

News Release

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by law or regulation.

Land Systems

“Profits impacted by JHK impairment and closure costs”

FINANCIAL HIGHLIGHTS For the third quarter ended 30 September 2016			
	2016 3Q	2015 3Q	Growth %
Revenue (\$m)	336	321	5
Earnings before interest and tax (EBIT) (\$m)	(47.7)	15.0	(417)
Other income, net (\$m)	3.0	1.9	65
Finance costs, net (\$m)	(0.5)	(1.6)	69
(Loss)/Profit before tax (LBT/PBT) (\$m)	(41.4)	19.8	(309)
(Loss)/Profit attributable to shareholders (\$m)	(42.7)	16.2	(363)

- One-off charge of \$61.1m, net of non-controlling interests, for impairment of JHK’s assets and provision for closure costs

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

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Land Systems sector unaudited results for the third quarter ended 30 September 2016

	3Q2016 \$'000	3Q2015 \$'000	+ / (-) %
1. (a) Revenue	336,004	320,860	4.7
(b) Cost of sales	(287,439)	(249,282)	15.3
(c) Gross Profit	48,565	71,578	(32.2)
(d) Distribution and selling expenses	(16,863)	(19,148)	(11.9)
(e) Administrative expenses	(22,372)	(27,104)	(17.5)
(f) Other operating expenses	(57,047)	(10,281)	454.9
(g) (Loss)/Profit from operations	(47,717)	15,045	(417.2)
(h) Other income	3,330	2,274	46.4
(i) Other expenses	(317)	(444)	(28.6)
(j) Other income, net	3,013	1,830	64.6
(k) Finance income	1,265	1,895	(33.2)
(l) Finance costs	(1,759)	(3,489)	(49.6)
(m) Finance costs, net	(494)	(1,594)	(69.0)
(n) Share of results of associates and joint ventures, net of tax	3,829	4,478	(14.5)
(o) (Loss)/Profit before taxation	(41,369)	19,759	(309.4)
(p) Taxation	(8,951)	(4,625)	93.5
(q) (Loss)/Profit for the period	(50,320)	15,134	(432.5)
Attributable to:			
(r) Shareholders of the Company	(42,682)	16,220	(363.1)
(s) Non-controlling interests	(7,638)	(1,086)	>500
	(50,320)	15,134	(432.5)

2. (a) (Loss)/Profit from operations is arrived at after charging/(crediting) the following:

Depreciation and amortisation	8,735	8,642	1.1
Allowance for doubtful debts & bad debts written off, net	8,518	4,151	105.2
Allowance for inventory obsolescence, net	11,831	2,220	432.9
Impairment losses on intangible assets	9,322	-	NM
Impairment losses on property, plant and equipment	28,170	-	NM
Impairment losses on other receivables	2,637	-	NM
(b) Finance costs, net comprises			
Interest income	271	466	(41.8)
Foreign exchange (loss)/gain, net	694	519	33.7
Fair value changes of financial instruments / hedged items	(156)	(9)	>500
Interest expenses	(1,303)	(2,570)	(49.3)
	(494)	(1,594)	(69.0)

* NM - Not Meaningful

(c) On 7 November 2016, the Board of JHK approved the cessation of production to reduce its operating losses. A one-off charge of \$61.1 million, net of non-controlling interests, was recorded in 3Q2016 for impairment of JHK's asset carrying values and provision for closure costs. In the past few years, there has been a severe overcapacity in the road construction equipment segment in China, resulting in low utilisation of JHK's production capacity. JHK will not be able to operate on an ongoing basis as cash will soon run out.

Land Systems

	3Q2016 \$'000	3Q2015 \$'000	+ / (-) %
3. (a) (Loss)/Profit for the period [1(q) above] as a percentage of revenue	-15.0%	4.7%	
(b) (Loss)/Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	-11.0%	4.0%	
	2016 \$'000	2015 \$'000	+ / (-) %
4. (a) Revenue reported for first half year	569,996	665,709	(14.4)
(b) Profit for the period reported for first half year	28,979	24,019	20.7
(c) Revenue reported for third quarter	336,004	320,860	4.7
(d) (Loss)/Profit for the period reported for third quarter	(50,320)	15,134	(432.5)
(e) Revenue reported for first nine months	906,000	986,569	(8.2)
(f) (Loss)/Profit for the period reported for first nine months	(21,341)	39,153	(154.5)
5. (a) There was an under-provision of current tax \$142,000 in respect of prior years. (3Q2015: There was an over-provision of current tax of \$512,000 and under-provision of deferred tax of \$18,000 in respect of prior years).			
(b) There was no disposal of property during the third quarter.			

