

## 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

“Higher profits”

<b>FINANCIAL HIGHLIGHTS</b> <b>For the second quarter ended</b> <b>30 June 2016</b>			
	<b>2016 2Q</b>	<b>2015 2Q</b>	<b>Growth %</b>
Revenue (\$m)	284	319	(11)
Earnings before interest and tax (EBIT) (\$m)	14.3	14.6	(2)
Other income, net (\$m)	13.0	1.1	>500
Finance costs, net (\$m)	(2.9)	(3.2)	8
Profit before tax (PBT) (\$m)	27.8	16.3	71
Profit attributable to shareholders (\$m)	20.0	11.3	76

- Economic Value Added for the first half of 2016 was \$4.7 million

*“For 1H2016, we recorded lower sales due to lower project deliveries in key defence programmes and divestment of Guizhou Jonyang Kinetics (GJK). However, PBT was higher mainly due to lower operating expenses and a one-time gain from the divestment of GJK.*

*We will continue to pursue key programmes and develop new markets.”*

*Ravinder Singh, President*

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

## Land Systems

Land Systems sector unaudited results for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
<b>1. (a) Revenue</b>	<b>284,339</b>	<b>318,606</b>	<b>(10.8)</b>
(b) Cost of sales	(227,576)	(249,085)	(8.6)
<b>(c) Gross Profit</b>	<b>56,763</b>	<b>69,521</b>	<b>(18.4)</b>
(d) Distribution and selling expenses	(11,444)	(15,571)	(26.5)
(e) Administrative expenses	(24,843)	(24,893)	(0.2)
(f) Other operating expenses	(6,200)	(14,455)	(57.1)
<b>(g) Profit from operations</b>	<b>14,276</b>	<b>14,602</b>	<b>(2.2)</b>
(h) Other income	12,294	1,561	>500
(i) Other expenses	689	(445)	(254.8)
(j) Other income, net	12,983	1,116	>500
(k) Finance income	670	1,152	(41.8)
(l) Finance costs	(3,592)	(4,335)	(17.1)
(m) Finance costs, net	(2,922)	(3,183)	(8.2)
(n) Share of results of associates and joint ventures, net of tax	3,501	3,752	(6.7)
<b>(o) Profit before taxation</b>	<b>27,838</b>	<b>16,287</b>	<b>70.9</b>
(p) Taxation	(6,852)	(6,623)	3.5
<b>(q) Profit for the period</b>	<b>20,986</b>	<b>9,664</b>	<b>117.2</b>
Attributable to:			
(r) <b>Shareholders of the Company</b>	<b>20,023</b>	<b>11,345</b>	<b>76.5</b>
(s) Non-controlling interests	963	(1,681)	(157.3)
	<b>20,986</b>	<b>9,664</b>	<b>117.2</b>
<b>2. (a) Profit from operations is arrived at after charging/(crediting) the following:</b>			
Depreciation and amortisation	9,049	9,470	(4.4)
Allowance for doubtful debts & bad debts written off, net	912	2,102	(56.6)
Allowance for inventory obsolescence, net	(3,868)	6,562	(158.9)
Impairment losses of intangible assets	-	4,000	(100.0)
<b>(b) Finance costs, net comprises</b>			
Interest income	251	661	(62.0)
Foreign exchange gain/(loss), net	(1,683)	(1,465)	14.9
Fair value changes of financial instruments / hedged items	253	32	>500
Interest expenses	(1,743)	(2,411)	(27.7)
	<b>(2,922)</b>	<b>(3,183)</b>	<b>(8.2)</b>

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	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	7.4%	3.0%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	4.7%	3.1%	
	2016 \$'000	2015 \$'000	+ / (-) %
4. (a) Revenue reported for first quarter	285,657	347,103	(17.7)
(b) Profit for the period reported for first quarter	7,993	14,355	(44.3)
(c) Revenue reported for second quarter	284,339	318,606	(10.8)
(d) Profit for the period reported for second quarter	20,986	9,664	117.2
(e) Revenue reported for first half year	569,996	665,709	(14.4)
(f) Profit for the period reported for first half year	28,979	24,019	20.7
5. (a) There was an under-provision of current tax \$1,000 in respect of prior years. (2Q2015: There was an under-provision of current tax of \$145,000 in respect of prior years).			
(b) There was no disposal of property during the second quarter.			

