

## 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

“Lower profits due to lower revenue”

<b>FINANCIAL HIGHLIGHTS</b> For the second quarter ended 30 June 2014			
	<b>2014 2Q</b>	<b>2013 2Q</b>	<b>Growth %</b>
Revenue (\$m)	297	394	(25)
Earnings before interest and tax (EBIT) (\$m)	16.3	32.2	(49)
Other income, net (\$m)	1.3	1.7	(25)
Finance costs, net (\$m)	(1.7)	(1.5)	(11)
Profit before tax (PBT) (\$m)	18.2	33.6	(46)
Profit attributable to shareholders (\$m)	19.1	26.2	(27)

- Economic Value Added for the first half of 2014 was \$11.9 million

*“For 1H2014, we recorded lower sales and PBT due mainly to lower revenue and higher marketing and R&D expenses. Despite current weakness in defence export and demand for specialty vehicles, we will continue to pursue key defence programmes and specialty vehicles’ sales in new and emerging markets.”*

*Sew Chee Jhuen, President*

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

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## Land Systems

### Land Systems sector unaudited results for the second quarter ended 30 June 2014

	2Q2014 \$'000	2Q2013 \$'000	+ / (-) %
<b>1. (a) Revenue</b>	<b>296,515</b>	<b>394,314</b>	<b>(24.8)</b>
(b) Cost of sales	(225,938)	(311,974)	(27.6)
<b>(c) Gross Profit</b>	<b>70,577</b>	<b>82,340</b>	<b>(14.3)</b>
(d) Distribution and selling expenses	(16,657)	(15,797)	5.4
(e) Administrative expenses	(26,466)	(26,069)	1.5
(f) Other operating expenses	(11,134)	(8,320)	33.8
<b>(g) Profit from operations</b>	<b>16,320</b>	<b>32,154</b>	<b>(49.2)</b>
(h) Other income	1,703	2,215	(23.1)
(i) Other expenses	(361)	(429)	(15.9)
(j) Other income, net	1,342	1,786	(24.9)
(k) Finance income	976	1,398	(30.2)
(l) Finance costs	(2,684)	(2,940)	(8.7)
(m) Finance costs, net	(1,708)	(1,542)	10.8
(n) Share of results of associates and jointly controlled entities, net of tax	2,280	1,229	85.5
<b>(o) Profit before taxation</b>	<b>18,234</b>	<b>33,627</b>	<b>(45.8)</b>
(p) Taxation	(866)	(8,143)	(89.4)
<b>(q) Profit for the period</b>	<b>17,368</b>	<b>25,484</b>	<b>(31.8)</b>
Attributable to:			
(r) <b>Shareholders of the Company</b>	<b>19,092</b>	<b>26,235</b>	<b>(27.2)</b>
(s) Non-controlling interests	(1,724)	(751)	129.6
	<b>17,368</b>	<b>25,484</b>	<b>(31.8)</b>
<b>2. (a) Profit from operations is arrived at after charging/(crediting) the following:</b>			
Depreciation and amortisation	9,106	9,621	(5.4)
Allowance for doubtful debts & bad debts written off, net	3,100	314	> 500
Allowance for stock obsolescence, net	995	3,234	(69.2)
<b>(b) Finance costs, net comprises</b>			
Interest income	727	751	(3.2)
Foreign exchange (loss)/gain, net	(249)	28	< -500
Fair value changes of financial instruments/hedged items	148	13	> 500
Gain on disposal of investments, net	1	-	NM
Interest expenses	(2,335)	(2,334)	0.0
	<b>(1,708)</b>	<b>(1,542)</b>	<b>10.8</b>

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	2Q2014 \$'000	2Q2013 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	5.9%	6.5%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	4.9%	6.4%	
4. (a) Revenue reported for first quarter	326,411	348,291	(6.3)
(b) Profit for the period reported for first quarter	14,045	19,635	(28.5)
(c) Revenue reported for second quarter	296,515	394,314	(24.8)
(d) Profit for the period reported for second quarter	17,368	25,484	(31.8)
(e) Revenue reported for first half year	622,926	742,605	(16.1)
(f) Profit for the period reported for first half year	31,413	45,119	(30.4)
5. (a) There were over-provisions of current and deferred tax of \$2,365,000 and \$975,000 in respect of prior years. (2Q2013: There was an under-provision of current tax of \$318,000 in respect of prior years).			
(b) There was a disposal of property due to factory relocation in 2Q2014. Arising from government compensation for the relocation, there was no profit and loss impact.			

