

DIRECTORS' REPORT 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

We, the undersigned directors, on behalf of all the directors of the Company, submit this annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

Directors

The directors of the Company in office at the date of this report are as follows:

Peter Seah Lim Huat (*Chairman; appointed on 15.4.2002*)
 Tan Pheng Hock (*President and Chief Executive Officer; w.e.f. 20.2.2002*)
 Philip Tan Yuen Fah
 Tan Guong Ching
 LG Lim Chuan Poh
 Professor Lui Pao Chuen
 Winston Tan Tien Hin
 Lucien Wong Yuen Kuai
 Dr Philip Nalliah Pillai
 Quek Poh Huat (*appointed on 15.4.2002*)
 Venkatachalam Krishnakumar (*appointed on 15.4.2002*)

Principal activities

The principal activities of the Company are those of an investment holding company and the provision of engineering and related services. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There were no significant changes in the nature of such activities during the financial year, except for newly incorporated and acquired subsidiaries.

Results for the financial year

Results of the Group and of the Company for the financial year are as follows:

	Group \$'000	Company \$'000
Profit after taxation	333,210	305,141
Minority interests	(2,499)	–
Profit attributable to the shareholders of the Company	330,711	305,141
Unappropriated profit brought forward		
– as previously reported	809,272	393,138
– changes in accounting policies	83,775	–
Profit available for appropriation	1,223,758	698,279
Additional final dividend paid in respect of the previous financial year due to the issue of shares under the ST Engg Share Option Scheme before books closure date	(422)	(422)
Final dividend paid in respect of the previous financial year of 2.5 cents per share less tax at 24.5%	(54,327)	(54,327)
Special dividend paid in respect of the previous financial year of 6.5 cents per share less tax at 24.5%	(141,250)	(141,250)
Special tax exempt dividend paid in respect of the previous financial year of 1.8 cents per share	(51,808)	(51,808)
Transfer from unappropriated profit to statutory reserve	(43)	–
Unappropriated profit carried forward	975,908	450,472

Material transfers to or from reserves and provisions

Except as shown in the financial statements, there were no material transfers to or from reserves or provisions during the financial year.

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Acquisition and disposal of subsidiaries

(a) During the financial year, the Group incorporated the following subsidiaries:

Name of company	Country of incorporation and place of business	Equity interest held %
Bournemouth Aviation Services Company Limited	United Kingdom	60
San Antonio Aerospace GP, LLC	United States of America	100
San Antonio Aerospace LP	United States of America	100
ST Education & Training Private Limited	Singapore	70
Kinetics Systems (Shanghai) Co. Ltd.	People's Republic of China	100
Vision Technologies Land Systems, Inc.	United States of America	100
VT Halter Marine, Inc.	United States of America	100
VT Dimensions, Inc.	United States of America	100
FusionTech Pte. Ltd.	Singapore	100

(b) During the financial year, the Group acquired the following subsidiaries:

Name of company	Interest acquired %	Consideration \$	Net tangible assets acquired \$
Ripple Systems Pty Ltd	70	1,387,610	1,387,610

(c) During the financial year, the Group acquired additional equity interests in the following companies, making them subsidiaries:

Name of company	Interest acquired %	Interest after acquisition %	Consideration \$	Net tangible assets acquired \$
iShopAero Pte Ltd	35	100	47,000	–
Singapore British Engineering Pte Ltd	19	51	500,000	394,000
DataMark Technologies Pte Ltd	4.38	55.38	102,000	1,341
Silvatech Global Systems Limited	30 and 1 share	50 and 1 share	10,864	288,000
Silvatech Systems Corporation Pte Ltd and wholly owned subsidiaries consisting of:	30 and 1 share	50 and 1 share	11,210,648	4,708,173
– Int. Silvatech Industries Inc.				
– Silvatech Systems Marketing Inc.				

(d) During the financial year, certain subsidiaries in the Group filed for insolvency and as such ceased to be considered as subsidiaries:

Name of company

Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe GmbH & Co. KG
Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe Verwaltung GmbH

Except as disclosed above, there were no other acquisitions or disposals of subsidiaries during the financial year.

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Issue of shares or debentures

The Company issued 5,703,631 ordinary shares of \$0.10 each for cash at the respective price per share upon the exercise of options granted by the Company under the Singapore Technologies Engineering (“ST Engg”) Executives’ Share Option Scheme (“ESOS”):

Grant No.	No. of ordinary shares issued	Price per ordinary share \$
94R3	41	0.873
95R1	41	0.905
96R1	44,533	0.905
96R3	258,920	0.471
97R1	484,755	0.422
97R2	70,531	0.629
97R5	46,235	0.720
98R1	373,750	1.390
98R3	90,000	1.290
99R1	1,984,350	1.418
9902	356,620	2.000
2001	721,855	2.260
2002	1,272,000	1.808

During the financial year, the subsidiaries issued the following shares:

Name of company	Shares issued and consideration	Purpose
Bournemouth Aviation Services Company Limited	2,100,000 ordinary shares of £1 each	For incorporation and working capital
Singapore Engineering Software Pte Ltd	3,500,000 ordinary shares of S\$1.00 each	Bonus share issue
ST Education & Training Private Limited	1,000,000 ordinary shares of S\$1.00 each	For incorporation and working capital
ST Electronics (Shanghai) Co., Ltd	US\$1,000,000 capital injection	For additional working capital
Kinetics Systems (Shanghai) Co. Ltd.	S\$7,332,000 capital injection	For incorporation and working capital
Int. Silvatech Industries, Inc.	5,001,788 redeemable preference shares of CAD\$1.00 each for CAD\$5,001,788	For additional working capital
Vision Technologies Land Systems, Inc.	100 ordinary shares of US\$0.01 each	For incorporation
VT Dimensions, Inc.	1,000 ordinary shares of US\$0.01 each	For incorporation
VT Halter Marine, Inc.	10 ordinary shares of US\$1.00 each	For incorporation
Singapore Technologies Dynamics Pte Ltd	3,200,000 ordinary shares of S\$1.00 each	For additional working capital
FusionTech Pte. Ltd.	1,000,000 ordinary shares of S\$1.00 each	For incorporation and working capital

Except as disclosed above, neither the Company nor its subsidiaries issued any shares or debentures during the financial year.

Arrangements to enable directors to acquire shares or debentures

Except for the Singapore Technologies Engineering Executives’ Share Option Scheme, Singapore Technologies Engineering Share Option Plan and Singapore Technologies Engineering Performance Share Plan (collectively the “ST Engg Share Plans”), neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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Directors' interests in shares or debentures

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company or of related corporations either at the beginning (or date of appointment, if later) or at the end of the financial year and on 7 January 2003.

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year in shares or debentures in the Company and its related corporations were as follows:

	Holdings in the name of the director, spouse or infant children		Exercise price \$	Exercisable period
	1 January 2002 or date of appointment if later	31 December 2002		
The Company				
<i>Ordinary Shares of \$0.10 each</i>				
Tan Pheng Hock	64,864			
Philip Tan Yuen Fah	25,686			
Professor Lui Pao Chuen	161,444			
Winston Tan Tien Hin	200,000			
Quek Poh Huat	763,228			
	1 January 2002 or date of appointment if later	31 December 2002	Exercise price \$	Exercisable period
<i>Options to Subscribe for Ordinary Shares of \$0.10 each</i>				
Peter Seah Lim Huat	–	89,000	1.92	13.8.2003 to 12.8.2007
Lim Neo Chian@	452,500	452,500	2.68	11.8.2002 to 10.8.2006
Tan Pheng Hock	5,000	5,000	1.29	8.8.2000 to 7.8.2008
	400,000	400,000	1.418	10.2.2001 to 9.2.2009
	5,000	5,000	2.00	11.8.2001 to 10.8.2009
	400,000	400,000	2.26	10.2.2002 to 9.2.2010
	225,000	225,000	2.72	20.2.2002 to 19.2.2011
	227,500	227,500	2.68	11.8.2002 to 10.8.2011
	–	175,000	2.29	8.2.2003 to 7.2.2012
	–	175,000	1.92	13.8.2003 to 12.8.2012
Philip Tan Yuen Fah	95,000	95,000	2.72	20.2.2002 to 19.2.2006
	–	55,000	2.29	8.2.2003 to 7.2.2007
Winston Tan Tien Hin	115,000	115,000	2.72	20.2.2002 to 19.2.2006
	–	105,000	2.29	8.2.2003 to 7.2.2007
Lucien Wong Yuen Kuai	75,000	75,000	2.72	20.2.2002 to 19.2.2006
	–	59,000	2.29	8.2.2003 to 7.2.2007
Ho Ching@	100,000	100,000	2.72	20.2.2002 to 19.2.2006
	–	81,000	2.29	8.2.2003 to 7.2.2007
Dr Philip Nalliah Pillai	75,000	75,000	2.72	20.2.2002 to 19.2.2006
	–	62,000	2.29	8.2.2003 to 7.2.2007
Quek Poh Huat	–	43,000	1.92	13.8.2003 to 12.8.2007

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Directors' interests in shares or debentures (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2002 or date of appointment if later	31 December 2002
<i>Conditional Award of 110,000 performance shares to be delivered after 2002</i>		
Tan Pheng Hock	0 to 220,000 #	0 to 220,000#
<i>Conditional Award of 150,000 performance shares to be delivered after 2003</i>		
Lim Neo Chian@	0 to 300,000 *	–
Tan Pheng Hock	0 to 300,000 *	0 to 300,000 *
<i>Conditional Award of 200,000 performance shares to be delivered after 2004</i>		
Tan Pheng Hock	–	0 to 400,000 ^

Related Corporations

SembCorp Marine Limited

Ordinary Shares of \$0.10 each

Professor Lui Pao Chuen	60,000	60,000
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	1 January 2002 or date of appointment if later	31 December 2002	Exercise price \$	Exercisable period
<i>Options to Subscribe for Ordinary Shares of \$0.10 each</i>				
Tan Pheng Hock	20,000	20,000	0.66	28.9.2002 to 27.9.2006
	–	40,000	0.90	8.11.2003 to 7.11.2007

	Holdings in the name of the director, spouse or infant children	
	1 January 2002 or date of appointment if later	31 December 2002
SembCorp Logistics Limited Ordinary Shares of \$0.25 each		
Professor Lui Pao Chuen	95,200	125,200

Chartered Semiconductor Manufacturing Ltd

Ordinary Shares of \$0.26 each

Tan Pheng Hock	7,000	7,000
Tan Guong Ching	2,000	15,000

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Directors' interests in shares or debentures (continued)

	1 January 2002 or date of appointment if later	31 December 2002**	Exercise price \$	Adjusted to**	Exercisable period
<i>Options to Subscribe for Ordinary Shares of \$0.26 each</i>					
Peter Seah Lim Huat	20,000	23,443	4.05	3.46	22.2.2003 to 22.2.2007
	–	46,887	2.18	1.86	30.8.2003 to 30.8.2007
Ho Ching@	120,000	140,663	16.69	14.24	6.4.2001 to 6.4.2005
	120,000	140,663	11.86	10.12	3.10.2001 to 3.10.2005
	60,000	70,331	4.74	4.05	28.3.2002 to 28.3.2006
	60,000	70,331	4.99	4.26	15.8.2002 to 15.8.2006
	–	70,331	4.05	3.46	22.2.2003 to 22.2.2007
	–	70,331	2.18	1.86	30.8.2003 to 30.8.2007

	Holdings in the name of the director, spouse or infant children	
	1 January 2002 or date of appointment if later	31 December 2002
SembCorp Industries Ltd		
<i>Ordinary Shares of \$0.25 each</i>		
Professor Lui Pao Chuen		50,415
Quek Poh Huat		36,890

	1 January 2002 or date of appointment if later	31 December 2002	Exercise price \$	Exercisable period
<i>Options to Subscribe for Ordinary Shares of \$0.25 each</i>				
Peter Seah Lim Huat	140,000	140,000	1.99	27.6.2001 to 26.6.2005
	140,000	140,000	1.55	20.4.2002 to 19.4.2006
	–	70,000	1.59	8.5.2003 to 7.5.2007
	–	70,000	0.98	18.10.2003 to 17.10.2007
Ho Ching@	100,000	100,000	1.99	27.6.2001 to 26.6.2005
	70,000	70,000	1.55	20.4.2002 to 19.4.2006
	–	50,000	1.59	8.5.2003 to 7.5.2007

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Directors' interests in shares or debentures *(continued)*

	Holdings in the name of the director, spouse or infant children	
	1 January 2002 or date of appointment if later	31 December 2002
Vertex Investment (II) Ltd <i>Ordinary Shares of US\$1.00 each</i>		
Professor Lui Pao Chuen	20	20
Raffles Holdings Limited <i>Ordinary Shares of \$0.50 each</i>		
Tan Pheng Hock	8,000	8,000
Tan Guong Ching	2,000	2,000
Vertex Technology Fund Ltd <i>Ordinary Shares of US\$1.00 each</i>		
Winston Tan Tien Hin	10	10
Ho Ching@	100 †	100 †
ST Assembly Test Services Ltd <i>Ordinary Shares of \$0.25 each</i>		
Tan Pheng Hock	6,000	6,000
Tan Guong Ching	20,000	10,000
Lucien Wong Yuen Kuai	30,000	30,000
Ho Ching@	35,000	35,000
Quek Poh Huat	1,000	1,000
Venkatachalam Krishnakumar	1,000	1,000
Vertex Venture Holdings Ltd <i>Ordinary Shares of \$0.20 each</i>		
Tan Guong Ching	10,681	– ##
Professor Lui Pao Chuen	4,836	– ##
Vertex Technology Fund (II) Ltd <i>Ordinary Shares of US\$1.00 each</i>		
Tan Pheng Hock	5 †	5 †
Winston Tan Tien Hin	20	20
Ho Ching@	100 †	100 †
<i>Redeemable Preference Shares of US\$0.01 each</i>		
Winston Tan Tien Hin	20	20
Ho Ching@	100 †	100 †

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Directors' interests in shares or debentures (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2002 or date of appointment if later	31 December 2002
Singapore Telecommunications Limited		
<i>Ordinary Shares of \$0.15 each</i>		
Peter Seah Lim Huat	3,310	3,420
Lim Neo Chian@	3,110	3,220
Tan Pheng Hock	3,510	3,620
Philip Tan Yuen Fah	3,510	3,620
Tan Guong Ching	3,510	3,620
LG Lim Chuan Poh	1,490	1,540
Professor Lui Pao Chuen	3,510	3,620
Winston Tan Tien Hin	5,520	5,630
Lucien Wong Yuen Kuai	3,110	3,220
Ho Ching@	3,510	3,620
Dr Philip Nalliah Pillai	3,510	3,620
Quek Poh Huat	3,510	3,620

	1 January 2002 or date of appointment if later	31 December 2002	Exercise price \$	Exercisable period
<i>Options to Subscribe for Ordinary Shares of \$0.15 each</i>				
Quek Poh Huat	–	60,000	1.42	9.9.2003 to 9.9.2007

	Holdings in the name of the director, spouse or infant children	
	1 January 2002 or date of appointment if later	31 December 2002
Singapore Airlines Limited		
<i>Ordinary Shares of \$1.00 each</i>		
Tan Guong Ching	2,000	2,000
Professor Lui Pao Chuen	8,000	8,000
Winston Tan Tien Hin	4,000	4,000

Singapore Food Industries Limited		
<i>Ordinary Shares of \$0.05 each</i>		
Philip Tan Yuen Fah	20,000	20,000
Ho Ching@	50,000	50,000

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Directors' interests in shares or debentures *(continued)*

	1 January 2002 or date of appointment if later	31 December 2002	Exercise price \$	Exercisable period
<i>Options to Subscribe for Ordinary Shares of \$0.05 each</i>				
Philip Tan Yuen Fah	20,000	20,000	0.78	29.10.2001 to 28.10.2004
	100,000	100,000	0.55	24.8.2001 to 23.8.2005
	70,000	70,000	0.69	28.7.2002 to 27.7.2006
Holdings in the name of the director, spouse or infant children				
	1 January 2002 or date of appointment if later	31 December 2002		
SMRT Corporation Ltd				
<i>Ordinary Shares of \$0.10 each</i>				
Tan Guong Ching			11,000	11,000
Quek Poh Huat			8,000	8,000
Singapore Airport Terminal Services Ltd				
<i>Ordinary Shares of \$0.10 each</i>				
Professor Lui Pao Chuen			20,000	20,000
SIA Engineering Company Ltd				
<i>Ordinary Shares of \$0.10 each</i>				
Professor Lui Pao Chuen			20,000	20,000
The Ascott Group Limited				
<i>Ordinary Shares of \$0.20 each</i>				
Philip Tan Yuen Fah			35,181	35,181
Professor Lui Pao Chuen			24,180	64,180
Winston Tan Tien Hin			35,181	–
	1 January 2002 or date of appointment if later	31 December 2002	Exercise price \$	Exercisable period
The Ascott Group Limited				
<i>Options to Subscribe for Ordinary Shares of \$0.20 each</i>				
Peter Seah Lim Huat	–	12,000	0.353	5.5.2003 to 4.5.2012
Ho Ching@	16,000	16,000	0.37	21.12.2001 to 19.12.2005
	12,000	12,000	0.32	30.6.2002 to 29.6.2006

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Directors' interests in shares or debentures (continued)

		Holdings in the name of the director, spouse or infant children			
		1 January 2002 or date of appointment if later			31 December 2002
CapitaLand Limited					
<i>Ordinary Shares of \$1.00 each</i>					
Peter Seah Lim Huat		113,000			113,000
Professor Lui Pao Chuen		34,600			34,600
		1 January 2002 or date of appointment if later	31 December 2002	Exercise price \$	Exercisable period
<i>Options to Subscribe for Ordinary Shares of \$1.00 each</i>					
Peter Seah Lim Huat		–	90,000	1.71	11.5.2003 to 10.5.2007
Lucien Wong Yuen Kuai		53,850	53,850	2.54	13.6.2001 to 11.6.2005
		100,000	100,000	2.50	19.6.2002 to 18.6.2006
		–	70,000	1.71	11.5.2003 to 10.5.2007
		Holdings in the name of the director, spouse or infant children			
		1 January 2002 or date of appointment if later			31 December 2002
CapitaMall Trust Management Limited					
<i>Unit Holdings in CapitaMall Trust</i>					
Peter Seah Lim Huat				–	50,000
Lim Neo Chian@				–	150,000
Tan Pheng Hock				–	10,000
Winston Tan Tien Hin				–	70,000
Lucien Wong Yuen Kuai				–	50,000
SNP Corporation Ltd					
<i>Ordinary Shares of \$0.50 each</i>					
Winston Tan Tien Hin				94,495	54,494
Singapore Computer Systems Limited					
<i>Ordinary Shares of \$0.25 each</i>					
Quek Poh Huat				15,000	15,000

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Directors' interests in shares or debentures (continued)

	1 January 2002 or date of appointment if later	31 December 2002	Exercise price \$	Exercisable period
STT Communications Ltd				
<i>Options to Subscribe for Ordinary Shares of \$0.50 each</i>				
Peter Seah Lim Huat	–	8,000	0.50	29.6.2003 to 28.6.2012
StarHub Pte Ltd				
<i>Options to Subscribe for Ordinary Shares of \$0.10 each</i>				
Peter Seah Lim Huat	–	150,000	0.22	30.11.2003 to 29.11.2012

@ Resigned on 1 January 2003.

† Held in trust by a trustee company on behalf of the directors.

The actual number of shares to be delivered will depend on the level of achievement of set performance targets in ST Engg over a 3 year period from 2000 to 2002. Achievement below 80% target level will mean no performance shares will be delivered, while achievement up to 200% will mean up to twice the number of conditional performance shares awarded could be delivered.

* The actual number of shares to be delivered will depend on the level of achievement of set performance targets in ST Engg over a 3 year period from 2001 to 2003. Achievement below 80% target level will mean no performance shares will be delivered, while achievement up to 200% will mean up to twice the number of conditional performance shares awarded could be delivered.

^ The actual number of shares to be delivered will depend on the level of achievement of set performance targets in ST Engg over a 3 year period from 2002 to 2004. Achievement below 80% target level will mean no performance shares will be delivered, while achievement up to 200% will mean up to twice the number of conditional performance shares awarded could be delivered.

** As a result of Chartered Semiconductor Manufacturing Ltd's rights offering in September 2002, changes were made to both the exercise price and the number of shares of all outstanding options offered or granted. The adjustments were made by multiplying each existing option exercise price by 0.8531 and dividing the number of shares issuable upon exercise of each option by 0.8531.

On 20 September 2002, The Development Bank of Singapore Ltd announced, for and on behalf of Ellensburg Holding Pte Ltd ("Offeror"), a wholly owned subsidiary of Singapore Technologies Pte Ltd that the Offeror intends to make a voluntary conditional cash offer ("Offer") for all the issued ordinary shares of S\$0.20 each ("Shares") in the capital of Vertex Venture Holdings Ltd ("VVH"). The Offer became unconditional in all respects on 23 October 2002 and closed at 3.30 p.m. on 22 November 2002. On 9 December 2002, the Offeror exercised its right of compulsory acquisition to acquire the Shares of the VVH shareholders who have not accepted the Offer or have failed or refused to accept the Offer by 3.30 p.m. on 22 November 2002. VVH was delisted from the Official List of the Singapore Exchange Securities Trading Limited on 12 December 2002.

The SGX's Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interests of each director of the Company in the share capital of the Company. As the Directors' Report of the Company is dated 7 January 2003, the Company is unable to comply with the 21 days' requirement.

There was no change in any of the abovementioned directors' interests in the Company between the end of the financial year and 7 January 2003, except as disclosed above.

Directors' interests in contracts

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from related corporations and share options granted pursuant to the ST Engg Share Plans) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for professional fees paid to a firm of which a director is a member as shown in the financial statements.

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Dividends

Since the end of the previous financial year, the Company paid a final dividend of 2.5 cents per share less tax at 24.5% amounting to \$54,327,000 and a special dividend of 6.5 cents per share less tax at 24.5% amounting to \$141,250,000 and a special tax exempt dividend of 1.8 cents per share amounting to \$51,808,000 in respect of the previous financial year. In addition, the Company paid a net dividend of \$422,000 in respect of the previous year due to the issue of shares under the ST Engg Share Option Scheme before books closure date.

The directors propose a final dividend of 3.0 cents per share less tax at 22% amounting to \$67,485,000 and a special dividend of 10.2 cents per share less tax at 22% amounting to \$229,447,000 and a special normal exempt dividend of 1.8 cents per share amounting to \$51,911,000 and a special tax exempt (one-tier) dividend of 3.5 cents per share amounting to \$100,000,000 in respect of the year ended 31 December 2002.

Other statutory information

(a) Bad and doubtful debts

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to writing off bad debts and providing for doubtful debts of the Company. The directors have satisfied themselves that all known bad debts had been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off as bad debts or provided for as doubtful debts in the consolidated financial statements inadequate to any substantial extent.

(b) Current assets

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values and that adequate provision has been made for the impairment in value of such current assets.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report which would render the values attributable to current assets in the consolidated financial statements misleading.

