



electronics

PIONEERING NEW GENERATION TECHNOLOGIES FOR GLOBAL MARKETS

ST Electronics identifies three key areas for growth – interactive digital media, satellite communications (satcom) and e-Government solutions. It markets its Information Communications Technology (ICT) and e-Government solutions to more than 70 countries worldwide and the number is set to grow.

2007 marked a major milestone for ST Electronics as it became the first ICT system company in Singapore to cross the billion dollar revenue threshold.

In 2007, it gained foothold in new territories including Africa, Central Asia, Europe, India and the Middle East, while targeting markets in Africa, India, Qatar, Saudi Arabia, Turkey and UAE for expansion. ST Electronics' core business activities are organised into three key business groups.

Large-Scale Systems Group (LSG)

ST Electronics continued to enhance its capabilities in intelligent building solutions, carving a niche in carpark guidance systems in India, Indonesia, Singapore and UAE. Its security access solutions are now being used at Changi Airport terminals and by the Port of Singapore Authority. ST Electronics provides operations and support services for the airport systems of the Civil Aviation Authority

of Singapore and set up Singapore's largest electro-magnetic compatibility chamber at the Nanyang Technological University.

ST Electronics continued to build up its maintenance capabilities to support the Republic of Singapore Navy (RSN) New Frigate Programme. The company also provided the RSN with a skilled workforce and an experienced and competent management team to undertake and operate maintenance, management and engineering services.

In 2007, it strengthened its market presence for rail electronics solutions in Taiwan and secured a foothold in Turkey. Its access control and ticketing system for Singapore's Sentosa Light Rail Transit (LRT) was opened in January 2007, and the Guangzhou Metro Line 4 in China and Bangkok's Mass Transit System were commissioned during the year.

Communication & Sensor Systems Group (CSG)

ST Electronics' Harbour Craft Identification and Monitoring System now enhances the security of Singapore's port waters through GPS and GPRS technologies. ST Electronics was also awarded contracts by the Singapore Ministry of Defence (MINDEF) for its electro-optic

(EO) solutions which include thermal weapons sights and EO maintenance. ST Electronics is pursuing the Next Generation National Infocomm Infrastructure project, Singapore's new digital super highway for super connectivity.

A maritime broadband service was launched with SingTel using the Agilis 1.2m C-Band maritime Very Small Aperture Terminals (VSAT), currently the smallest of its class in the world. Ghana and Slovakia were added to the growing list of customers for satcom solutions which are currently sold to 74 countries.

iDirect made headway into new markets in China, Indonesia, the Middle East and Pakistan for its satellite networking and remote communications solutions. It was also awarded a contract by Intelsat for its Network Broadband Global Maritime services.

Software Systems Group (SSG)

ST Electronics has made inroads with its e-Government solutions and managed services in China, Kazakhstan, the Middle East and Singapore. It set up ST Electronics (e-Services) Pte Ltd to meet the rising demand for these services as companies realise the benefits of outsourcing non key functions.

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Digital animation projects fuel ST Electronics' interactive digital media initiatives.

(following page, from left to right)

The 1.2m C-Band Maritime VSAT system boosts communications for small vessels.

Managed services is set to grow as companies outsource their non core activities.



A second software development centre was set up in Yichun, China to meet increasing demand for software solutions. ST Electronics is one of the shortlisted participants in the Singapore Ministry of Education's Call for Collaboration for the FutureSchools@Singapore project. It also signed a Memorandum of Understanding (MOU) with the Institute of Automation, Chinese Academy of Science to conduct joint research and develop new technologies in interactive media.

Together with Nelvana Studios of Canada, it co-produced *The Future is Wild*, a 26-episode half-hour television series. This is part of a partnership with Nelvana to co-produce multiple projects and is aired on Discovery Kids in the US and Teletoons in Canada. *The Ten Commandments*, co-produced with Promenade Pictures and Huhu Studios for the DVD market, was screened in over 700 theatres in the US and in Singapore. This makes ST Electronics the first Singapore company to launch a 3D digital animation movie in US cinemas. It plans for a total of 12 movies, ten DVDs and three TV series in its production pipeline.

Marking its first contract for Air Traffic Control Systems in Africa, ST Electronics is to upgrate

Botswana's mobile aeronautical services and Very High Frequency (VHF) voice communications. India's Airports Authority will implement ST Electronics' Air Traffic Control Digital Voice Recording Systems.