6. Business Group Information

By Business Group

	Revenue		+ / (-) %	(Loss)/Profit before Taxation		+ / (-) %
	2016 \$'000	2015 \$'000		2016 \$'000	2015 \$'000	
Third Quarter						
Automotive	250,000	271,269	(7.8)	(58,005)	9,534	<-500
Munitions & Weapon	65,372	36,034	81.4	7,620	2,069	268.3
Services, Trading & Others	20,632	13,557	52.2	9,016	8,156	10.5
Total	<u>336,004</u>	<u>320,860</u>	4.7	<u>(41,369)</u>	<u>19,759</u>	(309.4)
Nine Months Ended 30 September						
Automotive	694,644	815,944	(14.9)	(44,627)	16,700	(367.2)
Munitions & Weapon	152,110	120,097	26.7	18,310	12,599	45.3
Services, Trading & Others	59,246	50,528	17.3	24,368	22,966	6.1
Total	<u>906,000</u>	<u>986,569</u>	(8.2)	<u>(1,949)</u>	<u>52,265</u>	(103.7)

By Geographical Areas

	Revenue		+ / (-) %
	3Q2016 \$'000	3Q2015 \$'000	
Asia	202,850	215,303	(5.8)
USA	112,143	88,803	26.3
Europe	938	3,959	(76.3)
Others	20,073	12,795	56.9
Total	<u>336,004</u>	<u>320,860</u>	4.7

By Country of Incorporation

	Revenue		+ / (-) %
	3Q2016 \$'000	3Q2015 \$'000	
Asia	238,837	226,371	5.5
USA	91,744	90,098	1.8
Europe	-	-	-
Others	5,423	4,391	23.5
Total	<u>336,004</u>	<u>320,860</u>	4.7

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7. Review of Performance

(a) Revenue

3Q2016 vs 3Q2015	3Q2016	3Q2015	Growth	
		\$336m	\$321m	\$15m

3Q2016 revenue compared to 3Q2015 increased by 5% or \$15 million to \$336 million. This was due mainly to higher revenue from **Munitions & Weapon (M&W)** and **Services, Trading and Others (S&T)** business groups, partially offset by lower revenue from **Automotive (Auto)** business group.

(b) Profitability

3Q2016 vs 3Q2015	3Q2016	3Q2015	Growth	
		(\$41.4m)	\$19.8m	(\$61.2m)

3Q2016 loss before tax was \$41.4 million compared to 3Q2015 profit before tax (PBT) of \$19.8 million. PBT was impacted by JHK impairment and closure costs totalling \$65.1 million from the **Auto** business group. The **M&W** business group had higher profits mainly from higher revenue.

8. Prospects

FY2016

Barring unforeseen circumstances, revenue and profit before tax for FY2016 are expected to be lower compared to FY2015.

9. Balance Sheet

	30-Sep-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	294,666	354,677
Associates and joint ventures	123,871	121,781
Investments	97	189
Intangible assets	192,294	208,201
Finance lease receivables, non-current	-	523
Deferred tax assets	13,676	25,993
Amounts due from related parties, non-current	5,840	6,049
Derivative financial instruments, non-current	820	1,138
Non-current assets	631,264	718,551
Current assets	1,048,236	1,258,310
Total assets	1,679,500	1,976,861
Current liabilities	802,149	942,164
Non-current liabilities	666,856	771,307
Total liabilities	1,469,005	1,713,471
Share capital and reserves	197,074	221,847
Non-controlling interests	13,421	41,543
Total equity and liabilities	1,679,500	1,976,861
Net current assets	246,087	316,146

Land Systems

10. Statement of Cash Flows for the third quarter ended 30 September 2016

	3Q2016 \$'000	3Q2015 \$'000
Net cash from / (used in) operating activities	24,657	(20,914)
Net cash used in investing activities	(7,100)	(4,378)
Proceeds from sale of property, plant and equipment	74	104
Purchase of property, plant and equipment	(5,688)	(4,482)
Purchase of intangible assets	(1,486)	-
Net cash (used in) / from financing activities	(125)	41,010
Interest paid	(1,302)	(2,561)
Repayment of short-term related party loans	(1,952)	(7,129)
Proceeds from short-term related party loans	-	10,000
Repayment of short-term loan by a related corporation	-	20,000
Proceeds from short-term immediate holding company loans	8,200	24,100
Repayment of long-term related party loans	(5,570)	-
Repayment of short-term loans	(39)	(40)
Repayment of short-term bank loans	-	(9,524)
Proceeds from short-term bank loans	466	9,524
Dividends paid to non-controlling interests	-	(642)
Deposits discharged / (pledged)	72	(2,718)
Net increase in cash and cash equivalents	17,432	15,718
Cash and cash equivalents at beginning of the period	137,111	179,594
Exchange difference on cash and cash equivalents at beginning of the period	419	1,344
Cash and cash equivalents at end of the period	154,962	196,656

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