(c) Charges on assets and contingent liabilities

Since the end of the financial year:

(i) no charge on the assets of the Company or any corporation in the Group which secures the liabilities of any other person has arisen; and

(ii) no contingent liability of the Company or any corporation in the Group has arisen.

(d) Ability to meet obligations

No contingent liability or other liability of the Company or any corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(e) Other circumstances affecting the financial statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the consolidated financial statements or financial statements of the Company misleading.

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Other statutory information (continued)

(f) Unusual items

Except as disclosed in the financial statements, in the opinion of the directors, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Group or of the Company during the financial year.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

(g) Changes in accounting policies

During the year, the Group has adopted new and revised Singapore Statements of Accounting Standard ("SAS"), resulting in changes in accounting policies. Such changes are disclosed in Note 2(y) to these financial statements.

Share plans

The Executive Resource and Compensation Committee ("ERCC") is responsible for administering the Singapore Technologies Engineering Share Option Plan ("ESOP"), the Singapore Technologies Engineering Performance Share Plan ("Performance Share Plan") and the Singapore Technologies Engineering Restricted Stock Plan (collectively "Share Plans").

The Committee members are Mr Peter Seah Lim Huat (Chairman), Mr Tan Guong Ching, Dr Philip Nalliah Pillai and Mr Ng Kee Choe (co-opted member).

Following approval of the new Share Plans by shareholders at the Extraordinary General Meeting held on 23 November 2000, the Singapore Technologies Engineering Executives' Share Option Scheme ("ESOS") was terminated.

During the financial year, except as disclosed below, there were no options granted by the Company to any person to take up unissued shares of the Company:

(a) Options granted under the ESOP

(i) During the financial year, the following options were granted under the ESOP. The fair value of options granted at the date of grant is estimated using the Black-Scholes option-pricing model on the basis of the following assumptions on dividend yield, risk-free interest rate, expected volatility and expected lives:

Date of grant	Exercisable period	No. of shares granted under options	Fair value of options \$	Exercise price \$	Dividend yield %	Risk-free interest rate %	Volatility rate %	Expected lives Years
7.2.2002	8.2.2003 to 7.2.2007	1,095,000	0.60	2.29	1.10	3.61	36.22	3
7.2.2002	8.2.2003 to 7.2.2012	12,591,440	0.60	2.29	1.10	3.61	36.22	3
12.8.2002	13.8.2003 to 12.8.2007	175,000	0.45	1.92	1.34	3.61	35.07	3
12.8.2002	13.8.2003 to 12.8.2012	12,870,947	0.45	1.92	1.34	3.61	35.07	3

DIRECTORS' REPORT 31 DECEMBER 2002
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Share plans (continued)

(ii) The options granted to directors under the ESOS/ESOP are as follows:

Name of participant	Options granted and accepted during the financial year under review	Aggregate options granted and accepted since commencement of ESOS/ESOP to end of financial year	Aggregate options exercised since commencement of ESOS/ESOP to end of financial year	Aggregate options outstanding as at end of financial year
Director of the Company				
<i>ESOS</i>				
Tan Pheng Hock	–	1,699,864	889,864	810,000
<i>ESOP</i>				
Peter Seah Lim Huat	89,000	89,000	–	89,000
Lim Neo Chian	–	452,500	–	452,500
Tan Pheng Hock	350,000	802,500	–	802,500
Philip Tan Yuen Fah	55,000	150,000	–	150,000
Winston Tan Tien Hin	105,000	220,000	–	220,000
Lucien Wong Yuen Kuai	59,000	134,000	–	134,000
Dr Philip Nalliah Pillai	62,000	137,000	–	137,000
Ho Ching	81,000	181,000	–	181,000
Quek Poh Huat	43,000	43,000	–	43,000

(iii) As at 31 December 2002, no options have been granted to controlling shareholders of the Company or associates of the Company and no employees have received 5% or more of the total options available under the ESOP.

(iv) In respect of options granted to employees of related corporations, a total of 54,000 options were granted during the financial year, making it a total of 114,000 options granted from the commencement of the ESOP to the end of the financial year.

(v) The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

(vi) Proforma Financial Effect under United States Financial Accounting Standard No. 123.

Strictly for information purposes only, the proforma profit after taxation and minority interests and the earnings per share would have been as follows had the Company accounted for the fair value of the options granted under United States Financial Accounting Standard No. 123:

	2002 \$'000	2001 \$'000 (Restated)
Profit after taxation and minority interests but before extraordinary items:		
As reported	330,711	342,252
Proforma	321,716	327,508
Earnings per share (in cents):		
As reported	11.47	11.92
Proforma	11.16	11.41
Diluted earnings per share (in cents):		
As reported	11.43	11.83
Proforma	11.12	11.32

DIRECTORS' REPORT 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Share plans *(continued)*

These proforma amounts may not be representative of future disclosures of the financial impact of share options granted since the estimated fair value of share options is determined in respect of grants made and accepted from financial years ended 31 December 2001 and 2002. The estimated fair value of the share options is amortised over the vesting period and additional options may be granted in future years.

(b) Issue of shares under option

During the financial year, 5,703,631 ordinary shares of \$0.10 each in the Company were issued pursuant to the exercise of options to take up unissued shares of the Company.

(c) Performance Share Plan

The Performance Share Plan was established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for ST Engg and its subsidiaries ("the ST Engg group"). Awards of performance shares, which are released to recipients free of payment, are granted conditional on performance targets set based on medium-term corporate objectives.

Pursuant to the Performance Share Plan, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a three-year performance period. The performance shares will only be released to the recipient at the end of the performance qualifying period. The final number of performance shares given will depend on the level of achievement of those targets over the three-year performance period. A specified number of performance shares shall be released by the ERCC to the recipient at the end of the performance period, provided the minimum level of targets achieved is not less than 80% of targets set.

Recipients who do not meet at least 80% of the targets set at the end of the performance period will not be given any performance shares. On the other hand, if targets set are exceeded by more than 100%, more performance shares than the original award could be delivered up to a maximum of 200% of the original award.

The medium-term stretched targets are set over a three-year performance period based on long-term corporate objectives. The three targets which have been set for the first and second awards are Total Shareholders' Return, Value Added per Employment Cost and EVA Spread.

During the financial year, the third grant of conditional awards aggregating 1,990,000 performance shares was made to 24 key executives of the ST Engg group, as part of the incentives plan to motivate key executives of the ST Engg group. The key executives included Mr Tan Pheng Hock, an executive Director of the Board, who was conditionally awarded 200,000 performance shares. This third conditional award was for the performance qualifying period of 2002 to 2004.

The award numbers are assumed to represent a 100% achievement of the targets set. If the executives exceed the targets set by a higher margin as indicated above, they could each be eligible for up to twice the number of performance shares stated in the conditional awards. On the other hand, if the target achievement is below the threshold level (<80%), they will not receive any performance shares.

The release of the performance shares can take the form of either a new issue of shares or purchase of existing shares as permitted under the Performance Share Plan.

To date, no release of awards has been made as the first grant of conditional awards based on a three-year qualifying period ended on 31 December 2002. Any release of performance shares under the first grant will be made in 2003 after the ERCC has assessed actual performance against the targets set. The total number of performance shares in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2002 was 3,354,000. Based on the multiplying factor, the actual release of the awards could range from zero performance shares to a maximum of 6,708,000 performance shares.

DIRECTORS' REPORT 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Share plans *(continued)*(c) Performance Share Plan *(continued)*

This number, aggregated with the share options granted and accepted under ESOP during the year would total a minimum of 25,204,233 shares representing shares under options and 31,912,233 shares representing shares under options and awards and is within the 15% limit allowed under the Share Plans.

In accordance with the accounting policy of the Group, the Group has provided \$291,940 (2001: \$1,132,000) of performance shares in the current financial year.

Audit Committee

The Audit Committee comprises three independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Audit Committee at the date of this report are as follows:

Philip Tan Yuen Fah *(Chairman)*

Dr Philip Nalliah Pillai

Venkatachalam Krishnakumar *(appointed on 1.8.2002)*

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board of Directors acting through the Audit Committee. The Audit Committee met during the year to review the scope of the internal audit functions and the scope of work of the statutory auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The Audit Committee also reviewed the assistance given by the Company's officers to the auditors. The consolidated financial statements of the Group and the financial statements of the Company were reviewed by the Audit Committee prior to their submission to the directors of the Company for adoption.

In addition, the Audit Committee has reviewed the requirements for approval and disclosure of interested person transactions, reviewed the procedures set up by the Group and the Company to identify and report and where necessary, seek approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The Audit Committee has recommended to the Board of Directors that the auditors, Ernst & Young, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors



Peter Seah Lim Huat

Director



Tan Pheng Hock

Director

Singapore

7 January 2003

STATEMENT BY DIRECTORS 31 DECEMBER 2002

We, Peter Seah Lim Huat and Tan Pheng Hock, being directors of Singapore Technologies Engineering Ltd, do hereby state that in the opinion of the Directors:

- (a) the financial statements set out on pages 110 to 178 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002, the results of the business and changes in equity of the Company and of the Group and cash flow of the Group for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors



Peter Seah Lim Huat
Director



Tan Pheng Hock
Director

Singapore
7 January 2003

AUDITORS' REPORT TO THE MEMBERS OF SINGAPORE TECHNOLOGIES ENGINEERING LTD

We have audited the financial statements of Singapore Technologies Engineering Ltd and the consolidated financial statements of the Group set out on pages 110 to 178, comprising the balance sheets of the Company and of the Group as at 31 December 2002, the profit and loss accounts and the statements of changes in equity of the Company and of the Group and statement of cash flow of the Group for the year ended 31 December 2002, and notes thereto. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended 31 December 2001 were audited by another auditor whose report dated 8 January 2002 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

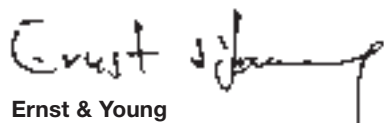
In our opinion,

- (a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group as at 31 December 2002, the results and changes in equity of the Company and of the Group and cash flow of the Group for the year then ended; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and, where they are required by the laws of the country of incorporation, the auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in Note 9 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.



Ernst & Young
Certified Public Accountants

Singapore
7 January 2003

BALANCE SHEETS AS AT 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS)

	Note	Group		Company	
		2002 \$'000	2001 \$'000 (Restated)	2002 \$'000	2001 \$'000
Share capital and reserves					
Share capital	3	288,395	287,825	288,395	287,825
Share premium	4	65,071	57,103	65,071	57,103
Capital reserve	5	115,948	115,948	–	–
Foreign currency translation reserve		6,641	16,986	–	–
Statutory reserve	6	108	65	–	–
Unappropriated profit	7	975,908	893,047	450,472	393,138
		1,452,071	1,370,974	803,938	738,066
Minority interests		35,937	25,473	–	–
		1,488,008	1,396,447	803,938	738,066
Fixed assets					
	8	451,684	365,691	188	146
Subsidiaries					
	9	–	–	326,091	265,852
Associated companies and joint ventures					
	10	207,237	176,223	–	–
Long-term investments					
	11	670,519	646,694	112,500	102,500
Intangible assets					
	12	20,578	1,001	–	–
Loan receivables, non-current					
	13	1,005	2,276	–	11
Deferred tax assets					
	14	76,846	84,148	–	–
Current assets					
Stocks and work-in-progress	15	628,547	563,298	–	–
Debtors, deposits and prepayments	16	991,332	1,443,865	113,122	194,934
Loan receivables, current	13	1,142	1,975	8	15
Other assets	17	28,032	289	–	–
Amounts under fund management	18	252,719	429,860	–	–
Bank balances and other liquid funds	19	1,020,885	862,469	288,580	206,511
		2,922,657	3,301,756	401,710	401,460
Current liabilities					
Advance payments from customers, current		434,085	515,923	–	–
Creditors and accruals	24	1,111,463	1,240,299	30,576	28,088
Provisions	25	190,699	216,063	–	–
Progress billings in excess of work-in-progress	15	180,153	150,402	–	–
Provision for taxation		187,770	171,886	5,800	3,815
Short-term bank loans (unsecured)	26	78,919	7,240	–	–
Floating rate bonds (unsecured), current	32	–	19,369	–	–
Lease obligations, current	27	1,549	1,117	–	–
Long-term bank loan, current	28	–	7,676	–	–
Bank overdrafts (unsecured)		–	503	–	–
		2,184,638	2,330,478	36,376	31,903
Net current assets		738,019	971,278	365,334	369,557
Non-current liabilities					
Advance payments from customers, non-current		655,002	826,004	–	–
Deferred income	30	2,509	3,179	–	–
Deferred tax liabilities	31	3,141	3,896	175	–
Provision for staff retirement benefits		357	342	–	–
Lease obligations, non-current	27	16,871	16,750	–	–
Long-term bank loan, non-current	28	–	693	–	–
		1,488,008	1,396,447	803,938	738,066

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS)

	Note	Group		Company	
		2002 \$'000	2001 \$'000 (Restated)	2002 \$'000	2001 \$'000
Turnover	33	2,619,191	2,470,067	382,215	282,111
Cost of sales		(1,950,308)	(1,830,243)	–	–
Gross profit		668,883	639,824	382,215	282,111
Other operating income	34	59,849	99,300	24,024	41,981
Distribution and selling expenses		(70,989)	(35,907)	1,046	(1,018)
Administration expenses		(217,963)	(256,062)	(21,458)	(34,492)
Other operating expenses		(49,752)	(58,915)	(1,482)	(1,967)
Profit from operations	35	390,028	388,240	384,345	286,615
Other income, net	37	4,941	19,290	500	366
Financial expenses	38	(2,897)	(3,205)	(59)	–
Exceptional item	39	(21,429)	–	–	–
		370,643	404,325	384,786	286,981
Share of results of associated companies and joint ventures		43,822	35,859	–	–
Amortisation of goodwill on acquisition of associated companies		(1,512)	(27)	–	–
Profit before taxation		412,953	440,157	384,786	286,981
Taxation	40	(79,743)	(93,286)	(79,645)	(64,941)
Profit after taxation		333,210	346,871	305,141	222,040
Minority interests		(2,499)	(4,619)	–	–
Net profit attributable to shareholders		330,711	342,252	305,141	222,040
Earnings per share (cents)	42				
Basic		11.47	11.92		
Diluted		11.43	11.83		

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS)

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Statutory reserve \$'000	Unappropriated profit \$'000	Total \$'000
The Group							
As at 1.1.2001							
– as previously stated	285,569	30,117	115,948	6,980	–	686,703	1,125,317
– change in accounting policy (Note 2)	–	–	–	–	–	91,614	91,614
– as restated	285,569	30,117	115,948	6,980	–	778,317	1,216,931
Foreign currency translation differences	–	–	–	10,006	–	–	10,006
Issue of shares	2,256	26,986	–	–	–	–	29,242
Net profit for the year	–	–	–	–	–	342,252	342,252
Dividends (Note 41)	–	–	–	–	–	(216,406)	(216,406)
Adjustment of goodwill on acquisition of associated companies due to subsequent identification (Note 10)	–	–	–	–	–	(11,051)	(11,051)
Transfer from unappropriated profit to statutory reserve	–	–	–	–	65	(65)	–
As at 31.12.2001	287,825	57,103	115,948	16,986	65	893,047	1,370,974
As at 31.12.2001							
– as previously stated	287,825	57,103	115,948	16,986	65	809,272	1,287,199
– change in accounting policy (Note 2)	–	–	–	–	–	83,775	83,775
– as restated	287,825	57,103	115,948	16,986	65	893,047	1,370,974
Foreign currency translation differences	–	–	–	(10,345)	–	–	(10,345)
Issue of shares	570	7,968	–	–	–	–	8,538
Net profit for the year	–	–	–	–	–	330,711	330,711
Dividends (Note 41)	–	–	–	–	–	(247,807)	(247,807)
Transfer from unappropriated profit to statutory reserve	–	–	–	–	43	(43)	–
As at 31.12.2002	288,395	65,071	115,948	6,641	108	975,908	1,452,071

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002 *(continued)*

(CURRENCY – SINGAPORE DOLLARS)

	Share capital \$'000	Share premium \$'000	Unappropriated profit \$'000	Total \$'000
The Company				
As at 1.1.2001	285,569	30,117	387,504	703,190
Issue of shares	2,256	26,986	–	29,242
Net profit for the year	–	–	222,040	222,040
Dividends (Note 41)	–	–	(216,406)	(216,406)
As at 31.12.2001	<u>287,825</u>	<u>57,103</u>	<u>393,138</u>	<u>738,066</u>
As at 31.12.2001	287,825	57,103	393,138	738,066
Issue of shares	570	7,968	–	8,538
Net profit for the year	–	–	305,141	305,141
Dividends (Note 41)	–	–	(247,807)	(247,807)
As at 31.12.2002	<u>288,395</u>	<u>65,071</u>	<u>450,472</u>	<u>803,938</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS)

	2002 \$'000	2001 \$'000 (Restated)
Cash flows from operating activities		
Profit before taxation including share of results of associated companies and joint ventures	412,953	440,157
Adjustment for items not involving outlay of funds:		
Share of results of associated companies and joint ventures	(43,822)	(35,859)
Depreciation of fixed assets	78,614	74,922
Amortisation of discount on floating rate bonds	–	297
Write-back of impairment in value of long-term investments	(6,285)	(3,817)
Fixed assets written off	182	89
Impairment of fixed assets	1,882	2,105
Profit on disposal of fixed assets	(24)	(1,545)
Profit on disposal of investments	(406)	(1,871)
Provision for loss from divestment of an associated company	–	3,750
Provision for impairment of investment in associated company	737	–
Interest expense	2,897	2,908
Interest income	(29,024)	(62,747)
Dividends from investments	(1,254)	(203)
Amortisation of goodwill, net	3,369	884
Amortisation of intellectual property rights	913	–
Operating profit before working capital changes	420,732	419,070
(Increase)/decrease in working capital:		
Stocks and work-in-progress	(57,150)	(114,192)
Progress billings in excess of work-in-progress	29,751	33,273
Assets held for disposal	(27,743)	–
Amounts under fund management	172,891	115,608
Trade debtors	(45,348)	16,905
Advance payments to suppliers	97,944	73,906
Other debtors, deposits and prepayments	(9,696)	(6,431)
Holding company and related corporations balances	(1,407)	(6,529)
Associated companies balances	(4,364)	(250)
Joint ventures balances	(1,688)	(3,812)
Trade creditors	(48,224)	97,619
Advance payments from customers	(252,576)	(174,798)
Other creditors, accruals and provisions	(105,817)	(3,790)
Loans to staff and third parties, net of repayments	1,271	5,496
Minority shareholders' balances	–	(1,073)
Cash generated from operations	168,576	451,002
Interest received	28,867	62,604
Income tax paid	(50,583)	(93,976)
Deferred income	(415)	(75)
Exchange difference on operating activities	(11,515)	4,314
Net cash from operating activities	134,930	423,869

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2002 *(continued)*

(CURRENCY – SINGAPORE DOLLARS)

	2002 \$'000	2001 \$'000 (Restated)
Cash flows from investing activities		
Proceeds from sale of fixed assets	910	2,923
Proceeds from sale of associated companies	–	219
Dividends from associated companies	14,053	3,728
Dividends from investments	1,254	203
Proceeds from sale and maturity of investments	21,798	35,291
Purchase of fixed assets	(170,872)	(91,648)
Purchase of investments	(16,087)	(15,914)
Proceeds from capital redemption of long-term investments	–	630
Loan to an investee company	–	(289)
Additional investment/acquisition of associated companies and joint ventures	(16,549)	(5,587)
Acquisition of subsidiaries	(1,254)	(672)
Acquisition of additional interest in subsidiaries	(5,028)	(1,753)
Deconsolidation of subsidiaries	(28)	–
Repayments/(additions) of loans to associated companies and joint ventures	1,488	(844)
Exchange difference on investing activities	(1,142)	(3,204)
Net cash used in investing activities	(171,457)	(76,917)
Cash flows from financing activities		
Capital contribution from minority shareholders of a subsidiary	3,849	2,188
Proceeds from issue of shares	8,538	29,242
Repayment of amount due to minority shareholders	(1,190)	–
Repayment of long-term bank loan	(8,563)	(6,620)
Repayment of floating rate bonds	(19,369)	–
Additions/(repayment) of lease obligations	541	(88)
Proceeds from short-term bank loans, net of repayment	70,873	(85)
Dividend paid to shareholders of the Company	(247,807)	(216,406)
Dividend paid to minority shareholders of subsidiaries	(2,690)	(2,764)
Interest paid	(3,053)	(2,990)
Exchange difference on financing activities	(552)	1,340
Net cash used in financing activities	(199,423)	(196,183)
Net (decrease)/increase in cash and cash equivalents	(235,950)	150,769
Cash and cash equivalents at beginning of year	2,223,271	2,071,174
Exchange difference on cash and cash equivalents at beginning of the year	–	1,328
Cash and cash equivalents at end of year (Note 44)	1,987,321	2,223,271

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2002 *(continued)*
 (CURRENCY – SINGAPORE DOLLARS)

Summary of Effect of Changes on Acquisition and Deconsolidation of Subsidiaries:

The attributable net assets acquired of subsidiaries for the financial year ended 31 December 2002 are as follows:

	\$'000
Goodwill on consolidation	13,699
Fixed assets	1,514
Intangible assets	915
Current assets	19,997
Current liabilities	(9,217)
Non-current liabilities	(1,905)
Minority interest	(7,358)
Share of net assets previously recognised	(1,116)
Purchase consideration	16,529
Less: Cash and cash equivalents acquired	(10,247)
Cash outflow on acquisition, net of cash and cash equivalents acquired	<u>6,282</u>

The attributable net assets deconsolidated of Siamant Verfahrensentwicklung im Bereich Keramischer Werkstoffe GmbH & Co. KG and Siamant Verfahrensentwicklung im Bereich Keramischer Werkstoffe Verwaltung GmbH are as follows:

Fixed assets	1,740
Current assets	457
Current liabilities	(1,676)
Loans payable, non-current	<u>(521)</u>
	-
Less: Cash and cash equivalents deconsolidated	(28)
Cash outflow on deconsolidation, net of cash and cash equivalents	<u>28</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is a public limited company domiciled and incorporated in Singapore. The address of the Company's registered office and principal place of business is 51 Cuppage Road #09-08 Singapore 229469.

The Company's immediate holding company and ultimate holding company are Singapore Technologies Pte Ltd and Temasek Holdings (Private) Limited respectively, both incorporated in Singapore.

The principal activities of the Company, are those of an investment holding company and the provision of engineering and related services. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

The financial statements of Singapore Technologies Engineering Ltd and the consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries as at 31 December 2002 and for the year then ended were authorised and approved by the Board of Directors for issue on 7 January 2003.

The Group and Company employed 11,656 and 51 (2001 : 11,170 and 51) employees as at 31 December 2002, respectively.

2. Significant accounting policies

(a) Basis of financial statements preparation

The financial statements, expressed in Singapore dollars, are prepared in accordance with Singapore Statements of Accounting Standard ("SAS") and the historical cost convention, modified by the revaluation of certain fixed assets.

(b) Basis of consolidation

- (i) The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included from the effective date of acquisition or up to the effective date of disposal. All significant intercompany balances and transactions are eliminated on consolidation.

