaries. **SSG's** profit was lower mainly due to lower margins in project milestones completed.

8. Prospects

2H2007

Barring unforeseen circumstances, turnover and profit before tax for 2H2007 are expected to be higher compared to 1H2007.

Electronics

9. Balance Sheet

	30 Jun 2007 \$'000	31 Dec 2006 \$'000
Property, plant and equipment	39,505	39,365
Associated companies and joint ventures	59,249	61,573
Investments	8,563	8,299
Intangible assets	279,762	278,407
Long-term receivables	2,031	2,872
Deferred tax assets	21,959	25,487
Current assets	784,291	784,972
Less: Current liabilities	(722,609)	(720,915)
Net current assets	61,682	64,057
	472,751	480,060
Less: Non-current liabilities	(367,690)	(365,886)
	105,061	114,174
Share capital and reserves	92,069	103,619
Minority interests	12,992	10,555
	105,061	114,174

10. Cash Flow Statement for the second quarter ended 30 June 2007

	2Q2007 \$'000	2Q2006 \$'000
Net cash used in operating activities	(22,740)	(40,720)
Net cash from investing activities	7,896	20,102
Proceed from sale of property, plant and equipment	6	1
Proceed from sale of an associated company	2,700	-
Proceeds from sale of investments	45	21,812
Dividend from an associated company	1,138	1,062
Dividend from an investment	-	378
Purchase of property, plant and equipment	(2,831)	(2,968)
Purchase of an investment	-	(43)
Loan to an associated company	-	(140)
Acquisition of a subsidiary	6,838	-
Net cash used in financing activities	(44,457)	(48,768)
Capital contribution from minority shareholder of a subsidiary	980	-
Proceeds from inter-company loans, net of repayment	10,987	(13,121)
Repayment of bank loans	(4,966)	(8,632)
Repayment of convertible loan	(980)	-
Repayment of lease obligations	(10)	(18)
Dividend paid to shareholder	(48,675)	(25,866)
Dividend paid to minority shareholder of a subsidiary	(112)	-
Interest paid	(1,681)	(1,131)
Net decrease in cash and cash equivalents	(59,301)	(69,386)
Cash and cash equivalents at 1 April	209,563	221,917
Exchange difference on cash and cash equivalents	952	(430)
Cash and cash equivalents at 30 June	151,214	152,101



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 2006 except for the adoption of the Financial Reporting Standards (FRS) and INT FRS that are mandatory for financial years beginning on or after 1 January 2007. The adoption of these FRS and INT FRS has no significant impact to the Sector.

12. Economic Value Added (EVA)

EVA for 1H2007 was \$26.3 million, a decrease of \$1.7 million or 6% over 1H2006. The weighted average cost of capital was 6.5% for 2007 (2006 : 6.6%).

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