Working with MÄK of the US, ST Electronics has expanded its simulation and visualisation capabilities and modelling and simulation solutions to include VR-Forces. MÄK was awarded a contract to further develop and field a simulation supported training capability at six US Air Force Air Support Operations Centre squadrons. The backbone of this system is MÄK's QuickStrike tactical desktop simulation.

PERFORMANCE OF THE ELECTRONICS SECTOR

Half Yearly Performance

Turnover of the Electronics sector of \$522m recorded in 2H2007 was comparable to the \$501m achieved in 1H2007. The increase was contributed by LSG and CSG.

PBT of \$67.2m for 2H2007 was higher than that of 1H2007 by 40% or \$19.1m. All three business groups recorded higher PBT. CSG's PBT was higher mainly due to higher sales and higher profit contribution from satcom

product sales. SSG and LSG recorded higher PBT largely due to higher investment income.

Full Year Performance

FY2007 turnover of \$1,023m for the Electronics sector was higher than that of FY2006 by 8% or \$72m. The higher turnover was mainly contributed by SSG with milestone completions of command and control system projects, a managed services project, data centre infrastructure projects and simulator projects. CSG also recorded higher turnover with sales of satcom products and electro-optics equipment, and milestone completions of various intelligent transport system and communication projects.

PBT of the Electronics sector in FY2007 of \$115.3m was higher than that of FY2006 by 10% or \$10.7m. Both LSG and SSG had higher PBT, but these were partially offset by lower PBT in CSG. The higher PBT in LSG was due to better overall performance of overseas subsidiaries and higher investment income, while the higher PBT in SSG was in line with higher turnover as well as higher investment income. In respect of CSG, the lower PBT was mainly due to lower profit contribution from satcom product sales and lower investment income. Overall, the sector recorded a higher investment income in FY2007.



Acquisitions and Divestments

To rationalise and streamline its portfolio of associated companies, and to re-allocate management attention and resources to new growth initiatives, ST Electronics diluted its stake in Polarsat Holdings Inc and divested its entire stake in InfoWave Pte Ltd, Sandz Solutions (Singapore) Pte Ltd and ECS Holdings Limited. Ripple Systems Pty Limited and INFA Systems Limited became wholly-owned subsidiaries during the year.

ST Electronics sold its entire ordinary shareholding in Sino Stride Technology (Holdings) Limited for shares in Shougang Concord Technology Holdings.

ST Electronics entered into an agreement to acquire Telematics Wireless Ltd and this was completed in January 2008. Telematics is a key player in the high growth Machine-to-Machine industry and is currently among the largest terrestrial and urban asset location system suppliers worldwide with customers from Argentina, Brazil, China and Korea.

iDirect appointed Yoel Gat to its Board of Directors and Mary Cotton as its new Chief Executive Officer. It set up a wholly-owned subsidiary, iDirect Government Technologies, Inc., to focus its business on

driving the broader adoption of its Internet Protocol (IP)-based satellite networking solutions in the government market.

Major Projects

In the Middle East, ST Electronics won a contract from the General Traffic Directorate/Ministry of Interior of Saudi Arabia to provide Integrated Traffic Management and Security Systems for the Automated Traffic Violations Administering and Monitoring project. ST Electronics will also implement an Integrated Security System for the Dubai Festival City. It signed an MOU with Albacomp Computers Company of Budapest to jointly pursue and implement ICT-based infrastructure projects for the public and private sectors in Hungary.

Taiwan Taoyuan International Airport Access Mass Rapid Transit Construction Project will install communications, supervisory control and data acquisition, platform screen doors and maintenance management systems from ST Electronics. The company won a contract for turnkey integrated solutions for the Marmaray Commuter Rail CR1 project in Istanbul, Turkey. It ended the year with a rail contract for Taipei's Songshan and Xinyi MRT Lines.

iDirect made its maiden entry into the Chinese market when it was awarded a contract by CrossSat Telecom Technology to provide a satellite hub and remote satellite routers to create a global IP network.

Back home, ST Electronics competed successfully against international players from Norway, UK and Singapore to win a contract to provide and maintain Vessel Traffic Radars to replace the Maritime Port Authority's existing radars.

It will also be providing customised Forward Command Vehicles with state-of-the-art communication and electronics systems to the Singapore Police Force, a contract won against stiff competition from international and local players.

ST Electronics' managed services received a boost when it was awarded a ten-year contract worth some \$250m by MINDEF to provide shared services to more than 350,000 active personnel, regulars and NSmen from the Singapore Armed Forces.

ST Electronics will implement a local and wide area network to connect ten locations of the Bangladesh Bank. This is part of the bank's Central Bank Strengthening Project with financial assistance from the World Bank.