In the consolidated financial statements, subsidiaries are accounted for using the purchase method, except for the Company's interests in Singapore Technologies Aerospace Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Kinetics Ltd, and Singapore Technologies Marine Ltd [collectively referred to as the "Scheme Companies"] which resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 ("the Act") in 1997.

As the amalgamation of the Scheme Companies constitutes a uniting of interests, the pooling of interests method has been adopted in the preparation of the consolidated financial statements in connection with the amalgamation.

Under the pooling of interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is recorded as merger reserve. The merger reserve had been utilised in prior years to partially write off the goodwill on acquisition of Founders Industries Pte Ltd and its subsidiaries.

- (ii) The Group adopts the equity method to account for its interests in associated companies and joint ventures.

The Group's share of the post-acquisition results of associated companies and joint ventures is included in the consolidated profit and loss account. The Group's share of the post-acquisition accumulated profits and reserves of associated companies and joint ventures is included in the carrying value of the investments in the consolidated balance sheet.

For this purpose, the audited financial statements of the associated companies and joint ventures are used. Where audited financial statements are not available, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

2. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

- (iii) Goodwill or reserve on consolidation represents the excess or deficiency of the purchase consideration over the fair value (assigned by the directors) of the underlying net assets of the subsidiaries, associated companies and joint ventures at the date of acquisition. Goodwill arising on consolidation is capitalised and amortised on a straight-line basis to the consolidated profit and loss account over a period up to a maximum of 20 years.

Negative goodwill (i.e. the excess of the fair value of the net identifiable assets acquired over the cost of acquisition) that does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition and does not exceed the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

Goodwill and fair value adjustments arising from the acquisition of a foreign subsidiary are treated as assets or liabilities and translated at exchange rates ruling at the balance sheet date.

- (iv) In the preparation of the consolidated financial statements, the balance sheets of foreign subsidiaries, associated companies and joint ventures are translated into Singapore dollars at rates of exchange ruling at the balance sheet date except for share capital and reserves which are translated at historical rates of exchange. Operating results are translated at average rates of exchange for the year. Translation differences are taken to the Foreign Currency Translation Reserve.

(c) Long-term investments

(i) Subsidiaries

Subsidiaries are those companies controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the financial statements of the Company at cost.

(ii) Associated Companies and Joint Ventures

An associated company, is a company not being a subsidiary or joint venture, in which the Group has a substantial interest of not less than 20 percent of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

A joint venture is a company, not being a subsidiary or associated company, in which the Group has a long-term interest of not more than 50 percent of the equity and has joint control over the investee company's financial and operating policies.

Investments in associated companies and joint ventures are stated in the financial statements of the Company at cost.

(iii) Other long-term investments

Other investments held for long-term purposes are stated at cost. Distributions from unquoted equity investments of a venture fund or a limited partnership nature are treated as reductions in investment costs until the costs are fully recovered, after which the distributions are recognised as income.

(iv) Quoted investments

Quoted investments excluding quoted bonds, are stated at the lower of cost and market value determined on a portfolio basis.

Quoted bonds held on a long-term basis are stated at the lower of cost, adjusted for amortisation of premiums and accretion of discounts, and market value determined on a portfolio basis.

Provision for impairment in value of long-term investments (other than quoted investments) is made when, in the opinion of the directors, there has been a decline, other than a temporary decline in the value of the investments.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

2. Significant accounting policies (continued)

(d) Short-term investments

- (i) Short-term investments, excluding bonds, are stated at the lower of cost and market value determined on a portfolio basis. Cost is determined on the weighted average method.
- (ii) Bonds are stated at the lower of cost, adjusted for the amortisation of premium and accretion of discount, and market value determined on a portfolio basis. Cost is determined on the weighted average method.

Premium or discount on purchase of investment is amortised over the period of investment.

(e) Amounts under fund management

Amounts under fund management are stated at the principal sums net of impairment loss and/or provision for impairment in value on an individual fund basis.

Provision for impairment in value is made up to the non-guaranteed returns of the principal sums by the fund managers when the market value of the fund is below cost.

(f) Fixed assets and depreciation

Fixed assets are stated at cost or valuation, net of depreciation and any impairment loss. Depreciation is provided on the straight-line basis so as to write off the cost of these assets over their estimated useful lives as follows:

Freehold land and buildings	– 30 years
Leasehold land and buildings	– Over the period of the lease of between 6.25 to 30 years
Buildings on rented properties	– 30 years
Improvements to premises	– 3 to 30 years
Wharves and slipways	– 10 to 16 years
Syncrolift and floating docks	– 10 years
Boats and barges	– 5 years
Plant and machinery	– 2 to 5 years
Production tools and equipment	– 3 to 5 years
Furniture, fittings, office equipment and computers	– 1 to 5 years
Transportation equipment and vehicles	– 4 to 5 years
Aircraft and aircraft engines	– 5 to 7 years

Low value assets costing less than \$1,000 individually are written off to the profit and loss account.

Construction-in-progress is not depreciated until each stage of development is completed and becomes operational.

Assets purchased specifically for projects are depreciated over the useful life of the class of assets or the duration of the project, whichever is shorter.

(g) Stocks and work-in-progress

Stocks are stated at the lower of cost (principally on the first-in, first-out basis) and net realisable value. Provision is made for deteriorated, damaged, obsolete and slow-moving stocks.

Work-in-progress is valued at cost less progress payments received and receivable. Cost includes all direct material and labour costs, equipment and sub-contracting services, together with appropriate overhead expenses. Provision for foreseeable losses on uncompleted contracts is made in the year in which such losses are determined.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

2. Significant accounting policies (continued)**(h) Trade and other debtors**

Trade and other debtors are recognised and carried at original invoiced amount less provision for doubtful debts.

Known bad debts are written off. Specific provisions are made for accounts considered to be doubtful. In addition, an amount is set aside as a general provision for doubtful debts to cover potential losses which, although not separately identified, can be present in any portfolio of debtors.

(i) Cash and cash equivalents

Cash consists of cash on hand and cash with banks or financial institutions, including fixed deposits. Cash equivalents are short-term, highly liquid investments and short-term loans to related corporations that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents are shown net of outstanding bank overdrafts.

(j) Loan receivables

Loan receivables are carried at cost less provision for doubtful loans.

(k) Impairment of assets

Fixed assets, intangible assets and long-term investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account for items of fixed assets, intangible assets and long-term investments carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased. The reversal is recorded in income.

(l) Trade and other creditors

Trade and other creditors are carried at cost.

(m) Borrowings

Borrowings are carried at cost net of transaction costs.

Borrowing costs are recognised as expenses in the period in which they are incurred.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(i) Warranties

The warranty provision represents the best estimate of the Group's contractual obligations at the balance sheet date. The provision is based on past experience and industry averages for defective products. The majority of the costs is expected to be incurred over the applicable warranty periods.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

2. Significant accounting policies (continued)**(n) Provisions (continued)****(ii) Liquidated Damages**

Provision for liquidated damages is made in respect of anticipated claims from customers on contracts of which deadlines are overdue or not expected to be completed on time in accordance with contractual obligations. The utilisation of provisions is dependent on the timing of claims.

(o) Deferred taxation

Deferred taxation is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

(p) Employee benefits**Employee equity compensation benefits**

Pursuant to the ST Engg Share Option Plan, certain directors and employees are granted non-transferable options to purchase the Company's shares. There are no charges to the profit and loss account upon the grant or exercise of options. When the options are exercised, equity is increased by the amount of the proceeds received.

Pursuant to the ST Engg Performance Share Plan and ST Engg Restricted Stock Plan (for executives only), the Company's shares can be awarded to certain employees and directors of the Group. An initial estimate would be made for the cost of compensation under the Performance Share Plan based on the number of shares expected to be awarded at the end of the performance period, valued at market price at the date of grant of the award. The cost is charged to the profit and loss account on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance criteria relate. At each reporting date, the compensation cost is remeasured based on the latest estimate of the number of shares that will be awarded considering the performance criteria and the market price of the shares at the reporting date. Any increase or decrease in compensation cost over the previous estimate is recorded in that reporting period. The final measure of compensation cost is based on the number of shares ultimately awarded and the market price at the date the performance criteria are met.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

2. Significant accounting policies (continued)**(q) Income recognition**

Income is recognised using the following methods:

- (i) Income from sale of goods and services rendered is recognised upon delivery of goods/services and acceptance by customers.
- (ii) Income from long-term contracts is recognised on the percentage of completion method. The stage of completion is measured by either:
 - (a) the proportion of costs incurred to estimated total costs to complete the contracts and is restricted by progress billings received or receivable; or
 - (b) when goods and services, representing part of a contract, are delivered, completed and billed; or
 - (c) upon completion of designated phases of a contract.

Provision for foreseeable losses on uncompleted contracts is made as soon as such losses are determinable.

- (iii) Dividend income is recognised when the shareholder's rights to receive payment is established.
- (iv) Management fee income is recognised on an accrual basis upon which management services are rendered.
- (v) For certain subsidiaries, the first 25 percent of the total commission receivable for each contract is treated as downpayment and is deferred and taken up in the profit and loss account only upon the discharge of specified contractual obligations. Commission income in respect of each contract in excess of the first 25 percent of the total amount receivable is taken up in the profit and loss account as and when it is billed. For certain back to back contracts, commission income is recognised upon delivery of goods and services.
- (vi) Any surplus arising from amounts under fund management can only be determined at the end of the relevant fund management period. Such surplus, if any, will be recognised as income then.
- (vii) Finance charges from hire purchase financing is recognised based on the sum of digits method over the finance period.
- (viii) Interest income is recognised on an accrual basis.

(r) Foreign currency translation

- (i) The accounting records of the companies in the Group are maintained in their respective measurement currencies. Transactions in foreign currencies during the financial year are recorded in the respective measurement currencies using exchange rates approximating those ruling at transaction dates, except for hedged transactions which are recorded at the contracted forward exchange rates.
- (ii) Monetary assets and liabilities in foreign currencies, except for foreign currency assets and liabilities hedged by forward exchange contracts, are translated into the respective measurement currencies at rates of exchange approximating those ruling at the balance sheet date. Foreign currency assets and liabilities hedged by forward exchange contracts are translated into the respective measurement currencies at the contracted forward exchange rates. All resultant exchange differences are dealt with through the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

2. Significant accounting policies (continued)

(s) Intangible assets

- (i) Research and development expenditure
Research and development expenditure is charged to the profit and loss account as and when incurred.
- (ii) Intellectual property rights
Costs relating to intellectual property rights which are acquired are capitalised and amortised on a straight-line basis over its estimated economic useful life of not more than twenty years.

(t) Hire purchase and finance leases

- (i) Assets acquired on hire purchase arrangements are capitalised in the financial statements and the corresponding obligation treated as a liability. The total interest, being the difference between the total instalments payable and the capitalised amount, is charged to the profit and loss account over the period of such hire purchase arrangements in equal monthly instalments to produce a constant rate of charge on the balance of capital repayments outstanding.
- (ii) Finance leases are those leasing agreements which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease items. Assets financed under such leases are treated as if they had been purchased outright at the present value of the minimum lease payments and the corresponding leasing commitments are shown as obligations to the lessors. Lease payments are treated as consisting of capital and interest elements and interest is charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.
- (iii) Assets acquired on hire purchase and finance lease arrangements are depreciated in accordance with the policy set out in (f) above.

(u) Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(v) Government grants

Grants in recognition of specific expenses are taken to income in the same year as the relevant expenses. Grants related to depreciable assets are deferred and allocated to income over the period in which such assets are depreciated and used in the projects subsidised by the grants.

(w) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

(x) Segments

For management purposes, the Group is organised on a world-wide basis into four major operating businesses which is the basis on which the Group reports its primary segment information.

Segment revenue, expenses and results include transfers between business segments and between geographical segments. Such transfers are accounted for on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

2. Significant accounting policies (continued)

(y) Changes in accounting policy

SAS 12 (2001) : Income Taxes

During the year, the Group applied SAS 12 (2001), Income Taxes, which became effective for financial periods beginning on or after 1 April 2001.

SAS 12 (2001) requires deferred tax to be calculated using the balance sheet liability method, for all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and the amounts used for income tax purposes. Deferred tax assets should be recognised when it is probable that sufficient taxable profit will be available against which the deferred tax assets can be utilised. Previously, tax was deferred on account of differences only to the extent that a tax liability was expected to materialise in the foreseeable future.

As a result, unrecognised deferred tax asset, net of minority interests, of \$91,614,000 as at 1 January 2001 was adjusted against unappropriated profit on that date. The comparative figures in the statements of profit and loss for the year ended 31 December 2001 have been restated in accordance with the new policy resulting in the Group's net profit attributable to shareholders for the year of \$342,252,000 being lower than previously reported by \$7,839,000 (last year as reported : \$350,091,000).

SAS 11 (Revised): Construction Contracts

SAS 16 (Revised): Revenue

With effect from 1 January 2002, the Group recognises revenue and costs from shipbuilding projects using the percentage of completion method. This has resulted in early adoption of SAS 11 and SAS 16, which are effective for financial periods beginning on or after 1 April 2002.

The effect of the change in accounting policies, has been accounted for in the current year and resulted in the inclusion of previously unrecognised profit before tax of the Group of \$993,000 (\$775,000 profit after tax). Proforma comparative information which assumes that the new accounting policies have always been in use is shown in Note 49.

3. Share capital

	Group and Company	
	2002	2001
	\$'000	\$'000
Authorised:		
4,999,999,999 ordinary shares of \$0.10 each and 1 special share of \$0.10 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
At beginning of the year		
2,878,248,631 (2001: 2,855,694,045) ordinary shares of \$0.10 each and 1 special share of \$0.10 each	<u>287,825</u>	285,569
Issued during the year		
5,703,631 (2001: 22,554,586) ordinary shares of \$0.10 each	<u>570</u>	<u>2,256</u>
At end of the year		
2,883,952,262 (2001: 2,878,248,631) ordinary shares of \$0.10 each and 1 special share of \$0.10 each	<u>288,395</u>	<u>287,825</u>

Included in share capital is a special share of \$0.10 issued to the Minister for Finance (Incorporated). The special share enjoys all the rights attached to the ordinary shares. In addition, the special share carries the right to approve any resolution to be passed by the Company, either in general meeting or by its Board of Directors, on certain matters specified in the Company's Articles of Association. The special share may be converted at any time into an ordinary share.

During the financial year, the Company issued 5,703,631 (2001: 22,554,586) ordinary shares of \$0.10 each for cash upon the exercise of the options under the ESOS.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. Share capital (continued)

At the end of the financial year, unissued ordinary shares of \$0.10 each of the Company under options granted to eligible employees and a director of the Company are as follows:

(i) Options outstanding under the ESOS/ESOP

	Number of shares	
	2002	2001
ESOS		
At beginning of the year	70,744,560	94,054,226
Exercised	(5,703,631)	(22,554,586)
Lapsed	(1,010,717)	(755,080)
At end of the year	<u>64,030,212</u>	<u>70,744,560</u>
ESOP		
At beginning of the year	26,853,164	–
Granted and accepted	25,204,233	26,901,788
Lapsed	(1,462,402)	(48,624)
At end of the year	<u>50,594,995</u>	<u>26,853,164</u>

(ii) Details of share options

2002

Details of share options to subscribe for ordinary shares of \$0.10 each pursuant to ESOS are as follows:

Date of grant	Balance as at 1.1.2002 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2002	No. of holders at 31.12.2002	Exercise price \$	Exercisable period
29.4.1998	36,000	–	–	36,000	1	1.390	30.4.2000 to 29.4.2003
7.8.1998	5,000	–	–	5,000	1	1.290	8.8.2000 to 7.8.2003
9.2.1999	24,480	–	–	24,480	1	1.418	10.2.2001 to 9.2.2004
6.12.1997	45,056	–	–	45,056	1	0.566	18.5.1999 to 28.6.2004
6.12.1997	23,310	–	41	23,269	3	0.873	18.5.1999 to 7.11.2004
6.12.1997	67,585	–	–	67,585	2	0.522	18.5.1999 to 24.12.2004
6.12.1997	34,764	–	41	34,723	3	0.905	18.5.1999 to 2.6.2005
6.12.1997	90,113	–	–	90,113	1	0.422	18.5.1999 to 17.6.2005
6.12.1997	92,641	–	–	92,641	2	0.357	18.5.1999 to 6.12.2005
6.12.1997	199,697	–	44,533	155,164	6	0.905	18.5.1999 to 3.4.2006
6.12.1997	258,920	–	258,920	–	–	0.471	18.5.1999 to 22.4.2006
6.12.1997	315,396	–	–	315,396	2	0.373	18.5.1999 to 30.8.2006
6.12.1997	251,727	–	–	251,727	4	0.465	18.5.1999 to 16.10.2006
6.12.1997	963,321	–	484,755	478,566	4	0.422	18.5.1999 to 2.4.2007
6.12.1997	171,716	–	70,531	101,185	5	0.629	18.5.1999 to 7.4.2007
6.12.1997	380,160	–	–	380,160	3	0.492	18.5.1999 to 24.4.2007
6.12.1997	292,824	–	46,235	246,589	4	0.720	11.9.1999 to 9.9.2007
29.4.1998	4,531,500	–	373,750	4,157,750	97	1.390	30.4.2000 to 29.4.2008
7.8.1998	620,000	–	90,000	530,000	138	1.290	8.8.2000 to 7.8.2008
9.2.1999	13,565,710	28,240	1,984,350	11,553,120	282*	1.418	10.2.2001 to 9.2.2009
10.8.1999	3,375,000	50,000	356,620	2,968,380	489*	2.000	11.8.2001 to 10.8.2009
10.8.1999	5,000	–	–	5,000	1	2.000	11.8.2001 to 10.8.2004
9.2.2000	33,561,640	700,477	721,855	32,139,308	640**	2.260	10.2.2002 to 9.2.2010
9.2.2000	1,250,000	–	–	1,250,000	2***	2.260	10.2.2002 to 9.2.2005
9.2.2000	7,894,000	56,000	1,272,000	6,566,000	157	1.808	10.2.2002 to 9.2.2010
6.9.2000	2,689,000	176,000	–	2,513,000	84	2.390	7.9.2002 to 6.9.2010
Total	<u>70,744,560</u>	<u>1,010,717</u>	<u>5,703,631</u>	<u>64,030,212</u>			

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. Share capital (continued)

Details of share options to subscribe for ordinary shares of \$0.10 each pursuant to ESOP are as follows:

Date of grant	Balance as at 1.1.2002 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2002	No. of holders at 31.12.2002	Exercise price \$	Exercisable period
19.2.2001	745,000	–	–	745,000	14#	2.720	20.2.2002 to 19.2.2006
19.2.2001	10,738,379	394,894	–	10,343,485	989**	2.720	20.2.2002 to 19.2.2011
19.2.2001	225,000	–	–	225,000	1***	2.720	20.2.2002 to 19.2.2006
10.8.2001	14,692,285	563,752	–	14,128,533	1,073	2.680	11.8.2002 to 10.8.2011
10.8.2001	452,500	–	–	452,500	1***	2.680	11.8.2002 to 10.8.2006
7.2.2002	611,000##	–	–	611,000	15#	2.290	8.2.2003 to 7.2.2007
7.2.2002	12,242,589##	363,365	–	11,879,224	1,118**	2.290	8.2.2003 to 7.2.2012
12.8.2002	132,000##	–	–	132,000	2#	1.920	13.8.2003 to 12.8.2007
12.8.2002	12,218,644##	140,391	–	12,078,253	1,170**	1.920	13.8.2003 to 12.8.2012
Total	52,057,397	1,462,402	–	50,594,995			

* Includes 1 executive Director and 1 past Director of the Company

** Includes 1 executive Director of the Company

*** Includes 1 past Director of the Company

Includes Directors of the Company and its subsidiaries

These numbers relate to options granted and accepted in 2002

2001

Details of share options to subscribe for ordinary shares of \$0.10 each pursuant to ESOS are as follows:

Date of grant	Balance as at 1.1.2001 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2001	No. of holders at 31.12.2001	Exercise price \$	Exercisable period
6.12.1997	329,732	–	329,732	–	–	0.905	5.4.1998 to 3.4.2001
6.12.1997	100,000	–	100,000	–	–	0.373	30.8.1998 to 30.8.2001
29.4.1998	36,000	–	–	36,000	1	1.390	30.4.2000 to 29.4.2003
7.8.1998	5,000	–	–	5,000	1	1.290	8.8.2000 to 7.8.2003
9.2.1999	24,480	–	–	24,480	1	1.418	10.2.2001 to 9.2.2004
6.12.1997	45,056	–	–	45,056	1	0.566	18.5.1999 to 28.6.2004
6.12.1997	51,944	–	28,634	23,310	4	0.873	18.5.1999 to 7.11.2004
6.12.1997	228,096	–	228,096	–	–	0.473	18.5.1999 to 13.12.2004
6.12.1997	85,170	–	17,585	67,585	2	0.522	18.5.1999 to 24.12.2004
6.12.1997	119,300	–	84,536	34,764	4	0.905	18.5.1999 to 2.6.2005
6.12.1997	90,113	–	–	90,113	1	0.422	18.5.1999 to 17.6.2005
6.12.1997	258,920	–	258,920	–	–	0.467	18.5.1999 to 16.7.2005
6.12.1997	86,306	–	86,306	–	–	0.401	18.5.1999 to 4.12.2005
6.12.1997	112,641	–	20,000	92,641	2	0.357	18.5.1999 to 6.12.2005
6.12.1997	525,310	–	325,613	199,697	8	0.905	18.5.1999 to 3.4.2006
6.12.1997	394,545	–	135,625	258,920	1	0.471	18.5.1999 to 22.4.2006
6.12.1997	57,268	–	57,268	–	–	0.747	18.5.1999 to 18.8.2006
6.12.1997	495,622	–	180,226	315,396	2	0.373	18.5.1999 to 30.8.2006
6.12.1997	297,962	–	46,235	251,727	4	0.465	18.5.1999 to 16.10.2006

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. Share capital (continued)

Details of share options to subscribe for ordinary shares of \$0.10 each pursuant to ESOS are as follows: (continued)

Date of grant	Balance as at 1.1.2001 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2001	No. of holders at 31.12.2001	Exercise price \$	Exercisable period
6.12.1997	1,774,285	–	810,964	963,321	7	0.422	18.5.1999 to 2.4.2007
6.12.1997	746,627	–	574,911	171,716	8	0.629	18.5.1999 to 7.4.2007
6.12.1997	380,160	–	–	380,160	3	0.492	18.5.1999 to 24.4.2007
6.12.1997	436,765	–	143,941	292,824	5	0.720	11.9.1999 to 9.9.2007
29.4.1998	8,600,750	–	4,069,250	4,531,500	113	1.390	30.4.2000 to 29.4.2008
7.8.1998	1,172,794	5,000	547,794	620,000	156	1.290	8.8.2000 to 7.8.2008
9.2.1999	27,916,400	280,240	14,070,450	13,565,710	333*	1.418	10.2.2001 to 9.2.2009
10.8.1999	3,838,500	25,000	438,500	3,375,000	557*	2.000	11.8.2001 to 10.8.2009
10.8.1999	5,000	–	–	5,000	1	2.000	11.8.2001 to 10.8.2004
9.2.2000	34,006,480	444,840	–	33,561,640	681**	2.260	10.2.2002 to 9.2.2010
9.2.2000	1,250,000	–	–	1,250,000	2***	2.260	10.2.2002 to 9.2.2005
9.2.2000	7,794,000	–	–	7,794,000	187	1.808	10.2.2002 to 9.2.2010
9.2.2000	100,000	–	–	100,000	1	1.808	1.10.2000 to 31.3.2002
6.9.2000	2,689,000	–	–	2,689,000	90	2.390	7.9.2002 to 6.9.2010
Total	94,054,226	755,080	22,554,586	70,744,560			

Details of share options to subscribe for ordinary shares of \$0.10 each pursuant to ESOP are as follows:

Date of grant	Balance as at 1.1.2001 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2001	No. of holders at 31.12.2001	Exercise price \$	Exercisable period
19.2.2001	1,000,000	–	–	1,000,000	16#	2.720	20.2.2002 to 19.2.2006
19.2.2001	10,757,003	48,624	–	10,708,379	1,025##	2.720	20.2.2002 to 19.2.2011
10.8.2001	30,000	–	–	30,000	1	2.680	11.8.2002 to 10.8.2006
10.8.2001	15,114,785	–	–	15,114,785	1,111##	2.680	11.8.2002 to 10.8.2011
Total	26,901,788†	48,624	–	26,853,164			

* Includes 1 executive Director and 1 past Director of the Company

** Includes 1 executive Director of the Company

*** Includes 1 past Director of the Company

Includes Directors of the Company and its subsidiaries and 1 past Director of the Company

Includes 2 executive Directors of the Company

† These numbers relate to options granted and accepted in 2001

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

3. Share capital (continued)

(i) Details of share options exercised

	No. of shares	Exercise price \$	Proceeds from share issue \$'000	Share price \$
2002				
January to March	4,342,626	0.422 – 2.260	6,663	2.25 – 2.42
April to June	846,341	0.422 – 2.260	1,164	1.95 – 2.24
July to September	416,363	0.422 – 1.808	583	1.65 – 1.93
October to December	98,301	0.905 – 1.418	128	1.57 – 1.81
	<u>5,703,631</u>			
2001				
January to March	13,503,134	0.373 – 1.418	17,222	2.52 – 2.76
April to June	3,697,035	0.422 – 1.418	4,916	2.54 – 2.69
July to September	4,273,224	0.357 – 2.000	6,013	2.01 – 2.76
October to December	1,081,193	0.401 – 2.000	1,091	2.10 – 2.55
	<u>22,554,586</u>			

4. Share premium

The share premium account may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares.