## 6. Business Group Information

### By Business Group

by Business Group

	Revenue			Profit before Taxation		
	2016	2015	+ / (-)	2016	2015	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Second Quarter</b>						
Automotive	212,680	268,397	(20.8)	14,313	6,337	125.9
Munitions & Weapon	47,391	35,715	32.7	5,551	3,172	75.0
Services, Trading & Others	24,268	14,494	67.4	7,974	6,778	17.6
Total	<u>284,339</u>	<u>318,606</u>	(10.8)	<u>27,838</u>	<u>16,287</u>	70.9
<b>First Half Year</b>						
Automotive	444,644	544,675	(18.4)	13,378	7,166	86.7
Munitions & Weapon	86,738	84,063	3.2	10,690	10,530	1.5
Services, Trading & Others	38,614	36,971	4.4	15,352	14,810	3.7
Total	<u>569,996</u>	<u>665,709</u>	(14.4)	<u>39,420</u>	<u>32,506</u>	21.3

	Revenue		
	2Q2016	2Q2015	
	\$'000	\$'000	
<u><b>By Geographical Areas</b></u>			
Asia	172,958	225,399	(23.3)
USA	92,610	77,931	18.8
Europe	1,567	4,270	(63.3)
Others	17,204	11,006	56.3
Total	284,339	318,606	(10.8)

### By Country of Incorporation

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
Asia	189,128	233,759	(19.1)
USA	90,289	82,331	9.7
Europe	-	-	-
Others	4,922	2,516	95.6
Total	<u>284,339</u>	<u>318,606</u>	(10.8)

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### 7. Review of Performance

#### (a) Revenue

##### 2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$284m	\$319m	(\$35m)	(11%)

2Q2016 revenue compared to 2Q2015 decreased by 11% or \$35 million to \$284 million. This was due to lower revenue from **Automotive (Auto)** business group, partially offset by higher revenue from **Munitions & Weapon (M&W)** and **Services, Trading and Others (S&T)** business groups.

#### (b) Profitability

##### 2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$27.8m	\$16.3m	\$11.5m	71%

2Q2016 profit before tax (PBT) of \$27.8 million was higher than 2Q2015 PBT by 71% or \$11.5 million. This was due to higher profits from all three business groups. The **Auto** business group had higher profits mainly from gain on divestment of subsidiary, Guizhou Jonyang Kinetics, lower allowance for inventory obsolescence and absence of goodwill impairment which impacted 2Q2015, partially offset by unfavourable product mix and impact of lower revenue. The **M&W** and **S&T** business groups' higher profits were due mainly to higher revenue and lower operating expenses.

### 8. Prospects

##### 2H2016

Barring unforeseen circumstances, 2H2016 revenue is expected to be comparable to 1H2016, while profit before tax is expected to be lower.

### 9. Balance Sheet

	30-Jun-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	307,247	354,677
Associates and joint ventures	119,936	121,781
Investments	69	189
Intangible assets	198,305	208,201
Finance lease receivables, non-current	-	523
Deferred tax assets	18,746	25,993
Amounts due from related parties, non-current	5,764	6,049
Derivative financial instruments, non-current	1,335	1,138
Non-current assets	651,402	718,551
Current assets	1,074,784	1,258,310
<b>Total assets</b>	<b>1,726,186</b>	<b>1,976,861</b>
Current liabilities	782,635	942,164
Non-current liabilities	689,995	771,307
<b>Total liabilities</b>	<b>1,472,630</b>	<b>1,713,471</b>
Share capital and reserves	232,151	221,847
Non-controlling interests	21,405	41,543
<b>Total equity and liabilities</b>	<b>1,726,186</b>	<b>1,976,861</b>
<b>Net current assets</b>	<b>292,149</b>	<b>316,146</b>

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### 10. Statement of Cash Flows for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000
Net cash used in operating activities	<b>(30,508)</b>	<b>(30,848)</b>
Net cash from / (used in) investing activities	<b>15,340</b>	<b>(3,782)</b>
Proceeds from sale of property, plant and equipment	106	59
Proceeds from disposal of a subsidiary, net of cash disposed of	18,615	-
Purchase of property, plant and equipment	(3,381)	(3,841)
Net cash used in financing activities	<b>(20,990)</b>	<b>(55,922)</b>
Interest paid	(1,777)	(2,374)
Repayment of short-term related party loans	(10,000)	(1,576)
Proceeds from short-term related party loans	-	10,000
Short-term loan to a related corporation	-	(13,120)
Repayment of short-term immediate holding company loans	(17,000)	-
Proceeds from short-term immediate holding company loans	7,000	20,000
Repayment of long-term related party loans	(2,695)	-
Repayment of long-term immediate holding company loans	-	(50,000)
Repayment of short-term loans	(39)	(42)
Repayment of short-term bank loans	-	(9,214)
Proceeds from short-term bank loans	14	9,214
Dividends paid to shareholder	-	(17,800)
Payment to non-controlling interests for reduction in share capital	(1,178)	-
Deposits discharged / (pledged)	4,685	(1,010)
Net decrease in cash and cash equivalents	<b>(36,158)</b>	<b>(90,552)</b>
Cash and cash equivalents at beginning of the period	173,537	270,946
Exchange difference on cash and cash equivalents at beginning of the period	(268)	(800)
Cash and cash equivalents at end of the period	<b>137,111</b>	<b>179,594</b>

### 11. Economic Value Added (EVA)

EVA for 1H2016 was \$4.7 million, an decrease of \$4.9 million or 51% over 1H2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

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