#### 6. Business Group Information

##### By Business Group

	Revenue			Profit before Taxation		
	2014 \$'000	2013 \$'000	+ / (-) %	2014 \$'000	2013 \$'000	+ / (-) %
<b>Second Quarter</b>						
Automotive	218,083	320,367	(31.9)	2,073	19,269	(89.2)
Munitions & Weapon	56,371	45,128	24.9	6,027	4,823	25.0
Services, Trading & Others	22,061	28,819	(23.4)	10,134	9,535	6.3
Total	<u>296,515</u>	<u>394,314</u>	(24.8)	<u>18,234</u>	<u>33,627</u>	(45.8)

##### **First Half Year**

Automotive	465,416	604,489	(23.0)	2,086	30,783	(93.2)
Munitions & Weapon	115,985	79,167	46.5	19,543	8,713	124.3
Services, Trading & Others	41,525	58,949	(29.6)	15,428	15,149	1.8
Total	<u>622,926</u>	<u>742,605</u>	(16.1)	<u>37,057</u>	<u>54,645</u>	(32.2)

	Revenue	
	2Q2014 \$'000	2Q2013 \$'000

##### By Geographical Areas

Asia	188,844	302,853	(37.6)
USA	71,684	72,942	(1.7)
Europe	6,700	2,498	168.2
Others	29,287	16,021	82.8
Total	<u>296,515</u>	<u>394,314</u>	(24.8)

##### By Country of Incorporation

Asia	219,320	318,995	(31.2)
USA	72,228	72,170	0.1
Europe	-	-	-
Others	4,967	3,149	57.7
Total	<u>296,515</u>	<u>394,314</u>	(24.8)

## Land Systems

### 7. Review of Performance

#### (a) Revenue

2Q2014 vs 2Q2013

2Q2014	2Q2013	Growth	
\$297m	\$394m	(\$97m)	(25%)

2Q2014 revenue compared to 2Q2013 decreased by 25% or \$97 million to \$297 million. This was due to lower revenue from the **Automotive (Auto)** business group, mainly as a result of lower project deliveries.

#### (b) Profitability

2Q2014 vs 2Q2013

2Q2014	2Q2013	Growth	
\$18.2m	\$33.6m	(\$15.4m)	(46%)

2Q2014 profit before tax (PBT) compared to 2Q2013 decreased by 46% or \$15.4 million to \$18.2 million attributable to lower profits of the **Auto** business group due mainly to lower revenue.

### 8. Prospects

2H2014

Barring unforeseen circumstances, revenue and PBT for 2H2014 are expected to be higher than 1H2014.

### 9. Balance Sheet

	<b>30-Jun-14</b>	<b>31-Dec-13</b>
	\$'000	\$'000
Property, plant and equipment	349,301	330,063
Associates and jointly controlled entities	107,790	110,972
Investments	344	349
Intangible assets	210,623	213,942
Long-term receivables, non-current	35	58
Amounts due from related parties, non-current	5,345	5,420
Finance lease receivables, non-current	2,132	2,679
Derivative financial instruments	2,574	9,208
Deferred tax assets	12,469	8,898
Non-current assets	690,613	681,589
Current assets	1,435,426	1,420,861
<b>Total assets</b>	<b>2,126,039</b>	<b>2,102,450</b>
Current liabilities	797,677	898,168
Non-current liabilities	1,037,038	880,972
<b>Total liabilities</b>	<b>1,834,715</b>	<b>1,779,140</b>
Share capital and reserves	240,131	265,486
Non-controlling interests	51,193	57,824
<b>Total equity and liabilities</b>	<b>2,126,039</b>	<b>2,102,450</b>
<b>Net current assets</b>	<b>637,749</b>	<b>522,693</b>

## Land Systems

### 10. Statement of Cash Flows for the second quarter ended 30 June 2014

	2Q2014 \$'000	2Q2013 \$'000
Net cash from/(used in) operating activities	<b>117,833</b>	<b>(41,180)</b>
Net cash used in investing activities	<b>(13,545)</b>	<b>(15,290)</b>
Proceeds from disposal of property, plant and equipment	35	75
Proceeds from disposal of quoted equity investment	1	-
Repayment of short-term loan by a jointly controlled entity	3,136	-
Purchase of property, plant and equipment	(16,717)	(15,133)
Purchase of intangible assets	-	(232)
Net cash used in financing activities	<b>(64,134)</b>	<b>(75,348)</b>
Capital contribution from non-controlling interests	2,477	-
Repayment of long-term immediate holding company loans	-	(6,851)
Proceeds from long-term related party loans	-	887
Proceeds from long-term bank loan	19	125
Repayment of long-term loans	(35)	(154)
Proceeds from short-term loans	1	-
Repayment of short-term immediate holding company loans	(7,000)	(16,946)
Proceeds from short-term related party loans	-	3,439
Proceeds from short-term bank loans	2,513	-
Repayment of short-term bank loans	(4,824)	-
Dividends paid to shareholder	(51,800)	(48,800)
Dividends paid to non-controlling interests	(1,458)	(2,152)
Interest paid	(2,335)	(2,334)
Deposits pledged	(1,692)	(2,562)
Net increase/(decrease) in cash and cash equivalents	<b>40,154</b>	<b>(131,818)</b>
Cash and cash equivalents at beginning of the period	237,627	357,182
Exchange difference on cash and cash equivalents at beginning of the period	(681)	458
Cash and cash equivalents at end of the period	<b>277,100</b>	<b>225,822</b>

### 11. Economic Value Added (EVA)

EVA for 1H2014 was \$11.9 million, a decrease of \$17.7 million or 60% over 1H2013. The weighted average cost of capital was 5.6% for 2014 (2013: 5.2%).

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