During the financial year, the movement in the share premium account arises from the issuance of 5,703,631 (2001: 22,554,586) ordinary shares of \$0.10 each at between \$0.422 and \$2.260 (2001: \$0.357 to \$2.000) per share for cash upon the exercise of options under the ESOS.

5. Capital reserve

This amount relates to share premium of the respective pooled enterprises, namely Singapore Technologies Aerospace Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Kinetics Ltd and Singapore Technologies Marine Ltd classified as capital reserve upon the pooling of interests during the financial year ended 31 December 1997.

6. Statutory reserve

A subsidiary follows the accounting principles and relevant financial regulations of the People's Republic of China ("PRC GAAP") applicable to wholly foreign-owned enterprises and Sino-foreign equity joint venture enterprises in the preparation of the accounting records and statutory financial statements. The subsidiary is required to appropriate 10% of the profit arrived at under PRC GAAP for each year to a statutory reserve. The appropriation to statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the subsidiary. The statutory reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

7. Unappropriated profit

	2002 \$'000	Group 2001 \$'000
Retained by:		
The Company	450,472	393,138
Subsidiaries	441,570	438,862
Associated companies and joint ventures	83,866	61,047
	<u>975,908</u>	<u>893,047</u>

8. Fixed assets

	As at 1.1.2002 \$'000	Additions \$'000	Valuation/Cost Arising from acquisition/ (deconso- lidation) of subsidiaries \$'000	Disposals \$'000	Reclassi- fications \$'000	Translation difference \$'000	As at 31.12.2002 \$'000
The Group							
At 1972 Valuation							
Leasehold land and buildings	1,919	–	–	–	–	–	1,919
Wharves and slipways	1,490	–	–	–	–	–	1,490
Syncrolift and floating docks	4,603	–	–	–	–	–	4,603
Plant and machinery	1,694	–	–	–	–	–	1,694
Furniture, fittings, office equipment and computers	279	–	–	–	–	–	279
At Cost							
Freehold land and buildings	1,147	43,093	–	–	–	–	44,240
Leasehold land and buildings	381,551	32,703	–	(3,722)	2,960	(2,137)	411,355
Buildings on rented properties	39,705	–	–	–	–	–	39,705
Improvements to premises	6,874	18,367	104	(24)	(122)	(31)	25,168
Wharves and slipways	19,631	–	–	–	–	–	19,631
Syncrolift and floating docks	61,624	6,274	–	–	56	–	67,954
Boats and barges	3,239	2,553	–	–	–	–	5,792
Plant and machinery	295,304	26,472	(229)	(5,356)	401	(3,507)	313,085
Production tools and equipment	110,363	14,947	68	(1,235)	69	(318)	123,894
Furniture, fittings, office equipment and computers	131,712	12,335	672	(10,847)	(85)	(794)	132,993
Transportation equipment and vehicles	10,846	926	53	(829)	–	(44)	10,952
Aircraft and aircraft engines	24,113	6,685	–	(156)	–	–	30,642
Construction-in-progress	4,081	6,517	(316)	(471)	(3,279)	8	6,540
	<u>1,100,175</u>	<u>170,872</u>	<u>352</u>	<u>(22,640)</u>	<u>–</u>	<u>(6,823)</u>	<u>1,241,936</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

8. Fixed assets (continued)

	Accumulated depreciation							As at 31.12.2002 \$'000
	As at 1.1.2002 \$'000	Depreciation charge for the year \$'000	Impairment loss \$'000	Arising from acquisition/ (deconsoli- dation) of subsidiaries \$'000	Disposals \$'000	Reclassi- fications \$'000	Translation difference \$'000	
The Group								
At 1972 Valuation								
Leasehold land and buildings	1,919	–	–	–	–	–	–	1,919
Wharves and slipways	1,490	–	–	–	–	–	–	1,490
Syncrolift and floating docks	4,603	–	–	–	–	–	–	4,603
Plant and machinery	1,694	–	–	–	–	–	–	1,694
Furniture, fittings, office equipment and computers	279	–	–	–	–	–	–	279
At Cost								
Freehold land and buildings	597	255	–	–	–	–	(5)	847
Leasehold land and buildings	176,688	18,918	–	–	(3,718)	–	(609)	191,279
Buildings on rented properties	16,434	1,175	–	–	–	–	–	17,609
Improvements to premises	4,151	1,511	–	11	(16)	(61)	(25)	5,571
Wharves and slipways	11,405	1,025	–	–	–	–	–	12,430
Syncrolift and floating docks	37,396	6,463	–	–	–	–	–	43,859
Boats and barges	3,239	145	–	–	–	–	(4)	3,380
Plant and machinery	254,019	18,398	–	254	(5,225)	66	(2,115)	265,397
Production tools and equipment	91,260	11,888	–	41	(1,212)	67	(210)	101,834
Furniture, fittings, office equipment and computers	112,059	14,733	–	246	(10,471)	(72)	(717)	115,778
Transportation equipment and vehicles	8,499	956	–	26	(774)	–	(49)	8,658
Aircraft and aircraft engines	8,752	3,147	1,882	–	(156)	–	–	13,625
	<u>734,484</u>	<u>78,614</u>	<u>1,882</u>	<u>578</u>	<u>(21,572)</u>	<u>–</u>	<u>(3,734)</u>	<u>790,252</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

8. Fixed assets (continued)

	Depreciation charge		Net book value	
	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000
The Group				
At 1972 Valuation				
Leasehold land and buildings	-	-	-	-
Wharves and slipways	-	-	-	-
Syncrolift and floating docks	-	-	-	-
Plant and machinery	-	-	-	-
Furniture, fittings, office equipment and computers	-	-	-	-
At Cost				
Freehold land and buildings	46	43,393	550	
Leasehold land and buildings	17,726	220,076	204,863	
Buildings on rented properties	1,003	22,096	23,271	
Improvements to premises	464	19,597	2,723	
Wharves and slipways	1,025	7,201	8,226	
Syncrolift and floating docks	6,358	24,095	24,228	
Boats and barges	-	2,412	-	
Plant and machinery	18,453	47,688	41,285	
Production tools and equipment	9,943	22,060	19,103	
Furniture, fittings, office equipment and computers	18,405	17,215	19,653	
Transportation equipment and vehicles	1,238	2,294	2,347	
Aircraft and aircraft engines	261	17,017	15,361	
Construction-in-progress	-	6,540	4,081	
	74,922	451,684	365,691	
At cost				
	As at 1.1.2002 \$'000	Additions \$'000	Disposals \$'000	As at 31.12.2002 \$'000
The Company				
Furniture, fittings, office equipment and computers	608	210	-	818
Accumulated depreciation				
	As at 1.1.2002 \$'000	Depreciation charge for the year \$'000	Disposals \$'000	As at 31.12.2002 \$'000
Furniture, fittings, office equipment and computers	462	168	-	630

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

8. Fixed assets (continued)

	Depreciation charge	Net book value	
	2001 \$'000	2002 \$'000	2001 \$'000
Furniture, fittings, office equipment and computers	66	188	146

Included in the above are fixed assets acquired under finance leases with a net book value of:

	Group	
	2002 \$'000	2001 \$'000
Leasehold land and buildings	5,966	6,239
Furniture, fittings, office equipment and computers	20	–
	<u>5,986</u>	<u>6,239</u>

The Group

(a) Assets which are shown at valuation are stated at values arrived at by an independent firm of professional valuers on 30 November 1972, on the basis of open market value for existing use. There is no fixed frequency of revaluation. Revaluation will be performed as and when deemed appropriate by the directors.

(b) The major properties of the Group comprise:

(i) Freehold land and buildings

Location	Description	Land area (sq. m.)	Net book value	
			2002 \$'000	2001 \$'000
Malaysia				
Awana Chalet 8th mile, Genting Highlands, 69000 Genting Highlands, Pahang	Staff recreation and apartment unit	117	188	212
USA				
7801 Trinity Drive Escatawpa Mississippi	Shipyards and buildings	839,564	7,314	–
5801 Elder Ferry Rd Moss Point Mississippi	Shipyards and buildings	227,151	6,603	–
5110 Washington Ave Pascagoula Mississippi	Shipyards and buildings	331,803	27,117	–

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

8. Fixed assets (continued)

(ii) Leasehold land and buildings

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2002 \$'000	2001 \$'000
Singapore					
501 Airport Road	Factory and office building	20 years from 1.6.1993	23,899	4,899	5,218
503 Airport Road	Factory and office building	20 years from 1.6.1993	7,175	1,418	1,551
540 Airport Road	Warehouse and office building	30 years from 15.8.1985	5,850	1,972	2,126
	Hangar and office building	30 years from 1.1.1984	18,918	5,964	6,470
8 Changi North Way	Hangar and office building	30 years from 1.1.1992	75,713	47,238	49,723
	Hangar and office building	22.5 years from 16.6.1999	14,860	4,566	4,660
24 Ang Mo Kio Street 65	Industrial and commercial buildings	30 years from 1.12.1982, renewable to 2042	23,970	14,824	15,396
5 Portsdown Road	Industrial and commercial buildings	3 years from 1.12.1999, renewable to 2010	88,400	2,068	2,517
5 Ubi Close	Car showroom cum workshop	30 years from 1.8.1994	6,274	20,846	21,868
33 Tuas Avenue 2	Factory and office building	30 years from 1.4.1996	6,669	3,408	3,555
16 Benoi Crescent	Industrial and commercial buildings	30 years from 16.7.1989	6,981	4,471	4,743
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028 (renewable to 10.10.2065)	120,000	8,632	9,308
2D Ayer Rajah Crescent	Industrial and commercial buildings	3 years from 1.4.2001 to 31.3.2004	29,404	3,441	6,194
14 & 16 Tuas Avenue 7	Industrial buildings	30 years from 16.8.1983	24,059	3,220	3,517
601 Rifle Range Road	Industrial buildings	Renewable every year*	1,380,983	6,518	8,478
15 Chin Bee Drive	Industrial building	60 years from 1.8.1973	39,640	6,516	7,290
16 Benoi Road	Administrative offices	56 years from 1.6.1969	20,224	–	–
7 Benoi Road	Buildings, foreshore and workshops	56 years from 1.6.1969	103,802	24,468	6,167
60 Tuas Road	Buildings, foreshore and workshops	30 years from 1.12.1992	125,262	10,848	11,608

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

8. Fixed assets (continued)

(ii) Leasehold land and buildings (continued)

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2002 \$'000	2001 \$'000
USA					
2100 9th Street Brookley Complex, Mobile, Alabama	Hangar and office building	22 years from 1.1.1991	103,825	20,030	23,182
7701 Lemmon Avenue Dallas, Texas	Hangar and office building	68 ¹ / ₄ years from 10.6.1955	71,227	10,197	11,228
9800 John Saunders Road, San Antonio, Texas	Hanger and office building	16 ⁷ / ₁₂ years from 1.6.2002	195,663	14,936	–

* This relates to buildings constructed by a subsidiary on properties rented from the Ministry of Defence on leases which are renewable every year. In view of the relationship between the landlord and the subsidiary, the cost of the buildings is depreciated over 30 years.

(iii) Buildings on rented properties

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2002 \$'000	2001 \$'000
Singapore					
540 Airport Road	Hangars and office building	3 years lease from 20.11.2000#	43,971	22,096	23,271

The buildings on rented properties relate to buildings constructed by one of the subsidiaries on properties rented from the Ministry of Defence on leases which are renewable every three years. In view of the relationship between the landlord and the subsidiary, the cost of the buildings on rented properties is depreciated over 30 years.

9. Subsidiaries

	Company	
	2002 \$'000	2001 \$'000
Unquoted shares, at cost:		
Singapore Technologies Aerospace Ltd	90,114	90,114
Singapore Technologies Electronics Limited	26,982	26,982
Singapore Technologies Kinetics Ltd	61,938	61,938
Singapore Technologies Marine Ltd	56,000	56,000
Vision Technologies Systems, Inc.	87,901	25,862
Singapore Technologies Dynamics Pte Ltd	6,000	2,800
ST Synthesis Pte Ltd	2,156	2,156
FusionTech Pte. Ltd.	1,000	–
	332,091	265,852
Provision for impairment	(6,000)	–
Carrying amount after provision for impairment	326,091	265,852

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

Details of the subsidiaries are as follows:

	Effective equity interest held by the Group	
	2002 %	2001 %
(a) Singapore Technologies Aerospace Ltd and its subsidiaries	100	100
ST Aerospace Engineering Pte Ltd and its subsidiaries:	100	100
ST PAE Holdings Pty Ltd	100	100
Pacific Flight Services Pte Ltd	100	100
ST Aerospace Engines Pte Ltd	100	100
ST Aerospace Systems Pte Ltd	100	100
ST Aerospace Supplies Pte Ltd and its subsidiary:	100	100
iShopAero Pte Ltd	100	65
ST Aerospace International Structures Pte Ltd	100	100
ST Aviation Resources Pte Ltd and its subsidiary*:	50	50
ST Aviation Resources 1 Limited*	50	50
ST Aviation Services Co Pte Ltd	80	80
Visiontech Investment Pte Ltd	100	100
Singapore Aerospace (UK) Investments Pte Ltd and its subsidiaries:	100	100
Singapore Technologies Engineering (Europe) Ltd	100	100
Airline Rotables Limited	100	100
Singapore Aerospace Kabushiki Kaisha	100	100
Visiontech Engineering Pte Ltd	51	51
ST Airport Ground Services Pte Ltd	100	100
Bournemouth Aviation Services Company Limited	60	–
Singapore British Engineering Pte Ltd@	51	32
(b) Singapore Technologies Electronics Limited and its subsidiaries	100	100
SEEL Electronic & Engineering Sdn Bhd	100	100
Singapore Engineering Software Pte Ltd	100	100
ST Training & Simulation Pte Ltd and its subsidiaries:	100	100
Interactive Visual Simulation Laboratory Pte Ltd	100	100
ST Education & Training Private Limited	70	–
CET Technologies Pte Ltd and its subsidiaries:	100	100
DigiSAFE Pte Ltd and its subsidiaries:	100	100
DataMark Technologies Pte Ltd	55.38	51
DigiSAFE, Inc.	100	100
Agilis Communication Technologies Pte Ltd	100	100
ST Electronics (Shanghai) Co., Ltd	100	100
iTS Technologies Pte Ltd	100	100
ST Electronics (Taiwan) Limited	100	100
Intellect Technologies, Incorporated	66.67	66.67
Ripple Systems Pty Ltd	70	–

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

	Effective equity interest held by the Group	
	2002 %	2001 %
(c) Singapore Technologies Kinetics Ltd and its subsidiaries	100	100
Singapore Ordnance Engineering Pte. Ltd.	100	100
Mobility Systems Pte Ltd and its subsidiaries:	100	100
Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe Verwaltung GmbH	–	54
Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe GmbH & Co. KG	–	54
Silvatech Global Systems Limited@	50**	20
Silvatech Systems Corporation Pte Ltd and its subsidiaries@:	50**	20
Int. Silvatech Industries Inc.@	50**	20
Silvatech Systems Marketing Inc.@	50**	20
STA Inspection Pte Ltd and its subsidiary:	100	100
JuzclickCar.com Pte Ltd	90	90
Singapore Commuter Private Limited	100	100
ST Automotive Industrial Pte Ltd	100	100
STA Investment Pte Ltd	100	100
ST Automotive (Vietnam) Pte Ltd	100	100
STA Detroit Diesel-Allison (Singapore) Pte Ltd	100	100
Shanghai Elite Electric Vehicles Co., Ltd	100	100
Kinetics Systems (Shanghai) Co. Ltd.	100	–
Founders Industries Pte Ltd and its subsidiaries:	100	100
Expert Systems Pte Ltd	100	100
Singapore Test Services Private Limited and its subsidiary:	100	100
SAO Industrial Services Pte Ltd	100	100
Chartered Ammunition Industries Pte Ltd and its subsidiary:	100	100
Chartered Pyrotechnic Industries Private Limited	51	51
Unicorn International Pte Limited	100	100
Allied Ordnance of Singapore (Pte) Limited	100	100
Ordnance Development and Engineering Company of Singapore (Private) Limited and its subsidiary:	100	100
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	100	100
Autonomous Technology Pte Ltd†	100	100
(d) Singapore Technologies Marine Ltd and its subsidiary	100	100
STSE Engineering Services Pte Ltd	100	100

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

	Effective equity interest held by the Group	
	2002 %	2001 %
(e) Vision Technologies Systems, Inc. and its subsidiaries	100	100
Singapore Technologies Engineering (USA) Inc.	100	100
Vision Technologies Aerospace Incorporated and its subsidiaries:	100	100
ST Mobile Aerospace Engineering, Inc.	100	100
DalFort Aerospace GP, Inc.	100	100
DalFort Aerospace, L.P.	100	100
San Antonio Aerospace GP, LLC	100	–
San Antonio Aerospace LP	100	–
SA Supplies (USA) Inc.	100	100
Vision Technologies Marine, Inc.	100	100
VT Systems, Inc.	100	100
Vision Technologies Kinetics, Inc. and its subsidiary:	100	100
VT Halter Marine, Inc.	100	–
Vision Technologies Land Systems, Inc. and its subsidiary:	100	–
VT Dimensions, Inc.	100	–
(f) Singapore Technologies Dynamics Pte Ltd	100	100
(g) ST Synthesis Pte Ltd	100	100
(h) FusionTech Pte. Ltd.	100	–

* ST Aviation Resources Pte Ltd and ST Aviation Resources 1 Limited are deemed to be subsidiaries of Singapore Technologies Aerospace Ltd through the control of the composition of their board of directors.

† Shares of this subsidiary are held in trust by Directors of the subsidiary.

** The Group owns 50% plus one share in these companies.

@ These associated companies became subsidiaries during the year.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

Further details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Singapore Technologies Aerospace Ltd	Investment holding and provision of engineering, marketing and engineering support services	Singapore
ST Aerospace Engineering Pte Ltd	Repair, maintenance and servicing of aircraft	Singapore
ST PAE Holdings Pty Ltd	Investment holding	Australia
Pacific Flight Services Pte Ltd	Providing air transport services	Singapore
ST Aerospace Engines Pte Ltd	Repair and overhaul of aircraft engines	Singapore
ST Aerospace Systems Pte Ltd	Service, repair and overhaul of aircraft components	Singapore
ST Aerospace Supplies Pte Ltd	Trading and providing warehousing services for aircraft equipment, parts and components	Singapore
iShopAero Pte Ltd	E-commerce exchange for aerospace industry	Singapore
ST Aerospace International Structures Pte Ltd	Designing, developing and manufacturing aircraft, engines, equipment, accessories, components and such other parts	Singapore
ST Aviation Resources Pte Ltd	Investment holding	Singapore
ST Aviation Resources 1 Limited#	Investment holding and aircraft leasing business	British Virgin Islands
ST Aviation Services Co Pte Ltd	Repair, maintenance, modification and servicing of commercial aircraft	Singapore
Visiontech Investment Pte Ltd	Investment holding and dealing	Singapore
Singapore Aerospace (UK) Investments Pte Ltd	Investment holding	UK
Singapore Technologies Engineering (Europe) Ltd	Providing marketing and investment services to the Group	UK
Airline Rotables Limited	Providing component management and support services for aircraft	UK

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Singapore Aerospace Kabushiki Kaisha#	Providing marketing services to the Group	Japan
Visiontech Engineering Pte Ltd	Provision of engineering services for the repair, maintenance and modification of aircraft, aircraft equipment and components	Singapore
ST Airport Ground Services Pte Ltd	Investment holding and provision of airport ground cargo and passenger handling services	Singapore
Bournemouth Aviation Services Company Limited	Repair and maintenance of aircraft	UK
Singapore British Engineering Pte Ltd	Marketing and sale of a range of defence products and associated equipment and participating in the development of new products and systems	Singapore
Singapore Technologies Electronics Limited	Design, development, supply, integration and maintenance of transportation, intelligent building and defence electronic systems	Singapore
SEEL Electronic & Engineering Sdn Bhd	Sales of electronic instruments and equipment, electronic engineering and systems integration services for infrastructure projects as well as maintenance and calibration of electronic equipment	Malaysia
Singapore Engineering Software Pte Ltd	Design, development and supply of real-time/mission critical systems and provision of related maintenance services	Singapore
ST Training & Simulation Pte Ltd	Design, development, supply, integration and maintenance of training and simulation systems	Singapore
Interactive Visual Simulation Laboratory Pte Ltd	Design, development and manufacture of computers and data processing systems, as well as provision of services for the processing and maintenance of data and information	Singapore

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries *(continued)*

Name of subsidiary	Principal activities	Country of incorporation/ place of business
ST Education & Training Private Limited	Provision of education and training, management and consultancy services for operational and technical domains of maritime, aerospace and land services and industries	Singapore
CET Technologies Pte Ltd	Design, development, systems integration, manufacturing and sale of communication equipment, GPS-based fleet management system, traffic management system, info appliances and defence electronics	Singapore
DigiSAFE Pte Ltd	Design, development, sale and provision of technical support for information security products, solutions and services	Singapore
DataMark Technologies Pte Ltd	Develop and provide digital water marking and related solutions	Singapore
DigiSAFE, Inc.#	Marketing and provision of technical support for information security products and services	USA
Agilis Communication Technologies Pte Ltd	Manufacture of microwave components and sub-system, system integration and provision of related repairs and maintenance for the telecommunications and defence electronics industries	Singapore
ST Electronics (Shanghai) Co., Ltd	Development and manufacturing of computer control and management systems, microwave control systems, simulation and training systems and related software. Provision of related technical consultation and aftersales services and sale of in-house products.	People's Republic of China
ITS Technologies Pte Ltd	Development, marketing and maintenance of advance simulation and training systems for the aircraft and other industries	Singapore
ST Electronics (Taiwan) Limited#	Provide integration for large-scale system projects in rail, expressway and intelligent building management solutions	Taiwan

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Intelect Technologies, Incorporated#	Development and supply of a family of multi-access optical networking equipment	USA
Ripple Systems Pty Ltd	Development of mission critical real-time software applications for managing transportation networks (road and rail). Services include design, supply, development, integration, installation, commissioning and servicing.	Australia
Singapore Technologies Kinetics Ltd	Provision of design and engineering services, manufacture, sales and knowhow transfer of military and commercial vehicles, automotive subsystems, armament, weapons, weapon systems, ammunition and explosives and the provision of engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of vehicles and weapon systems, and trading in motor vehicles, equipment, vehicle spares and related accessories	Singapore
Singapore Ordnance Engineering Pte. Ltd.	Workshop and provision of engineering services	Singapore
Mobility Systems Pte Ltd	Investment holding	Singapore
Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe Verwaltung GmbH@#	Dormant	Germany
Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe GmbH & Co. KG@#	Development and manufacturing of high-end engineering ceramics	Germany
Silvatech Global Systems Limited#	Owns the intellectual property rights to electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions technologies, and equipment powered by such drives	British Virgin Islands
Silvatech Systems Corporation Pte Ltd	Designing, manufacturing, marketing and managing licencees of technologies and products using electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions, and equipment powered by such drives, globally	Singapore

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Int. Silvatech Industries Inc.#	Research and development, manufacturing and sales of electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions technologies, and equipment powered by such drives	Canada
Silvatech Systems Marketing Inc.#	Marketing of products to the North American market using electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions technologies, and equipment powered by such drives	Canada
STA Inspection Pte Ltd	Inspection of heavy goods vehicles, light vehicles, buses, motorcycles and cars	Singapore
JuzclickCar.com Pte Ltd*	Commission agent for the sale and purchase of quality used vehicles via the internet through on-line bidding and bargaining as well as a host of other automotive related activities to cater to the needs of the general motorists	Singapore
Singapore Commuter Private Limited	Dormant	Singapore
ST Automotive Industrial Pte Ltd	Provision of material handling equipment and systems design, fabrication and integration services, equipment and specialised vehicles trading and spares supplies	Singapore
STA Investment Pte Ltd	Investment dealing	Singapore
ST Automotive (Vietnam) Pte Ltd	Dormant	Singapore
STA Detroit Diesel-Allison (Singapore) Pte Ltd	Assembling and marketing of diesel engines and related products and the provision of technical services, field services, repair and maintenance services	Singapore
Shanghai Elite Electric Vehicles Co., Ltd	Manufacture and sale of electric bicycles and provision of vehicle repairs and consultancy services	People's Republic of China

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Kinetics Systems (Shanghai) Co. Ltd.	Manufacture of vehicle drive systems, industrial drive motors, small external combustion engines, and sale of self manufactured products	People's Republic of China
Founders Industries Pte Ltd	Investment holding and provision of management services to its subsidiaries	Singapore
Expert Systems Pte Ltd	Dormant	Singapore
Singapore Test Services Private Limited	Provision of professional engineering consultancy, tests, inspection, certification and related services	Singapore
SAO Industrial Services Pte Ltd	Dormant	Singapore
Chartered Ammunition Industries Pte Ltd	Provision of design and engineering services, manufacture, sales, disposal and knowhow transfer of precision munitions, ammunition, armament, weapon systems, military equipment, explosives, hand-grenades, thunder-flashes, pyrotechnic products and gunpowder and the provision of engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of ammunition and weapon systems, and related services	Singapore
Chartered Pyrotechnic Industries Private Limited	Manufacture and sale of pyrotechnic products	Singapore
Unicorn International Pte Limited	Trading and marketing of military products	Singapore
Allied Ordnance of Singapore (Pte) Limited	Provision of design and engineering services, manufacture, sales and knowhow transfer of armament, weapons, weapon systems, ammunition, explosives, weapon magazines, military equipment, machines, tools, spares and components and the provision of engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of guns and weapons systems, and related services	Singapore

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Ordnance Development and Engineering Company of Singapore (Private) Limited	Investment holding	Singapore
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	Provision of design and engineering services, manufacture, sales and knowhow transfer of armament, weapons, weapon systems, ammunition, explosives, weapon magazines, military equipment, machines, tools, spares and components and the provision of engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of guns and weapons systems, and related services	Singapore
Autonomous Technology Pte Ltd##	Designing, developing and building of autonomous/adaptive industrial and/or customized robotic systems	Singapore
Singapore Technologies Marine Ltd	Construction and repair of naval and commercial vessels, design, integration, fabrication, installation of military and commercial engineering equipment and the provision of engineering consultancy and technical management services	Singapore
STSE Engineering Services Pte Ltd	Contractor, developer and sub-contractor of engineering and engineering related works and provider of turnkey engineering solutions	Singapore
Vision Technologies Systems, Inc.#	Investment holding	USA
Singapore Technologies Engineering (USA) Inc.#	Providing marketing services to the Group	USA
Vision Technologies Aerospace Incorporated#	Investment holding and providing investment services to the Aerospace sector	USA
ST Mobile Aerospace Engineering, Inc.#	Repair and maintenance of aircraft	USA
DalFort Aerospace GP, Inc.#	Investment holding	USA
DalFort Aerospace, L.P.#	Repair and maintenance of aircraft	USA
San Antonio Aerospace GP, LLC#	Investment holding	USA

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
San Antonio Aerospace LP#	Repair and maintenance of aircraft	USA
SA Supplies (USA) Inc.##	Dormant	USA
Vision Technologies Marine, Inc.##	Investment holding and providing investment services to the Marine sector	USA
VT Systems, Inc.##	Investment holding and providing investment services to the Group	USA
Vision Technologies Kinetics, Inc.##	Investment holding and providing investment services to Land Systems sector	USA
VT Halter Marine, Inc.##	Construction and repair of naval and commercial vessels, design, integration, fabrication, installation of engineering equipment and provision of engineering services	USA
Vision Technologies Land Systems, Inc.##	Investment holding	USA
VT Dimensions, Inc.##	Investment holding and licensing of intellectual properties	USA
Singapore Technologies Dynamics Pte Ltd	Design and development and systems integration of unmanned vehicles and guided weapons	Singapore
ST Synthesis Pte Ltd	Providing one-stop total integrated logistic support services	Singapore
FusionTech Pte. Ltd.	Investment holding	Singapore

Not required to be audited under the law in the country of incorporation.

Shares of this subsidiary are held in trust by directors of the subsidiary.

* This company became dormant during the year.

@ These entities have filed for insolvency during the year.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Subsidiaries (continued)

All subsidiaries that are required to be audited under the law of country of incorporation are audited by Ernst & Young, Singapore except for the following:

Name of subsidiary	Name of accounting firm
ST PAE Holdings Pty Ltd	Ernst & Young, Perth
Singapore Aerospace (UK) Investments Pte Ltd	Ernst & Young, Cambridge
Singapore Technologies Engineering (Europe) Ltd	Ernst & Young, Cambridge
Airline Rotables Limited	Ernst & Young, Cambridge
Bournemouth Aviation Services Company Limited	Ernst & Young, Cambridge
SEEL Electronic & Engineering Sdn Bhd	Ernst & Young, Kuala Lumpur
ST Electronics (Shanghai) Co., Ltd	Ernst & Young, Shanghai
ST Electronics (Taiwan) Limited	Ernst & Young, Diwan (Taiwan)
Silvatech Systems Corporation Pte Ltd	Paul Wan & Co., Singapore
Shanghai Elite Electric Vehicles Co., Ltd	Ernst & Young, Shanghai
Kinetics Systems (Shanghai) Co. Ltd.	Ernst & Young, Shanghai

10. Associated companies and joint ventures

	Group	
	2002 \$'000	2001 \$'000
Unquoted shares, at cost	137,238	124,742
Preference shares, at cost	9,928	4,252
Provision for impairment in value of investments	(4,845)	(2,188)
Adjustment of goodwill on acquisition of associated companies due to subsequent identification	(12,795)	(15,303)
Goodwill on acquisition written off	(1,737)	(1,737)
Goodwill on acquisition of associated companies and joint ventures	(10,066)	(819)
	117,723	108,947
Share of post-acquisition:		
Profits	83,866	61,047
Reserves	(1,660)	(2,567)
	199,929	167,427
Loan to an associated company	–	1,166
Investment in a joint venture	9,663	9,663
Provision for impairment in value of a joint venture	(2,355)	(2,033)
	207,237	176,223

The investment in a joint venture is effectively a quasi-equity loan to the joint venture.

The loan to an associated company was secured, bore interest at 7% per annum and was repaid during the year.

Subsequent adjustment

This related to goodwill arising from acquisition of associated companies in the financial year ended 31 December 2000 where the exact fair values were not determinable at the time of acquisition. The resulting goodwill was adjusted against unappropriated profits brought forward as at 1 January 2001 as it related to the acquisition of associated companies in the financial year ended 31 December 2000 and the accounting policy then was to write off goodwill on acquisition immediately against reserve.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

10. Associated companies and joint ventures (continued)

Subsequent adjustment (continued)

Movements in adjustment of goodwill on acquisition of associated companies due to subsequent identification during the year are as follows:

	Group	
	2002 \$'000	2001 \$'000
At beginning of the year	15,303	–
Reclassified from provision for impairment in value of Investments	–	4,252
Adjustment made to unappropriated profit	–	11,051
Adjustment on group restructuring	(2,508)*	–
At end of the year	12,795	15,303

* Due to the acquisition of additional equity interest in this associated company during the financial year, it has become a subsidiary.

Provision for impairment in value of investments

Movements in provision for impairment in value of investments during the year are as follows:

	Group	
	2002 \$'000	2001 \$'000
At beginning of the year	2,188	6,440
Provision made during the year	737	–
Reclassified to adjustment of goodwill on acquisition of associated companies due to subsequent identification	–	(4,252)
Acquisition of associated companies	1,920	–
At end of the year	4,845	2,188

Provision for impairment in value of a joint venture

Movements in provision for impairment in value of a joint venture during the year are as follows:

At beginning of the year	2,033	1,711
Charge to profit and loss account	322	322
At end of the year	2,355	2,033

The Group's share of the joint ventures' results and assets and liabilities are as follows:

Results

Turnover	11,302	21,315
Net loss for the year	(2,229)	(1,773)

Assets and liabilities

Non-current assets	10,574	12,848
Current assets	20,543	29,053
Current liabilities	(17,323)	(21,514)
Non-current liabilities	(9,700)	(14,573)
	4,094	5,814

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

10. Associated companies and joint ventures (continued)

(a) Details of the associated companies are as follows:

Name of associated company	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2002 %	2001 %
Aerospace Engineering Services Pty Ltd	Maintenance and servicing of aircraft	Australia	50	50
Aerospace Engineering Services Pty Ltd Unit Trust	Trustee of unit trust fund	Australia	50	50
Asian Aerospace Pte Ltd	Promoting and organising trade exhibitions in Singapore for systems, equipment, products and services in aerospace and defence-related applications on a biennial basis	Singapore	50	50
Changi Aviation Services Pte Ltd@	Investment holding	Singapore	–	50
Composite Technology International Pte Ltd	Repairing and rebuilding helicopter rotor blades	Singapore	33.33	33.33
Eurocopter South East Asia Private Limited	Selling, maintaining and overhauling of helicopters	Singapore	25	25
Singapore Precision Repair and Overhaul Pte Ltd	Repair and overhaul of aircraft and helicopter landing gears and its related components	Singapore	50	50
Turbine Coating Services Pte Ltd	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes	Singapore	24.5	24.5
Turbine Overhaul Services Pte Ltd	Repair and service of gas and steam turbine components	Singapore	49	49
Asia-Pacific Training and Simulation Pte Limited	Provision of simulator training services	Singapore	37.24	32.68
Green Dot Internet Services Pte Ltd	Web hosting services and development of e-commerce applications	Singapore	23.8	–
Infowave Pte Ltd	Design, development and supply of mobile computing and wireless communications products and solutions	Singapore	43	–

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

10. Associated companies and joint ventures (continued)

Name of associated company	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2002 %	2001 %
Mobile Solutions and Payment Services Pte Ltd	Mobile commerce and mobile solutions provider in Singapore and the Asia, Europe and US region	Singapore	30	–
mPayment Pte Ltd	To provide internet and telecommunication related services and consultancy services in information technologies	Singapore	31.8	–
RF Korea, Inc.	Design, manufacturing and sales of radio frequency modules, cellular phone repeater systems, optic transceiver and sensor products, and maintenance, service support and trading in relation to the stated products	Korea	22	–
Sentry Technologies Pte Ltd	Design, development and sale of computer security products	Singapore	35	35
ST LogiTrack Pte Ltd	Development and sales of radio frequency identification applications in the logistics and related industries	Singapore	50	50
Stegami Pte Ltd	Develop and provide internet-marketing solutions and services	Singapore	37.6	37.6
WizVision.com Pte Ltd	Providing information technology services and trading of computer accessories	Singapore	22	22
CIS - Oerlikon Pte Ltd	Dormant	Singapore	50	50
CityCab Pte Ltd	Rental of taxis and provision of premier bus service, charge card facilities and travel related services	Singapore	46.5	46.5
Defence Electronics of Singapore Pte Ltd	Manufacture and marketing of military fuses	Singapore	49	49
Nusantara Technologies Sdn. Bhd.	Provision of non-destructive testing services, ultrasonic flaw detection and gauging survey and pressure gauge calibration	Malaysia	49	49
Sino-Singapore Medical Disposables (Pte) Ltd	Completed liquidation in this financial year	Singapore	–	40

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

10. Associated companies and joint ventures (continued)

Name of associated company	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2002 %	2001 %
Solectria Corporation#	Designing, engineering and manufacturing of advanced electric, hybrid electric and fuel cell vehicle drives systems and related components	USA	43.3	43.2
Timoney Holdings Limited	Design and prototyping services and component supply for the automotive and aerospace engineering sectors	Republic of Ireland	25	–
Anchorville Pte Ltd	Construction, operation and maintenance of desalination projects and provision of related consultancy services on desalination plants	Singapore	30	30
AquaGen International Pte Ltd	Provision of water treatment services	Singapore	25	25
PT SSE-Van der Horst Indonesia	Provision of precision engineering services	Indonesia	37	37
NanoScience Innovation Pte Ltd	Research and development, manufacturing, distributing and trading of ultra fine structure, especially nano-scale, materials, devices, equipment and intellectual properties	Singapore	27.66	–

@ Disposed during the year.

The Group, through Singapore Technologies Kinetics Ltd ("STK"), invested in Solectria Corporation in the form of both common (43.3%) and preference shares (7.3%). STK holds more than half of the voting rights (50.6%) which makes Solectria Corporation a subsidiary of STK under the Companies Act. However, STK does not control the financial and operating policy decisions of Solectria Corporation as it does not control the composition of the Board of Directors. Hence, for the purpose of the application of Singapore Statement of Accounting Standard No. 26, the results of Solectria Corporation will not be consolidated in the Group financial statements. Instead, the results of Solectria Corporation are equity accounted for based on STK's interest in common stock shareholdings, in line with the Group's accounting policy on investments in associated companies as disclosed in Note 2(b)(ii).

(b) Details of joint ventures are as follows:

Name of joint venture	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2002 %	2001 %
GFM Electronics S.A. de C.V.	Promotion, distribution and sales of high technology systems, services and goods in the areas of communications, sensor and intelligent construction systems as well as electronic systems intended for airports, prisons stadium and industries	Mexico	50	50

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

10. Associated companies and joint ventures (continued)

Name of joint venture	Principal activities	Country of incorporation	Effective equity interest held by the Group	
			2002 %	2001 %
TranSys Pte Ltd	Market in-house developed railway products in Singapore and the targeted regions. Undertake large-scale system integration railway projects in Singapore and the targeted regions.	Singapore	50	50
SMART Systems Pte Ltd	Life systems integration of weapon system	Singapore	50	50
Takata CPI Singapore Pte Ltd	Manufacture of pyrotechnic components for seatbelts and air bags used in motor vehicles	Singapore	49	49
Joint Shipyard Management Services Pte Ltd	Construction of and managing workers' dormitories	Singapore	30	30
Joint Shipyard Technologies Pte Ltd	Undertaking, organising and promotion of research and development of new marine technologies	Singapore	14	14

All associated companies that are required to be audited under the law of country of incorporation, are audited by Ernst & Young, Singapore, except for the following:

Name of associated company/joint venture	Name of accounting firm
Asian Aerospace Pte Ltd	KPMG, Singapore
Composite Technology International Pte Ltd	Deloitte and Touche, Singapore
Eurocopter South East Asia Private Limited	KPMG, Singapore
Turbine Coating Services Pte Ltd	PricewaterhouseCoopers, Singapore
Turbine Overhaul Services Pte Ltd	PricewaterhouseCoopers, Singapore
Asia-Pacific Training and Simulation Pte Limited	KPMG, Singapore
Mobile Solutions and Payment Services Pte Ltd	KPMG, Singapore
mPayment Pte Ltd	Thong & Lim
Sentry Technologies Pte Ltd	Lee Seng Chan & Co
ST LogiTrack Pte Ltd	KPMG, Singapore
Stegami Pte Ltd	Thong & Lim
WizVision.com Pte Ltd	S.K. Cheng & Associates
CityCab Pte Ltd	Deloitte and Touche, Singapore
Nusantara Technologies Sdn. Bhd.	Deloitte Kassimchan, Malaysia
Timoney Holdings Limited	KPMG, Ireland
Anchorville Pte Ltd	KPMG, Singapore
AquaGen International Pte Ltd	KPMG, Singapore
PT SSE - Van der Horst Indonesia	Ernst & Young, Jakarta
GFM Electronics S.A. de C.V.	PricewaterhouseCoopers, Mexico
TranSys Pte Ltd	KPMG, Singapore

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. Long-term investments

	Group	
	2002	2001
	\$'000	\$'000
Quoted investments – at cost		
Singapore Government Securities	4,250	4,250
Equity shares:		
Related corporation	1,080	1,085
Non-related corporations	13,820	11,316
	<u>19,150</u>	<u>16,651</u>
Provision for impairment in value of investments in related corporation	(861)	(711)
Total quoted investments	<u>18,289</u>	<u>15,940</u>
Unquoted investments – at cost		
Equity shares:		
Related corporation	3,002	8,662
Non-related corporations	36,470	38,568
Venture capital funds and limited partnership	9,282	10,917
	<u>48,754</u>	<u>58,147</u>
Floating rate notes	619,250	600,655
Membership rights	905	1,015
Convertible loans	682	–
	<u>669,591</u>	<u>659,817</u>
Provision for impairment in value of investments	(17,361)	(29,063)
Total unquoted investments	<u>652,230</u>	<u>630,754</u>
Total long-term investments	<u>670,519</u>	<u>646,694</u>
Quoted investments – market value		
Singapore Government Securities	4,348	4,568
Equity shares:		
Related corporation	372	645
Non-related corporations	21,167	17,255
	<u>25,887</u>	<u>22,468</u>
Provision for impairment in value of quoted investments		
Movements in provision for impairment in value of quoted investments during the year are as follows:		
At beginning of the year	711	7,339
Charge/(write-back) to profit and loss account	150	(6,628)
At end of the year	<u>861</u>	<u>711</u>

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

11. Long-term investments (continued)

Provision for impairment in value of unquoted investments

Movements in provision for impairment in value of unquoted investments during the year are as follows:

	Group	
	2002	2001
	\$'000	\$'000
At beginning of the year	29,063	26,252
(Write-back)/charge to profit and loss account	(6,435)	2,811
Provision utilised	(5,972)	–
Arising from deconsolidation of subsidiaries	705	–
At end of the year	<u>17,361</u>	<u>29,063</u>

The Group and/or Company

The investments of the Company consist of Floating Rate Notes stated at cost.

The Floating Rate Notes ("FRNs") of the Group and the Company are issued by a related corporation, ST Treasury Services Limited, and guaranteed by the immediate holding company, Singapore Technologies Pte Ltd. As at 31 December 2002, these FRNs have a remaining maturity period of approximately 2 to 3 years and interest rates are fixed on a 3 or 6 months basis at the respective repricing dates. Interest rates range from 0.86% to 1.57% (2001: 0.93% to 3.21%) per annum, which are also the effective interest rates.

The holders of these FRNs have the option to redeem the FRNs at each repricing date. Accordingly, these FRNs are classified as cash and cash equivalents in the consolidated statement of cash flows (See Note 44).

12. Intangible assets

	Goodwill	Negative goodwill	Intellectual property rights	Total
	\$'000	\$'000	\$'000	\$'000
Group				
Cost				
At beginning of the year	2,663	(778)	–	1,885
Acquisition of subsidiary	13,976	(277)	915	14,614
Acquisition of associated companies and joint ventures	9,276	(29)	–	9,247
Translation difference	–	–	(29)	(29)
At end of the year	<u>25,915</u>	<u>(1,084)</u>	<u>886</u>	<u>25,717</u>
Accumulated amortisation				
At beginning of the year	949	(65)	–	884
Amortisation for the year	3,658	(289)	913	4,282
Translation difference	–	–	(27)	(27)
At end of the year	<u>4,607</u>	<u>(354)</u>	<u>886</u>	<u>5,139</u>
Net book value				
At 31 December 2002	<u>21,308</u>	<u>(730)</u>	<u>–</u>	<u>20,578</u>
At 31 December 2001	<u>1,714</u>	<u>(713)</u>	<u>–</u>	<u>1,001</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

12. Intangible assets (continued)

	Group	
	2002 \$'000	2001 \$'000
Related to:		
Subsidiaries	12,051	209
Associated companies and joint ventures	8,527	792
	20,578	1,001

13. Loan receivables

(a) Loan receivables comprise:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Housing and car loans and advances to staff	1,851	3,291	8	26
Loans to:				
Related corporations	7,030	7,030	-	-
Third parties	17,285	17,775	-	-
Provision for doubtful loans:				
Related corporations	(7,030)	(7,030)	-	-
Third parties	(17,285)	(17,775)	-	-
	-	-	-	-
Hire purchase receivables	296	960	-	-
	2,147	4,251	8	26
Receivable:				
Within 1 year	1,142	1,975	8	15
After 1 year	1,005	2,276	-	11
	2,147	4,251	8	26

Movements in provision for loans to third parties are as follows:

At beginning of the year	17,775	19,330	-	-
Write-back to profit and loss account	(3,064)	(1,555)	-	-
Attributable to the deconsolidation of subsidiaries	2,574	-	-	-
At end of the year	17,285	17,775	-	-

(b) Loans to related corporations are unsecured, interest-free and not expected to be repaid within the next 12 months.

(c) Included in the loans to third parties are:

- (i) an amount of \$4,233,000 (2001: \$4,513,000) which is secured by the third party's investment in a unit trust and the loan is repayable over a period of 12 years commencing from 1996. Interest is chargeable at 15% per annum calculated on the reducing balance basis.
- (ii) an amount of \$1,541,000 (2001: \$3,450,000) which is unsecured and repayable in 8 equal instalments, commencing from December 1999 over 4 years. Interest is repriced every 6 months and chargeable at United States Dollar 6-month LIBOR plus 1% per annum, which is also the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

13. Loan receivables (continued)

(iii) Included in the loan to third parties is an amount of approximately \$1,740,000 (2001: \$Nil) that is unsecured and repayable in 36 equal instalments commencing from March 2006 over 3 years. Interest is chargeable at 3% per annum from 1 March 2001 to 28 February 2006 and 6% per annum from 1 March 2006 to 28 February 2009.

An additional loan amounting to approximately \$834,000 (2001: \$Nil) was issued to the same third party during the financial year and is secured against a fixed asset of that entity, subject to certain conditions within the security agreement the third party had earlier entered into with a creditor bank. This loan is repayable in 30 equal instalments commencing from December 2002 over 2.5 years. A fixed interest is chargeable at 10% per annum.

Another third party was issued a loan amounting to approximately \$625,000 during the financial year and is unsecured and not expected to be repaid within the next 12 months. A fixed interest is charged at 10% per annum.

The remaining loan amount is secured by intellectual property rights of a certain third party and is not expected to be repaid within the next 12 months. Interest is repriced every month and chargeable at the United States Dollar prime rate plus 2% (2001: 2%) per annum, which is also the effective interest rate.

No interest income has been accrued for this financial year for the above loans due to the uncertainty of the collectibility of the interest income.

(d) Hire purchase receivables comprise:

	Gross investment receivable \$'000	Unearned interest income \$'000	Net investment receivable \$'000
Group			
2002			
Within 1 year	193	10	183
Within 2 to 5 years	115	2	113
	308	12	296
2001			
Within 1 year	435	26	409
Within 2 to 5 years	573	22	551
	1,008	48	960

The effective interest rate on these hire purchase receivables is between 4% and 6% (2001: 3% and 6%).

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

14. Deferred tax assets

	Group	
	2002	2001
	\$'000	\$'000
At beginning of the year		
As previously reported	–	–
Change in accounting policy (Note 2)	84,148	91,721
As restated	84,148	91,721
Write-down during the financial year	(7,092)	(7,946)
Share of deferred tax asset by minority interest	–	373
Translation differences	(210)	–
At end of the year	76,846	84,148
The deferred tax assets arise as a result of:		
Unabsorbed capital allowances and tax losses	(2,027)	(6,306)
Exchange differences, net	9	(714)
Excess of tax written down value over net book value of fixed assets	(678)	(1,129)
Provision for debts and stocks	24,989	22,823
Provision for warranties	30,045	39,261
Provision for liquidated damages	7,863	13,674
Provision for foreseeable losses	4,046	–
Other temporary differences	12,599	16,539
	76,846	84,148

15. Stocks and work-in-progress

Stocks

Stocks of equipment and spares, at cost	324,597	278,782
Provision for stock obsolescence	(107,194)	(90,195)
	217,403	188,587

Work-in-progress in excess of progress billings

Work-in-progress, including profits recognised	728,212	583,623
Provision for foreseeable losses	(22,942)	(39,681)
	705,270	543,942
Progress billings	(294,126)	(169,231)
	411,144	374,711
	628,547	563,298

Progress billings in excess of work-in-progress

Work-in-progress, including profits recognised	124,059	65,743
Progress billings	(304,212)	(216,145)
	(180,153)	(150,402)

Movements in provision for stock obsolescence during the year are as follows:

At beginning of the year	90,195	68,326
Charge to profit and loss account	18,847	22,560
Provision utilised	(1,316)	(1,154)
Translation difference	(532)	463
At end of the year	107,194	90,195

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

15. Stocks and work-in-progress (continued)

	Group	
	2002	2001
	\$'000	\$'000
Movements in provision for foreseeable losses during the year are as follows:		
At beginning of the year	39,681	24,194
Charge to profit and loss account	3,345	15,832
Provision utilised	<u>(20,084)</u>	<u>(345)</u>
At end of the year	<u>22,942</u>	<u>39,681</u>

16. Debtors, deposits and prepayments

		Group		Company	
	Note	2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Trade debtors	20	417,910	373,883	–	–
Advance payments to suppliers		151,193	249,137	–	–
Other debtors, deposits and prepayments	21	46,246	35,103	1,147	1,313
Due from:					
Immediate holding company (non-trade)		–	353	–	–
Subsidiaries (non-trade)		–	–	17,535	3,414
Related corporations	22	366,082	777,238	94,440	190,207
Associated companies	23	5,343	6,928	–	–
Joint ventures (trade)		3,498	66	–	–
Joint ventures (non-trade)		1,408	1,157	–	–
– provision for doubtful debts in joint ventures		<u>(348)</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>991,332</u>	<u>1,443,865</u>	<u>113,122</u>	<u>194,934</u>

Movements in provision for doubtful debts in joint ventures during the year are as follows:

	Group	
	2002	2001
	\$'000	\$'000
At beginning of the year	–	–
Charge to profit and loss account	9	–
Reclassification from provision for doubtful debts of trade debtors	<u>339</u>	<u>–</u>
At end of the year	<u>348</u>	<u>–</u>

17. Other assets

Assets held for disposal	27,743	–
Other investment	<u>289</u>	<u>289</u>
	<u>28,032</u>	<u>289</u>

Assets held for disposal

These assets form part of the total yard facilities acquired during the year. These assets are in excess of anticipated requirements in the short term. The assets are stated at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

17. Other assets (continued)

Other investment

During the last financial year, a subsidiary and a related corporation had jointly extended a convertible loan of US\$435,000 to an investee company in US, via a promissory note issued by the investee company. This was secured by the investee company's intellectual properties ("IP"). During the financial year, the investee company filed for Chapter 7 (Bankruptcy) due to failed fund raising attempts to sustain its business activities. The subsidiary and the related corporation had subsequently jointly bid for the IP of the investee company for the consideration of US\$435,000, of which US\$165,000 (S\$289,000) of the IP would relate to the portion of the convertible loan extended by the subsidiary.

18. Amounts under fund management

	2002 \$'000	Group 2001 \$'000
Principal sum of amounts under fund management at cost	257,825	426,369
Provision for impairment in value	<u>(10,606)</u>	<u>(2,009)</u>
	247,219	424,360
Principal sum of amounts under fund management at impaired value*	<u>5,500</u>	<u>5,500</u>
	<u>252,719</u>	<u>429,860</u>

* Relates to impaired value of 4 bonds originally carried at a cost of \$15.5 million. The bonds were defaulted by the issuers at maturity and accordingly written down to their estimated net realisable values. The net realisable values of these 4 bonds estimated by the fund manager amount to approximately \$5.5 million (2001 : \$5.5 million) as at 31 December 2002.

The terms of the management agreements, which are for periods ranging from 2 to 3 years (2001: 2 to 3.5 years), provide for the following:

- (a) the guarantee of the return of the principal sums from 95% to 100% (2001: 95% to 100%) by the fund managers at the end of the relevant fund management period; and
- (b) the fees payable to the fund manager include a share, in specified proportions, of any surplus (determined at the end of the relevant fund management period) arising from the management of the fund.

As the surplus, arising from the management of these funds can only be determined at the end of the relevant fund management period, such surplus, if any, will be recognised as income then.

Movement in provision for impairment in value of amounts under fund management during the year is as follows:

	2002 \$'000	Group 2001 \$'000
At beginning of the year	2,009	8,298
Charge/(write-back) to profit and loss account	<u>8,597</u>	<u>(6,289)</u>
At end of the year	<u>10,606</u>	<u>2,009</u>

Amounts under fund management can be analysed as follows:

Quoted equity investments at market value	4,367	–
Quoted bond investments at market value	188,664	267,456
Unquoted bonds at estimated net realisable value	5,500	5,500
Cash	<u>61,972</u>	<u>172,659</u>
	<u>260,503</u>	<u>445,615</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

19. Bank balances and other liquid funds

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Fixed deposits with financial institutions	937,944	757,517	281,605	164,968
Cash and bank balances	82,941	104,952	6,975	41,543
	<u>1,020,885</u>	<u>862,469</u>	<u>288,580</u>	<u>206,511</u>

Fixed deposits with financial institutions mature on varying periods within 6 months (2001: 6 months) from the financial year end. Interest rates range from 0.25% to 6.94% (2001: 0.39% to 7.25%) per annum, which are also the effective interest rates.

20. Trade debtors

	Group	
	2002 \$'000	2001 \$'000
Trade debtors	458,904	412,568
Provision for doubtful debts	(67,167)	(63,282)
	<u>391,737</u>	<u>349,286</u>
Unbilled receivables	26,173	24,597
	<u>417,910</u>	<u>373,883</u>
Movements in provision for doubtful debts during the year are as follows:		
At beginning of the year	63,282	73,309
Charge/(write-back) to profit and loss account	14,239	(10,019)
Bad debts written off against provision	(9,600)	(470)
Arising from acquisition of subsidiaries	235	–
Reclassification to provision for doubtful debts in joint ventures	(339)	–
Translation difference	(650)	462
At end of the year	<u>67,167</u>	<u>63,282</u>

21. Other debtors, deposits and prepayments

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Deposits	11,040	1,930	49	53
Prepayments	6,875	10,749	2	7
Interest receivable	3,574	3,417	776	1,129
Other recoverables	12,557	8,301	238	70
Non-trade debtors	12,200	10,706	82	54
	<u>46,246</u>	<u>35,103</u>	<u>1,147</u>	<u>1,313</u>

Non-trade debtors are stated after provision for doubtful debts:

	Group	
	2002 \$'000	2001 \$'000
At beginning of the year	50	50
Charge to profit and loss account	1	–
At end of the year	<u>51</u>	<u>50</u>

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

22. Due from related corporations

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade balances	6,592	14,195	–	–
Non-trade balances	12,323	2,403	–	1,365
Loans	347,186	760,650	94,440	188,842
Provision for doubtful debts	(19)	(10)	–	–
	<u>366,082</u>	<u>777,238</u>	<u>94,440</u>	<u>190,207</u>

Loans to related corporations are guaranteed by the immediate holding company, Singapore Technologies Pte Ltd.

These loans mature on varying periods within 4 months (2001: 6 months) from the financial year end. Interest rates range from 0.50% to 2.88% (2001: 0.93% to 6.24%) per annum, which are also the effective interest rates.

Movements in provision for doubtful debts during the year are as follows:

	Group	
	2002 \$'000	2001 \$'000
At beginning of the year	10	542
Charge/(write-back) to profit and loss account	9	(532)
At end of the year	<u>19</u>	<u>10</u>

23. Due from associated companies

Trade balances	4,397	5,013
Non-trade balances	946	1,915
	<u>5,343</u>	<u>6,928</u>

24. Creditors and accruals

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade creditors		479,530	525,589	–	147
Other creditors and accruals	29	624,793	701,006	21,402	26,736
Due to:					
Immediate holding company (trade)		907	398	–	–
Immediate holding company (non-trade)		1,768	12	25	664
Subsidiaries (non-trade)*		–	–	9,149	541
Related corporations (trade)		3,325	10,180	–	–
Related corporations (non-trade)		138	1,293	–	–
Associated companies (trade)		918	106	–	–
Associated companies (non-trade)		14	–	–	–
Joint ventures (trade)		70	1,715	–	–
		<u>1,111,463</u>	<u>1,240,299</u>	<u>30,576</u>	<u>28,088</u>

* Included in this balance in the Company is an amount of US\$5 million relating to a loan from a subsidiary. This loan is unsecured and interest is charged at a rate of 1.535% per annum, which is also the effective interest rate. This loan is repayable on 19 February 2003.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

25. Provisions

	2002 \$'000	Group 2001 \$'000
Provision for:		
Warranties	136,567	160,250
Liquidated damages	35,742	55,813
Foreseeable losses	18,390	–
	<u>190,699</u>	<u>216,063</u>
(a) Movements in provision for warranties during the year are as follows:		
At beginning of the year	160,250	227,995
Write-back to profit and loss account	(18,605)	(64,767)
Provision utilised	(4,916)	(3,170)
Translation difference	(162)	192
At end of the year	<u>136,567</u>	<u>160,250</u>
(b) Movements in provision for liquidated damages during the year are as follows:		
At beginning of the year	55,813	43,490
(Write-back)/charge to profit and loss account	(17,558)	14,334
Provision utilised	(2,513)	(2,056)
Translation difference	–	45
At end of the year	<u>35,742</u>	<u>55,813</u>
(c) Movements in provision for foreseeable losses during the year are as follows:		
At beginning of the year	–	–
Charge to profit and loss account	18,390	–
At end of the year	<u>18,390</u>	<u>–</u>

26. Short-term bank loans (unsecured)

Included in the short-term bank loans is an amount of \$69.7 million (2001: \$Nil) relating to a bank loan taken up by a US subsidiary. This loan is denominated in US dollars, unsecured and interest is charged at 1.86% per annum, which is also the effective interest rate. The loan is repayable on 21 February 2003.

27. Lease obligations

A subsidiary of Singapore Technologies Aerospace Ltd ("ST Aero") leases certain land, buildings, and equipment from a foreign Airport Authority (the "Authority") under a capital lease related to industrial revenue bonds issued by the Authority. Assets being leased are pledged as collateral against the bonds. The bonds have staggered maturity dates and the lease payments have been structured to coincide with the staggered maturities of the bonds with the final payment due on 1 November 2012, the expiration date of the lease.

In connection with the bond issue, the subsidiary entered into a letter of credit agreement for approximately US\$10,610,000, which is used to guarantee payments on the bonds in the event that the subsidiary is unable to make required lease payments. The letter of credit expires on 3 April 2007.

The subsidiary also leases certain land, buildings, and equipment from the Authority under an operating lease. The lease term coincides with the term of the capital lease.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

27. Lease obligations (continued)

The obligations under the finance lease to be paid by the subsidiary are as follows:

	Principal \$'000	Interest \$'000
2002		
1 year to 5 years	8,270	3,562
After 5 years	<u>10,338</u>	<u>1,563</u>
Total	18,608	5,125
Discount	<u>(188)</u>	<u>–</u>
	<u>18,420</u>	<u>5,125</u>
Repayable:		
Within 1 year	1,549	
After 1 year	<u>16,871</u>	
	<u>18,420</u>	
2001		
1 year to 5 years	6,639	5,800
After 5 years	<u>11,562</u>	<u>3,154</u>
Total	18,201	8,954
Discount	<u>(334)</u>	<u>–</u>
	<u>17,867</u>	<u>8,954</u>
Repayable:		
Within 1 year	1,117	
After 1 year	<u>16,750</u>	
	<u>17,867</u>	

Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

28. Long-term bank loan

	2002 \$'000	Group 2001 \$'000
Loan repayments:		
Within 1 year*	–	7,676
After 1 year	<u>–</u>	<u>693</u>
	<u>–</u>	<u>8,369</u>

* Included in the previous year's balance was an amount of \$7,323,000 relating to a loan taken up by a subsidiary. This loan was denominated in US dollars, unsecured and interest was charged at a flat rate of 6.48% per annum, which was also the effective interest rate. The loan was repayable over 5 years on a half-yearly basis and the principal repayment commenced in June 1999. The subsidiary fully repaid the loan in 2002. The remaining balance related to a loan taken up by a subsidiary of Singapore Technologies Kinetics Ltd during the last financial year. This loan was denominated in Deutchmark, unsecured and interest was charged at a flat rate of 5.9% per annum. This loan was also repaid in full during the year.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

29. Other creditors and accruals

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Non-trade creditors	19,252	37,278	4,729	5,231
Purchase of fixed assets	418	465	–	–
Accrued operating expenses	604,957	662,941	16,673	21,505
Accrued interest payable	166	322	–	–
	624,793	701,006	21,402	26,736

30. Deferred income

	Group	
	2002 \$'000	2001 \$'000
At beginning of the year	5,598	4,907
Additions during the year	64	301
Arising from acquisition of subsidiaries	–	390
Deconsolidation of subsidiaries	(209)	–
	5,453	5,598
Less: deferred income recognised to date	(2,944)	(2,419)
At end of the year	2,509	3,179

Movements in deferred income recognised to date during the year are as follows:

At beginning of the year	2,419	1,989
Recognised in profit and loss account	479	486
Translation difference	46	(56)
At end of the year	2,944	2,419

31. Deferred tax liabilities

At beginning of the year	3,896	8,372
Written back during the financial year	(765)	(4,257)
Translation difference	10	(219)
At end of the year	3,141	3,896

The deferred tax liabilities arise as a result of:

Excess of net book value over tax written down value of fixed assets	2,500	1,560
Exchange differences, net	(147)	–
Provision for debts and stocks	(922)	(282)
Unremitted offshore interest income	1,507	1,654
Other temporary differences	203	964
	3,141	3,896

The deferred tax liability of the Company arises as a result of other timing differences.

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32. Floating rate bonds (unsecured)

	Group	
	2002 \$'000	2001 \$'000
Floating rate bonds (unsecured)	-	20,000
Unamortised discount	-	(631)
	<u>-</u>	<u>19,369</u>
Unamortised discount:		
At beginning of the year	631	928
Amortisation for the year	-	(297)
Written off upon redemption of bonds	(631)	-
At end of the year	<u>-</u>	<u>631</u>
Redeemable:		
Within 1 year	-	19,369
After 1 year	-	-
At end of the year	<u>-</u>	<u>19,369</u>

The Unsecured Floating Rate Bonds were issued by a subsidiary at the price of 85.15% of the principal amounts. Interest is payable every 6 months from the dates of issue of the bonds, being 18 January 1994 for Tranche A amounting to \$10,000,000 and 18 April 1994 for Tranche B amounting to another \$10,000,000 respectively, at the swap offer rate less 1.5%. The swap offer rate is determined at the beginning of each interest period every half yearly. The effective interest rate for 2001 was 2.59% per annum.

The bondholders exercised their option to have the bonds redeemed by the subsidiary on any of the interest payment dates falling between January 2002 and July 2003. The bonds were redeemed in January 2002.

33. Turnover

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Sale of goods	596,781	543,719	-	-
Service income	2,022,410	1,926,348	-	-
Investment income				
- Dividend from unquoted investments in subsidiaries	-	-	382,215	282,111
	<u>2,619,191</u>	<u>2,470,067</u>	<u>382,215</u>	<u>282,111</u>

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34. Other operating income

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Commission income		2,333	1,912	–	–
Dividend income					
– quoted equity investments		203	80	–	–
– unquoted equity investments		1,051	123	–	–
Interest income					
– Singapore Government Securities		265	514	–	–
– bonds		–	4	–	–
– related corporations		18,332	35,345	3,275	7,245
– bank deposits		10,168	26,642	1,154	2,774
– staff loans		98	143	2	1
– others		161	99	–	–
Provision for impairment in value of investments					
– quoted long-term investments	11	(150)	–	–	–
– unquoted long-term investments	11	–	(2,811)	–	–
– subsidiaries	9	–	–	(6,000)	–
– associated companies	10	(737)	–	–	–
– amounts under fund management	18	(8,597)	–	–	–
Write-back of provision for impairment in value of investments					
– quoted long-term investments	11	–	6,628	–	–
– unquoted long-term investments	11	6,435	–	–	–
– amounts under fund management	18	–	6,289	–	–
Profit/(loss) on sale of investments					
– long-term investments		406	1,871	(1,520)	–
– short-term investments		–	1,455	–	–
Surplus arising from amounts under fund management*		22,016	20,815	–	–
Management income from subsidiaries		–	–	27,113	31,961
Provision for loss from divestment of an associated company		–	(3,750)	–	–
Others		7,865	3,941	–	–
		59,849	99,300	24,024	41,981

* This amount is derived after charging impairment loss arising from amounts under fund management of \$Nil (2001: \$9,977,000).

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

35. Profit from operations

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Profit from operations is arrived at:					
After charging					
Auditors' remuneration:					
Auditors of the Company					
– current year		1,157	1,105	60	60
– underprovision in respect of prior year		24	58	–	–
Other auditors					
– current year		727	388	–	–
– underprovision in respect of prior year		3	51	–	–
Non-audit fees:					
Auditors of the Company					
– current year		304	344	19	8
Other auditors		339	199	–	–
Fees and remuneration of directors					
– current year		2,208	5,847	1,810	5,416
Fees paid to a firm of which a director is a member		101	110	22	98
Depreciation of fixed assets	8	78,614	74,922	168	66
Provision for:					
Stock obsolescence	15	18,847	22,560	–	–
Foreseeable losses	15 & 25	21,735	15,832	–	–
Doubtful debts					
– trade	20	14,239	–	–	–
– non-trade	21	1	–	–	–
– related corporations	22	9	–	–	–
– joint ventures	16	9	–	–	–
Liquidated damages	25	–	14,334	–	–
Provision for impairment in value of investment					
in a joint venture	10	322	322	–	–
Fixed assets written off		182	89	–	–
Stocks written off		–	648	–	–
Bad debts written off					
– trade		5	134	–	–
– non-trade		19	–	–	–
Research, design and development expenses incurred		73,314	74,092	–	–
Operating lease expenses		26,027	20,686	536	346
Amortisation of goodwill, net		1,857	857	–	–
Amortisation of intellectual property rights	12	913	–	–	–
Impairment loss					
– Fixed assets	8	1,882	2,105	–	–

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

35. Profit from operations (continued)

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
And crediting					
Write-back of provision for:					
Doubtful debts					
– trade	20	–	10,019	–	–
– related corporations	22	–	532	–	–
Loans receivable	13	3,064	1,555	–	–
Warranties	25	18,605	64,767	–	–
Liquidated damages	25	17,558	–	–	–
Grants and subsidies received		1,638	3,688	–	–
Deferred income recognised	30	479	486	–	–
Bad trade debts recovered		157	67	–	–
		613,840	624,201	10,797	19,553
		58,261	53,677	718	717
		65,572	67,190	290	1,648
		737,673	745,068	11,805	21,918

* Includes directors' remuneration of the Group and the Company of \$1,541,000 and \$1,541,000 (2001: \$5,091,000 and \$5,091,000) respectively.

37. Other income, net

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Profit on disposal of fixed assets		24	1,545	–	–
Exchange (loss)/gain, net		(4,234)	9,430	(65)	33
Grants received		718	184	–	–
Rental income		3,432	3,402	–	–
Others		5,001	4,729	565	333
		4,941	19,290	500	366

38. Financial expenses

Interest expense:					
Bank loans and overdrafts		1,591	1,318	–	–
Floating rate bonds and notes issued by a subsidiary		9	221	–	–
Finance lease		1,297	1,369	–	–
Loan from subsidiaries		–	–	59	–
Amortisation of discount on floating rate bonds	32	–	297	–	–
		2,897	3,205	59	–

39. Exceptional item

The exceptional item was in respect of restructuring costs in the Land Systems sector.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

40. Taxation

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Income tax on the profit for the year:				
Current tax	77,821	91,875	79,470	64,941
Deferred tax	5,343	9,317	175	–
Associated companies	6,953	6,765	–	–
Joint ventures	136	315	–	–
	90,253	108,272	79,645	64,941
(Over)/under provision in respect of prior year:				
Current tax	(11,494)	(9,358)	–	–
Deferred tax	984	(5,628)	–	–
	79,743	93,286	79,645	64,941

Group

The tax charge in respect of the profit of the Group for the financial year is lower than that determined by applying the statutory tax rate to the profit before taxation due primarily to non-chargeable items deducted for tax purposes, the benefit from partial tax exemption on the first \$100,000 of chargeable income, income derived on Floating Rate Notes which enjoys a concessionary tax rate of 10% and pioneer status granted to certain subsidiaries.

As at 31 December 2002, unutilised tax losses, unutilised investment allowances and unabsorbed wear and tear allowances of subsidiaries amounted to approximately \$14,722,000 (2001: \$9,702,000) which are available for set-off against future taxable profits subject to agreement with the Income Tax Authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

The potential tax benefit of approximately \$21,843,000 (2001: \$24,327,000) arising from such unutilised tax losses, unabsorbed wear and tear allowances and other temporary differences has not been recognised in the financial statements due to the uncertainty of its recoverability.

Company

The tax charge in respect of the profit of the Company for the financial year is lower than that determined by applying the statutory tax rate to the profit before taxation due primarily to tax exempt dividends received from subsidiaries and income derived on Floating Rate Notes which enjoys a concessionary tax rate of 10%.

A reconciliation of the statutory tax rate to the Group and the Company's effective tax rate applicable to pre-tax profits was as follows:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Profit before taxation	412,953	440,157	384,786	286,981
Taxation at statutory tax rate of 22% (2001 : 24.5%)	90,850	107,838	84,653	70,310
Adjustments:				
Income not subject to tax	(14,092)	(21,973)	(7,176)	(4,771)
Expenses not deductible for tax purposes	11,950	15,925	1,656	1
Higher effective tax rates of other countries	4,510	2,334	–	–
Overprovision in prior years	(10,510)	(14,986)	–	–
Effect of change in statutory tax rates	7,486	2,539	–	–
Deferred tax assets not recognised	(7,146)	11,085	–	–
Utilisation of deferred tax assets previously not recognised	(7,106)	(7,417)	–	–
Others	3,801	(2,059)	512	(599)
Current financial year's taxation charge	79,743	93,286	79,645	64,941

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

41. Dividends

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Final dividend paid in respect of the previous financial year of 2.5 cents (2001: 2.5 cents) per share less tax at 24.5%	54,327	53,901	54,327	53,901
Special dividend paid in respect of the previous financial year of 6.5 cents (2001: 5.5 cents) per share less tax at 24.5%	141,250	118,583	141,250	118,583
Special tax exempt dividend paid in respect of the previous financial year of 1.8 cents (2001: 1.5 cents) per share	51,808	42,836	51,808	42,836
	247,385	215,320	247,385	215,320
Additional final dividend paid in respect of the previous year due to issue of shares under the ST Engg Share Option Scheme before books closure date	422	1,086	422	1,086
	247,807	216,406	247,807	216,406

The directors propose a final dividend of 3.0 cents (2001: 2.5 cents) per share less tax at 22% (2001: 24.5%) amounting to \$67,485,000 (2001: \$54,327,000), a special dividend of 10.2 cents (2001: 6.5 cents) per share less tax at 22% (2001: 24.5%) amounting to \$229,447,000 (2001: \$141,250,000), a special normal exempt dividend of 1.8 cents (2001: 1.8 cents) per share amounting to \$51,911,000 (2001: \$51,808,000) and a special tax exempt (one-tier) dividend of 3.5 cents (2001: \$Nil) per share amounting to \$100,000,000, in respect of the year ended 31 December 2002. The dividends have not been recognised as a liability as at year-end as it is subject to approval at the Annual General Meeting of the Company.

42. Earnings per share

Basic earnings per share

The calculation for basic earnings per share is based on:

	Group	
	2002 \$'000	2001 \$'000
Consolidated profit after taxation and minority interests	330,711	342,252

Number of shares ('000)

The weighted average number of ordinary shares is arrived at as follows:

Issued ordinary shares at beginning of the year	2,878,249	2,855,694
Weighted average number of ordinary shares issued during the year	4,837	15,523
Weighted average number of ordinary shares	2,883,086	2,871,217

Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential ordinary shares. The number of unissued shares under option granted under the ESOS/ESOP and their exercise prices are set out in Note 3. The average fair value of one ordinary share during the financial year ended 31 December 2002 was \$1.99 (2001: \$2.53) per share. The weighted average number of ordinary shares adjusted for the unissued shares under option is as follows:

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

42. Earnings per share (continued)

	2002	Group 2001
Number of shares ('000)		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	2,883,086	2,871,217
Weighted average number of unissued shares under option	33,566	78,546
Number of shares that would have been issued at fair value	(24,396)	(57,225)
Weighted average number of ordinary shares (diluted)	<u>2,892,256</u>	<u>2,892,538</u>

43. Related party information

In addition to related party information disclosed elsewhere in the financial statements, the Group and the Company have significant transactions with related parties on terms agreed between the parties as follows:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Sales and services rendered	38,866	48,598	–	–
Management fees received from subsidiaries	–	–	27,113	31,961
Purchases and services received	54,268	52,741	1,482	1,967
Management and administrative fees paid	7,396	8,426	7,396	8,426
Fixed assets purchases	864	2,267	–	–
Acquisition of additional interest in an associated company	5,200	–	–	–

44. Cash and cash equivalents

	2002 \$'000	Group 2001 \$'000
Cash and cash equivalents comprise the following:		
Fixed deposits with financial institutions	937,944	757,517
Cash and bank balances	82,941	104,952
Floating rate notes	619,250	600,655
Short-term loans to related corporation	347,186	760,650
Bank overdrafts (unsecured)	–	(503)
	<u>1,987,321</u>	<u>2,223,271</u>

In prior years, cash and cash equivalents included amounts under fund management. With effect from the current year, such amounts are excluded as its equity component is not readily convertible to a known amount of cash without being subjected to a risk of changes in value. The comparative has been reclassified to conform with the current year's presentation.

45. Commitments

(a) Capital Commitments

	2002 \$'000	Group 2001 \$'000
Capital expenditure contracted but not provided for in the financial statements	<u>14,522</u>	<u>29,002</u>

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

45. Commitments (continued)

(b) Leases

Future minimum lease payments under non-cancellable operating leases are as follows:

	2002 \$'000	Group 2001 \$'000
Within 1 year	21,300	19,637
Within 2 to 5 years	41,044	43,333
After 5 years	122,660	124,221
	<u>185,004</u>	<u>187,191</u>

The Group has several operating lease agreements for leasehold land and building, office premises and computers. The lease for the leasehold land and building and office premises contain renewal options but not purchase options. Certain leases contain escalation clauses but do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing.

The total amount of future minimum sub-lease payments expected to be received under non-cancellable sub-lease as at 31 December 2002 is approximately \$2,530,000 (2001: \$4,685,000).

(c) Investments

- (i) As at 31 December 2002, the Group has outstanding commitments in respect of uncalled capital to the extent of \$244,800 (2001: \$153,600) in a subsidiary company.
- (ii) As at 31 December 2002, in respect of investments in unquoted equity shares of venture capital fund companies, there is uncalled capital contribution amounting to \$1.7 million (2001: \$2.9 million) for the Group.
- (iii) As at 31 December 2002, the Group has outstanding commitments in respect of uncalled capital to the extent of £3.3 million (2001: £5.4 million) in a subsidiary.
- (iv) As at 31 December 2002, the Group has outstanding commitments in respect of investment of \$500,000 in an associated company.

(d) Foreign Exchange Forward Contracts

As at 31 December 2002, the Group has outstanding foreign exchange forward contracts amounting to approximately \$93 million (2001: \$85 million) for hedging against accounts receivables and payables and firm purchase and sales commitments denominated mainly in Australian Dollars, United States Dollars, Euros and British Sterling Pounds.

46. Contingent liabilities (unsecured)

- (a) Guarantees given by the Company to third parties in respect of the provision of goods and services to subsidiaries amounted to \$49,000 (2001: \$49,000).
- (b) Guarantee given by the Company to Citibank N.A. in respect of loan facilities extended to certain US subsidiaries amounting to US\$45,000,000 (S\$78,430,000).
- (c) Guarantee given by a subsidiary in respect of banking facilities amounted to \$2,674,000 (2001: \$2,809,000).
- (d) Corporate guarantee given by a subsidiary to a third party in respect of the performance of a contract amounted to \$98,678,000 (2001: \$103,655,000).

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

46. Contingent liabilities (unsecured) (continued)

- (e) Corporate guarantee given by a subsidiary in respect of banking facilities to a 50% joint venture company as at 31 December 2002 amounted to \$2,500,000.
- (f) Corporate guarantee given by a subsidiary to a third party in respect of the performance of a contract by a 50% joint venture company as at 31 December 2002 amounted to \$22,500,000.
- (g) As part of its normal operations, the Group is engaged in the design and development of systems and products. In accordance with contractual terms, there are risks of potential liability should design inadequacies arise.

47. Segment information**(a) Analysis by Business Segments**

The Group is organised on a worldwide basis into four main operating segments, namely:

- (i) **Aerospace**
Provides engineering and maintenance services for a wide range of military and commercial aircraft through its three business segments, Aircraft Maintenance & Modification (AMM); Component/Engine Repair & Overhaul (CERO); and Engineering & Materials Services (EMS).
- (ii) **Electronics**
One of the largest system houses in the region specialising in design, development and integration of systems and solutions. It is engaged in continuing research in the areas of information communication, infrastructure development, information security, mobile real-time systems and mobile commerce.
- (iii) **Land Systems**
Provides design and engineering services for military vehicles, weapon systems and munitions ranging from manufacturing, upgrading, repair to maintenance and life cycle management. It also provides components and sub-systems design and development, and laboratory and industrial test services.
- (iv) **Marine**
Provides turnkey shipbuilding, shipconversion and shiprepair services. The shipyard's ship design capabilities provide it the edge in providing sophisticated, highly customised solutions for a wide spectrum of naval and commercial vessels.

Other operations include research and development, treasury, investment holding and provision of management, consultancy, warehousing and other support services.

Inter-segment pricing is on an arm's length basis.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

47. Segment information (continued)

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Other \$'000	Eliminations \$'000	Group \$'000
2002							
Turnover							
External sales	1,042,945	571,539	709,834	279,813	15,060	–	2,619,191
Inter-segment sales	1,165	7,837	1,326	1,418	385,276	(397,022)	–
Total sales							<u>2,619,191</u>
Segment result	164,591	53,349	84,476	23,665	(7,857)	7,522	325,746
Investment income, net	2,389	187	2,612	15,440	383,988	(383,989)	20,627
Interest income	9,046	4,101	8,554	2,583	4,880	(140)	29,024
Amortisation of goodwill	(59)	(20)	(1,778)	–	–	–	<u>(1,857)</u>
Operating profit							373,540
Financial expenses	(2,307)	(5)	(110)	(556)	(59)	140	(2,897)
Share of results of associated companies and joint ventures	39,333	(840)	4,562	–	767	–	43,822
Amortisation of goodwill on acquisition of associated companies	–	(73)	(1,439)	–	–	–	<u>(1,512)</u>
Profit before taxation							412,953
Taxation							(79,743)
Minority interests							<u>(2,499)</u>
Net profit							<u>330,711</u>
Assets	495,163	338,220	630,529	293,152	23,881	–	1,780,945
Associated companies and joint ventures	104,956	4,708	88,452	7,308	1,813	–	207,237
Other investments and financial assets	744,173	342,634	426,485	185,532	971,381	(380,770)	2,289,435
Unallocated assets							<u>72,909</u>
Total assets							<u>4,350,526</u>
Liabilities	760,295	563,254	922,335	290,039	44,769	–	2,580,692
Loans and other financial liabilities	30,996	–	494	104,574	23,445	(61,789)	97,720
Unallocated liabilities							<u>184,106</u>
Total liabilities							<u>2,862,518</u>
Capital expenditure	43,362	7,066	12,767	107,111	566	–	170,872
Depreciation and amortisation	38,793	8,424	21,733	13,338	608	–	82,896
Impairment losses	2,032	–	1,107	2,112	6,002	(6,000)	5,253
Other non-cash expenses	150	6	6	–	20	–	182

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

47. Segment information (continued)

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Other \$'000	Eliminations \$'000	Group \$'000
2001							
Turnover							
External sales	1,031,246	488,808	603,363	334,878	11,772	–	2,470,067
Inter-segment sales	2,787	9,669	4,102	892	301,198	(318,648)	–
Total sales							<u>2,470,067</u>
Segment result	170,392	44,770	60,343	48,164	(9,152)	–	314,517
Investment income, net	6,694	–	9,729	14,700	297,865	(297,865)	31,123
Interest income	19,590	8,253	20,896	3,118	10,890	–	62,747
Amortisation of goodwill	–	–	(857)	–	–	–	<u>(857)</u>
Operating profit							407,530
Financial expenses	(3,056)	(5)	(144)	–	–	–	<u>(3,205)</u>
Share of results of associated companies and joint ventures	32,062	(840)	7,141	(3,351)	847	–	35,859
Amortisation of goodwill on acquisition of associated company	–	(27)	–	–	–	–	<u>(27)</u>
Profit before taxation							440,157
Taxation							<u>(93,286)</u>
Minority interests							<u>(4,619)</u>
Net profit							<u>342,252</u>
Assets	492,484	360,297	627,593	131,958	17,504	–	1,629,836
Associated companies and joint ventures	87,341	1,342	79,378	7,630	532	–	176,223
Other investments and financial assets	831,471	317,401	630,036	353,492	836,321	(266,859)	2,701,862
Unallocated assets							<u>69,868</u>
Total assets							<u>4,577,789</u>
Liabilities	818,536	562,166	1,167,067	350,507	58,169	–	2,956,445
Loans and other financial liabilities	60,267	49	4,211	–	–	–	64,527
Unallocated liabilities							<u>160,370</u>
Total liabilities							<u>3,181,342</u>
Capital expenditure	55,243	10,345	12,103	13,098	859	–	91,648
Depreciation and amortisation	35,337	7,269	19,012	13,751	437	–	75,806
Impairment losses	1,487	4,639	(2,588)	(1,139)	(101)	–	2,298
Other non-cash expenses	8	4	76	–	1	–	89

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

47. Segment information (continued)

(b) Analysis by country of incorporation

Turnover is based on the country of incorporation regardless of where the goods are produced or services rendered. Assets and additions to property, plant and equipment are based on the location of those assets.

	Turnover		Assets		Capital expenditure	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Asia	2,288,785	2,113,526	1,494,326	1,486,840	66,629	78,953
United States of America	297,215	324,528	261,744	120,671	101,018	11,529
Europe	32,373	32,013	12,030	22,316	3,225	1,048
Others	818	–	12,845	9	–	118
	2,619,191	2,470,067	1,780,945	1,629,836	170,872	91,648

(c) Analysis by geographical areas

Turnover is based on the location of customers regardless of where the goods are produced or services rendered.

	Turnover	
	2002 \$'000	2001 \$'000
Asia	1,893,553	1,831,982
United States of America	491,072	448,989
Europe	129,442	108,097
Others	105,124	80,999
	2,619,191	2,470,067

48. Financial instruments

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate, foreign exchange, market, liquidity and credit risks. The policies for managing each of these risks are summarised below.

Derivative financial instruments are used to reduce the Group's exposure to fluctuations in foreign exchange rates and interest rates. It is the Group's policy not to trade in derivative contracts.

Interest rate risk

The Group has cash balances placed with reputable banks and financial institutions and investments in bonds and government-related securities, which generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group's debt includes bank borrowings and lease commitments. The Group seeks to minimise its interest exposure through options to refinance the debt instruments and/or enter into interest rate swaps, where appropriate over the duration of its borrowings.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings, investments and loan receivable, where applicable.

Foreign exchange risk

The foreign exchange risk of the Group arises from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The Group's local subsidiaries also generate revenue and incur costs in foreign currencies which give rise to foreign exchange risk. The Group enters into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from anticipated sale and purchase transactions denominated in foreign currencies, primarily in US dollars and Euro.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

48. Financial instruments (continued)

Market risk

The Group has investments in quoted equity shares and bonds, government-related securities and amounts under fund management, which are subject to market risk as the market values of these investments are affected by changes in market prices. The Group manages its exposure to market risk by maintaining a portfolio of equities with different risk profiles. For amounts under fund management, the Group is guaranteed of the return of the principal sums from 95% to 100% by the fund managers at the end of the relevant fund management period, hence mitigating the effects of market risk.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Credit risk

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Company or its subsidiaries obtain collateral from the customer or arrange master netting agreements. Cash terms, advance payments, and letters of credit are required for customers of lower credit standing. The extent of the Group's credit exposure is represented by aggregate balance of cash and cash equivalents, loans and receivables, reduced by the effects of any netting arrangements with counterparties.

Counterparties to financial instruments consist of prime financial institutions and significant long-term investments and a loan to a related corporation, namely ST Treasury Services Limited, as disclosed in Notes 11 and 22.

As at 31 December 2002, there were no significant concentrations of credit risk, except for 63% (2001 : 67%) of trade debts relating to three major customers of the respective subsidiaries.

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Bank balances and other liquid funds and short-term receivables

The carrying amount approximates fair value due to the relatively short-term maturity of these instruments.

Quoted and unquoted investments

The fair values of quoted investments are estimated based on quoted market prices for these investments. For unquoted investments, it is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined.

Short-term borrowings and other current liabilities

The carrying amount approximates the fair value because of the short period to maturity of these instruments.

Long-term bank loans

The carrying amount approximates the fair value as these instruments bear interest at variable rates.

Lease obligations

The fair value of lease obligations is determined by discounting the relevant cash flow using current interest rates for similar instruments at balance sheet date.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

48. Financial instruments (continued)

Derivatives

The fair value of foreign exchange forward contracts is estimated based on the difference between the applicable forward rates prevailing at the balance sheet date and the contracted forward rates, multiplied by the notional amount.

As at 31 December 2002, the fair values of financial assets and financial liabilities which do not approximate the carrying amounts in the balance sheet are presented in the following table:

	Note	2002		2001	
		Carrying amount \$'000	Estimated fair value \$'000	Carrying amount \$'000	Estimated fair value \$'000
<i>Assets</i>					
Loan to an associated company	10	–	(a)	1,166	(a)
Investment in a joint venture	10	9,663	(a)	9,663	(a)
Long-term investments					
– Equity shares (quoted)	11	14,039	21,539	11,690	17,900
– Equity shares (unquoted)	11	31,393	(b)	29,084	(b)
– Singapore Government Securities	11	4,250	4,348	4,250	4,568
Short-term investments					
– Amounts under fund management	18	252,719	260,503	429,860	445,615
<i>Liabilities</i>					
Lease obligations	27	18,420	18,420	17,867	20,528

(a) It is not practicable to determine the fair value of loans to an associated company and a joint venture as the timing of the expected cash flows of these loans cannot be reasonably determined.

(b) It is not practicable to determine with sufficient reliability the fair value of the unquoted equity investments held as long-term investments.

	Note	2002		2001	
		Contractual/notional amount \$'000	Estimated fair value \$'000	Contractual/notional amount \$'000	Estimated fair value \$'000
<i>Off-balance sheet financial instruments</i>					
Foreign exchange forward contracts:					
(i) to hedge accounts receivables	(c)	16,371	382	39,982	(1,504)
(ii) to hedge accounts payable	(c)	10,669	(270)	11,104	(3)
(iii) to hedge confirmed sales in foreign currencies	(c)	11,316	359	1,791	4
(iv) to hedge firm purchase commitment in foreign currencies	(c)	<u>54,371</u>	<u>994</u>	<u>32,490</u>	<u>2,289</u>

(c) The maturity dates of the foreign exchange forward contracts approximate the timing of the expected cash flow of their respective hedged items, which are on varying periods up to 3 years from the financial year end.

Disclosure of the nature of financial instruments and their significant terms and conditions that could affect the amount, timing and certainty of future cash flow is presented in the respective Notes to the financial statements, when applicable.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

49. Proforma statement of profit and loss and unappropriated profit

The proforma statement of profit and loss and unappropriated profit, which assumed that both SAS 11 (Revised) on Construction Contracts and SAS 16 (Revised) on Revenue, have always been applied, is presented below:

	Proforma 2002 \$'000	Group Proforma 2001 \$'000
Statement of profit and loss		
Turnover	<u>2,619,191</u>	<u>2,387,147</u>
Profit before taxation	411,960	415,925
Taxation	<u>(79,525)</u>	<u>(87,056)</u>
Profit after taxation	332,435	328,869
Minority interests	<u>(2,499)</u>	<u>(4,619)</u>
Net profit attributable to shareholders	<u>329,936</u>	<u>324,250</u>
Statement of unappropriated profit		
At beginning of year		
– as previously stated	809,272	686,703
– change in accounting policies		
• with respect to revenue recognition policy using percentage of completion method	775	18,777
• with respect to adoption of SAS 12, Income Taxes	<u>83,775</u>	<u>91,614</u>
– as restated	893,822	797,094
Net profit for the year	329,936	324,250
Dividends (Note 41)	<u>(247,807)</u>	<u>(216,406)</u>
Adjustment of goodwill on acquisition of associated companies due to subsequent identification	–	(11,051)
Transfer from unappropriated profit to statutory reserve	<u>(43)</u>	<u>(65)</u>
At end of year	<u>975,908</u>	<u>893,822</u>

50. Comparative figures

Where necessary, the prior year financial statements have been restated to conform with the current year's presentation in accordance with the presentation requirements of SAS 12 (2001) Income Taxes, SAS 11 (Revised) Construction Contracts and SAS 16 (Revised) Revenue, which was not effective for prior year financial statements.

The comparative figures were audited by a firm of certified public accountants, other than Ernst & Young.

SGX LISTING MANUAL REQUIREMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS)

1. Directors' Remuneration

The following information relates to remuneration of directors of Singapore Technologies Engineering Ltd:

Number of Directors in Remuneration Bands

	2002	2001
Remuneration Bands		
\$500,000 and above	1	1
\$250,000 to \$499,999	1	1
Below \$250,000	11	10
Total	13	12

Summary compensation table for the year ended 31 December 2002 (Group):

Name of director	Salary*	Bonus*	Directors' fees	Total	Fair value of stock options granted ^
Peter Seah Lim Huat#	–	–	40,450▲	40,450	–
Lim Neo Chian	83,397	174,576	47,975 †β	305,948	–
Tan Pheng Hock	704,863	577,859	148,204▲†	1,430,926	184,450
Philip Tan Yuen Fah	–	–	64,000	64,000	–
Tan Guong Ching	–	–	15,000●	15,000	–
LG Lim Chuan Poh	–	–	10,000●	10,000	–
Professor Lui Pao Chuen	–	–	30,150 †β	30,150	–
Winston Tan Tien Hin	–	–	110,278 †	110,278	–
Lucien Wong Yuen Kuai	–	–	42,700	42,700	–
Ho Ching	–	–	27,400◇	27,400	–
Dr Phillip Nalliah Pillai	–	–	58,000 †	58,000	–
Quek Poh Huat#	–	–	65,354▲†	65,354	–
Venkatachalam Krishnakumar#	–	–	–	–	–
Teo Chan Eddie @ Teo Chan Seng Eddie**	–	–	2,950●	2,950	–
Peter Ong Boon Kwee***	–	–	5,000●	5,000	–
	788,260	752,435	667,461	2,208,156	184,450

* The salary and bonus amount shown is inclusive of allowances and CPF.

^ Relates to options granted to executive Directors during the year by the Group. The fair value of stock options granted is estimated using the Black-Scholes Option Pricing model.

Appointed on 15 April 2002.

** Resigned on 15 April 2002.

*** Resigned on 1 July 2002.

▲ Fees are payable to Directors' employer company.

● Fees for public sector Directors are payable to government agencies.

† Includes fees for directorship in subsidiary/subsidiaries.

β Includes fees payable to government agencies.

◇ Includes fees payable to Directors' employer company.

SGX LISTING MANUAL REQUIREMENTS 31 DECEMBER 2002

(CURRENCY – SINGAPORE DOLLARS)

2. Interested Person Transactions

Interested person transactions carried out during the financial year pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX) by the Group are as follows:

	Aggregate value of all transactions excluding transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual		Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Transactions for the Sales of Goods and Services				
Keppel Corporation Ltd and its Associates	–	–	1,096	–
PSA Corporation Limited and its Associates	–	–	887	–
Singapore Computer Systems Limited and its Associates	–	–	117	1,437
SembCorp Industries Limited and its Associates	–	–	3,837	3,490
Singapore Food Industries Limited and its Associates	–	–	353	–
Singapore Technologies Pte Ltd and its Associates	–	–	7,612	10,586
SMRT Corporation Limited and its Associates	–	–	676	3,694
Temasek Holdings (Private) Limited and its Associates	–	–	–	8,193
	–	–	14,578	27,400
Transactions for the Purchase of Goods and Services				
Singapore Technologies Pte Ltd and its Associates	–	45,271	1,956	21,676
SembCorp Industries Limited and its Associates	–	–	5,391	3,262
SembCorp Logistics Ltd and its Associates	–	–	728	–
Singapore Computer Systems Limited and its Associates	–	–	1,728	3,077
Temasek Holdings (Private) Limited and its Associates	–	–	863	811
	–	45,271	10,666	28,826
Investment/Divestment/Leasing Transactions				
SemCorp Industries Limited and its Associates	500	–	–	–
SemCorp Marine Limited and its Associates	3,300	–	–	–
Singapore Technologies Pte Ltd and its Associates	4,373	8,827	–	–
Singapore Computer Systems Limited and its Associates	1,956	2,120	–	–
Singapore Telecommunications Limited and its Associates	–	1,235	–	–
Temasek Holdings (Private) Limited and its Associates	5,200	–	–	–
	15,329	12,182	–	–
Treasury Transactions				
Singapore Technologies Pte Ltd and its Associates	–	–	1,362,000	1,360,000
Management and Support Services				
Singapore Technologies Pte Ltd and its Associates	–	–	7,396	8,426
Total Interested Person Transactions	15,329	57,453	1,394,640	1,424,652

SHAREHOLDING STATISTICS AS AT 10 FEBRUARY 2003

Share Capital

Authorised Share Capital	: \$500,000,000.00
Issued and Paid-Up Capital	: \$288,405,558.30
Class of Shares	: Ordinary Shares of \$0.10 each One Special Share of \$0.10 held by the Minister for Finance (Incorporated)
Voting Rights	: One vote per share

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	1,693	5.22	552,447	0.02
1,000 – 10,000	25,758	79.35	107,798,086	3.74
10,001 – 1,000,000	4,980	15.34	173,455,194	6.01
1,000,001 and above	28	0.09	2,602,249,856	90.23
	<u>32,459</u>	<u>100.00</u>	<u>2,884,055,583</u>	<u>100.00</u>

Based on the information available to the Company as at 10 February 2003, approximately 36.32% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Substantial Shareholder	Direct Interest	No. of Shares Deemed Interest	Total Interest	%
Temasek Holdings (Private) Limited	–	1,613,925,137 ⁽¹⁾	1,613,925,137	55.96
Singapore Technologies Holdings Pte Ltd	–	1,599,168,719 ⁽²⁾	1,599,168,719	55.45
Singapore Technologies Pte Ltd	1,599,168,719	–	1,599,168,719	55.45
The Capital Group Companies, Inc.	–	221,291,521 ⁽³⁾	221,291,521	7.67

Notes: (1) Temasek Holdings (Private) Limited is deemed to have an interest in the following shares held by:

Name of Company	No. of Shares
Singapore Technologies Pte Ltd	1,599,168,719
Singapore Telecommunications Group of Companies	592,000
Keppel Group of Companies	13,659,418
DBS Group of Companies	505,000
	<u>1,613,925,137</u>

(2) Singapore Technologies Holdings Pte Ltd is deemed to have an interest in the 1,599,168,719 shares held by Singapore Technologies Pte Ltd

(3) The Capital Group Companies, Inc. is deemed to have an interest in the following shares held by:

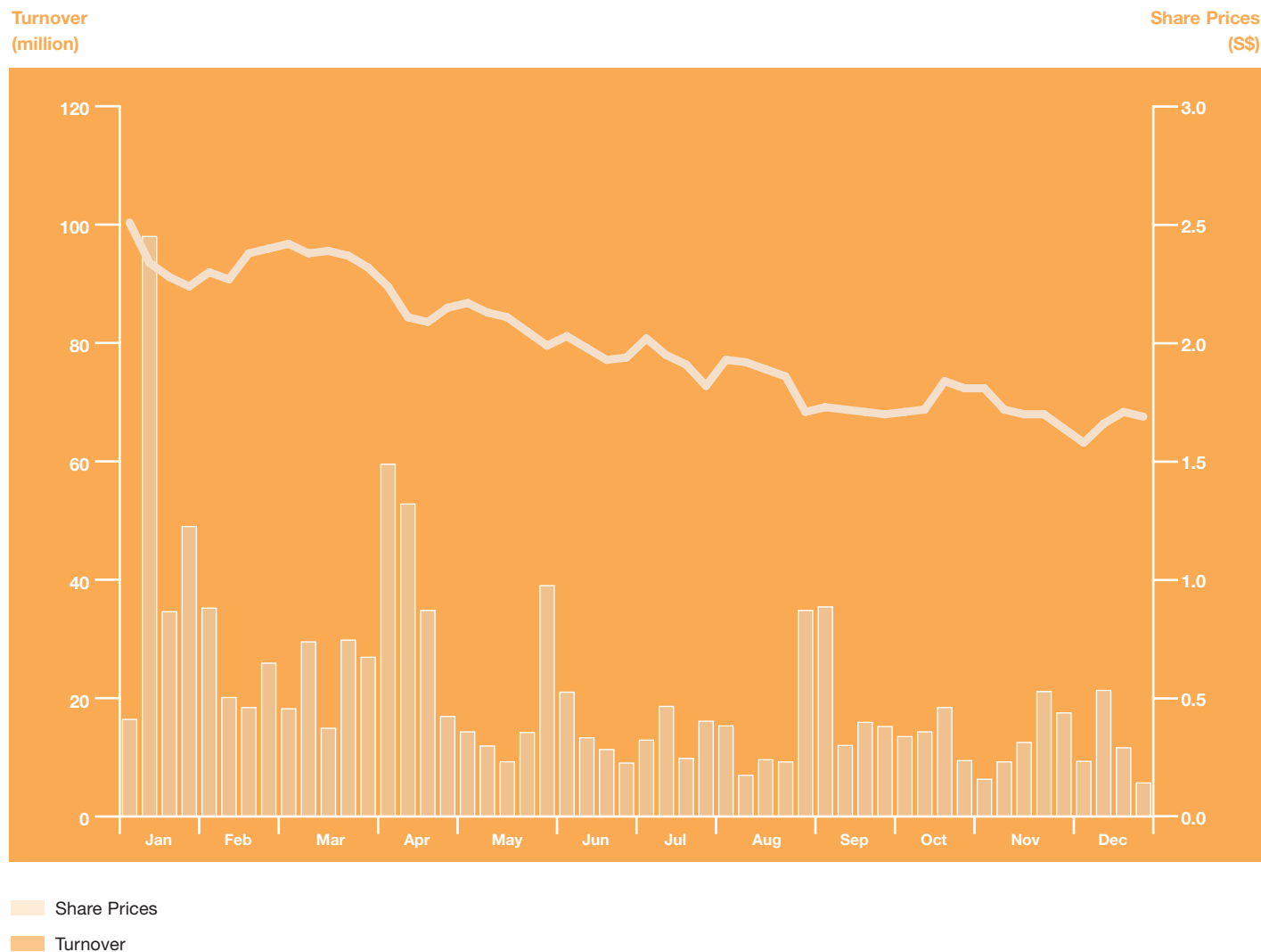
Name of Company	No. of Shares
CitiBank N.A. (Singapore)	191,000
DBS Nominees Pte Ltd	72,199,280
Deutsche Bank AG, Singapore Branch	1,642,000
HSBC (Singapore) Nominees Pte Ltd	6,936,000
Oversea Chinese Banking Corporation Ltd	684,000
Raffles Nominees Pte Ltd	127,914,400
United Overseas Bank Nominees Pte Ltd	11,724,841
	<u>221,291,521</u>

SHAREHOLDING STATISTICS AS AT 10 FEBRUARY 2003

Top 20 Shareholders

No.	Name	No. of Shares Held	%
1	Singapore Technologies Pte Ltd	1,599,168,719	55.45
2	Raffles Nominees Pte Ltd	300,696,914	10.43
3	DBS Nominees Pte Ltd	297,117,106	10.30
4	HSBC (Singapore) Nominees Pte Ltd	109,395,499	3.79
5	Citibank Nominees Singapore Pte Ltd	92,376,736	3.20
6	United Overseas Bank Nominees Pte Ltd	77,182,749	2.68
7	DB Nominees (S) Pte Ltd	43,935,241	1.52
8	Oversea-Chinese Bank Nominees Pte Ltd	27,496,352	0.95
9	KI Investments (HK) Limited	13,370,000	0.46
10	UOB Kay Hian Pte Ltd	9,033,957	0.31
11	Morgan Stanley Asia (Singapore)	2,822,180	0.10
12	The Asia Life Assurance Society Ltd - S'pore Life Fund	2,768,809	0.10
13	Ang Beng Siong @ Hendrik Atmaja	2,706,947	0.09
14	ING Nominees (Singapore) Pte Ltd	2,646,530	0.09
15	Phillip Securities Pte Ltd	2,327,026	0.08
16	G K Goh Stockbrokers Pte Ltd	2,240,516	0.08
17	Singapore Newspaper Services Pte Ltd	2,200,000	0.08
18	Shanwood Development Pte Ltd	2,077,000	0.07
19	BNP Paribas Nominees Singapore Pte Ltd	1,907,000	0.07
20	OCBC Securities Private Ltd	1,902,528	0.07
		<u>2,593,371,809</u>	<u>89.92</u>

SINGAPORE TECHNOLOGIES ENGINEERING SHARE PRICES AND TURNOVER FOR 2002



SECTORAL FINANCIAL REVIEW – AEROSPACE

1. Financial Performance

1.1 Turnover

The turnover of the Sector at \$1.04 billion was comparable to FY2001. The Aircraft Maintenance & Modification (AMM) business group turnover of \$646 million was the same as in FY2001. The significantly reduced sales in DalFort Aerospace L.P. (DalFort) was offset by increased sales in ST Aviation Services Co Pte Ltd (SASCO) and sales from the start-up companies, Bournemouth Aviation Services Company Limited (BASCO) and San Antonio Aerospace LP (SAA). The Component/Engine Repair & Overhaul (CERO) business group recorded lower turnover of \$7 million, whilst the Engineering & Materials Services (EMS) business group registered turnover increase of \$17 million. The decreased sales in the CERO business group was a result of lower sales in DalFort. The completion of project milestones accounted for the turnover increase in the EMS business group.

1.2 Profit

Profit before tax for the year at \$213.0 million was 6% or \$12.7 million lower than FY2001's \$225.7 million. The \$16.4 million lower interest and investment income dampened the good performance of the Sector. The AMM business group's lower profit was due to the provision for the full impact of United Airlines Limited Chapter 11 filing, the lower profit from the B757 Passenger-to-Freighter (PTF) programme at ST Mobile Aerospace Engineering, Inc. and losses in DalFort and start-up companies, BASCO and SAA. The higher profit in the CERO business group was the result of higher profit in the local components division and higher contributions from associated companies. EMS business group's improved performance resulted from higher turnover, lower engineering and development operating expenses and contribution from the biennial Asian Aerospace 2002 exhibition.

1.3 Cash and Cash Equivalents

Net cash from operating activities for the year amounted to \$129.0 million. The Sector paid dividends of \$156.8 million during the year. At the end of the year, cash and cash equivalents was \$635.5 million.

1.4 Capital Expenditure

Total capital expenditure for 2002 at \$43.4 million was mainly for the purchase of fixed assets in SAA.

1.5 Economic Value Added (EVA)

EVA for FY2002 was \$118.1 million, an increase of \$7.7 million over FY2001. The weighted average cost of capital was 9.3% for 2002 (2001: 9.4%).

2. Review of Business Activities

2.1 Business Environment

2003 continues to be a challenging year for the aviation industry. There is also a possibility of conflict in the Middle East. Despite the uncertainties, the Sector will continue to look for opportunities to expand globally through acquisitions, joint ventures and greenfield set-ups. The Sector will also continue to invest in new capabilities and develop new products and services to further enhance total support to existing and new customers.

The Sector's blue chip customer base continues to provide a steady workflow. Globally, the direction for both the established airlines as well as the new low-cost airlines is to increase the outsource of maintenance work so as to be more cost effective and to focus on their core business of airline operations. This offers added opportunities for the Sector to expand its customer base as well as the services it offers.

2.2 Major Projects

Two UPS MD11 PTF (4th and 5th) and nine B757 PTF (3rd to 11th) aircraft were redelivered in 2002. PTF conversions on the B757 and MD11 will continue in 2003. The start-up companies, BASCO and SAA obtained JAA and FAA certifications respectively, whilst SASCO obtained JAA certification for the A330 set-up. Build-up of technical capabilities to support the A340 and B777 will be completed by the first quarter and mid year of 2003 respectively. The Mission Computer and Operational Flight Programme flight validation had been successfully completed. Modification work on BAF F5 and Super Puma prototypes had commenced.

SECTORAL FINANCIAL REVIEW – AEROSPACE

2. Review of Business Activities *(continued)*

2.3 Major Acquisitions

BASCO, where the Sector has a 60% majority stake was registered on 11 January 2002 and commenced operations in the second quarter of 2002. It was incorporated to complement Airline Rotables Limited, our component maintenance-by-the-hour company, and to enable the Sector to better serve the European market.

In April 2002, the Sector acquired the former Dee Howard's MRO facility in San Antonio for US\$14.2 million and renamed it SAA, the Sector's third airframe facility in the United States. Workload is building up steadily.

During the year, the Sector increased its shareholding in Singapore British Engineering Pte Ltd from 32% to 51%. The Sector also, through its wholly-owned subsidiary ST Aerospace Supplies Pte Ltd, purchased the balance of 35% shareholding in iShopAero Pte Ltd.

3. Prospects

2003 will see the build-up of the operations at the 2 new facilities, namely BASCO and SAA. With the successful conclusion of the Union negotiations, DalFort will try to rebuild its customer base and business. However, there remains significant uncertainties in the aviation market and this will be further complicated by the outcome on the global political and economic fronts.

The Sector also hopes to open new markets through joint venture(s) as well as expand the scope of cooperation and services to its current and potential customers.

The focus for 2003 will be to further improve on the services provided to the Sector's customer base and to establish the Sector's global market position as a leading engineering services and maintenance, repair and overhaul company.

Aerospace Sector Profit and Loss Accounts

	2002 \$'000	2001 \$'000 (Restated)
Turnover	1,044,110	1,034,033
Cost of sales	(788,275)	(776,505)
Gross profit	255,835	257,528
Other operating income	18,375	28,447
Distribution and selling expenses	(25,190)	(4,775)
Administration expenses	(57,833)	(69,175)
Other operating expenses	(15,558)	(21,975)
Profit from operations	175,629	190,050
Other income, net	338	6,626
Financial expenses	(2,307)	(3,056)
	173,660	193,620
Share of results of associated companies and joint ventures	39,333	32,062
Profit before taxation	212,993	225,682
Taxation	(52,565)	(61,330)
Profit after taxation	160,428	164,352
Minority interests	(4,848)	(4,014)
Net profit for the year	155,580	160,338

SECTORAL FINANCIAL REVIEW – AEROSPACE

Aerospace Sector Balance Sheets

	2002 \$'000	2001 \$'000 (Restated)
Share capital and reserves	458,962	469,006
Minority interests	29,642	22,928
	488,604	491,934
Fixed assets	195,043	195,612
Associated companies and joint ventures	104,956	87,341
Long-term investments	308,108	314,174
Intangible assets	92	–
Loan receivables, non-current	658	1,215
Deferred tax assets	36,766	38,002
Current assets		
Stocks and work-in-progress	117,768	122,077
Debtors, deposits and prepayments	249,191	348,193
Loan receivables, current	483	964
Short-term investment	4,250	–
Amounts under fund management	146,126	156,808
Bank balances and other liquid funds	271,380	210,422
	789,198	838,464
Current liabilities		
Advance payments from customers, current	116,960	102,915
Creditors and accruals	475,285	556,783
Provisions	39,382	42,936
Progress billing in excess of work in progress	66,820	46,119
Provision for taxation	100,079	74,843
Short-term bank loans (unsecured)	9,203	4,723
Floating rate bonds (unsecured), current	–	19,369
Lease obligations, current	1,542	1,117
Long-term bank loan, current	–	7,323
	809,271	856,128
Net current liabilities	(20,073)	(17,664)
Non-current liabilities		
Advance payments from customers, non-current	64,611	81,082
Deferred income	915	1,058
Deferred tax liabilities	1,780	2,288
Provision for staff retirement benefits	58	58
Lease obligations, non-current	16,866	16,750
Loan from holding company	52,716	25,510
	136,946	126,746
	488,604	491,934

SECTORAL FINANCIAL REVIEW – AEROSPACE

Aerospace Sector Combined Statement of Cash Flows

	2002 \$'000	2001 \$'000 (Restated)
Cash flows from operating activities	128,995	225,372
Cash flows from investing activities	(12,087)	(26,134)
Proceeds from sale of fixed assets	78	455
Proceeds from sale of associated companies	16	219
Dividends from associated companies	11,546	3,728
Dividends from investments	338	363
Proceeds from sale and maturity of investments	14,471	33,752
Purchase of fixed assets	(43,362)	(55,243)
Purchase of investments	(1,402)	(6,102)
Acquisition of additional interest in subsidiary	(47)	–
Acquisition of interest in subsidiary, net of cash acquired	2,793	–
Exchange difference on investing activities	3,482	(3,306)
Cash flows from financing activities	(160,292)	(127,487)
Repayment of floating rate bonds	(19,369)	–
Repayment of long-term bank loan	(7,495)	(7,872)
(Repayment)/proceeds of short-term loan from a related corporation	(10,985)	10,985
Addition/(repayment) of lease obligations	1,055	(1,055)
Dividends paid to shareholder	(156,774)	(126,105)
Dividends paid to minority shareholders of subsidiaries	(2,690)	(2,579)
Interest paid	(2,455)	(2,842)
Proceeds of loan from holding company	27,206	–
Capital contribution from minority shareholders of a subsidiary	3,849	–
Proceeds of short-term loan from a related corporation	3,572	–
Proceeds of short-term loan	5,321	–
Exchange difference on financing activities	(1,527)	1,981
Net (decrease)/increase in cash and cash equivalents	(43,384)	71,751
Cash and cash equivalents at beginning of year	681,020	607,364
Exchange difference on cash and cash equivalents at beginning of year	(2,169)	1,905
Cash and cash equivalents at end of year	635,467	681,020

SECTORAL FINANCIAL REVIEW – AEROSPACE

Aerospace Sector Value Added Statements

	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
Value added from:					
Revenue earned	1,044,110	1,034,033	959,130	857,943	830,262
Bought in materials and services	(485,544)	(466,313)	(431,211)	(363,997)	(383,353)
Gross value added	558,566	567,720	527,919	493,946	446,909
Income from investments and interest	11,435	26,284	34,806	17,768	37,934
Extraordinary items	–	–	–	3,143	512
Exchange (loss)/gain	(2,606)	4,000	(388)	(468)	(674)
Other non-operating income	9,884	2,626	5,089	4,005	1,961
Share of results of associated companies and joint ventures	39,333	32,062	39,022	27,544	25,870
Total value added	616,612	632,692	606,448	545,938	512,512
Distribution of value added					
To employees in wages, salaries and benefits	342,724	364,065	340,024	316,444	296,550
To government in income and other taxes	54,807	56,083	65,846	60,251	65,761
To providers of capital on:					
• Interest paid on borrowings	2,307	3,056	3,969	4,156	5,331
• Dividends to shareholder	156,774	126,105	88,653	88,704	110,619
	556,612	549,309	498,492	469,555	478,261
Balance retained in/(applied from) business					
Depreciation	38,734	35,337	36,751	29,628	27,567
Impairment of fixed assets	1,882	2,105	–	–	–
Retained profits	(5,116)	15,359	31,711	24,524	(31,589)
	35,500	52,801	68,462	54,152	(4,022)
Non-production cost and income					
Bad debts	15,671	298	5,076	1,788	501
Income from investments and interest	11,435	26,284	34,806	17,768	37,934
Extraordinary items	–	–	–	3,143	512
Exchange (loss)/gain	(2,606)	4,000	(388)	(468)	(674)
	24,500	30,582	39,494	22,231	38,273
Total distribution	616,612	632,692	606,448	545,938	512,512

SECTORAL FINANCIAL REVIEW – AEROSPACE

Aerospace Sector Financial Highlights

	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
Turnover	1,044,110	1,034,033	959,130	857,943	830,262
Profit before tax	212,993	225,682	218,991	189,837	170,468
Profit after tax (before extraordinary items)	155,580	160,338	151,038	125,208	102,813
Shareholders' funds	458,962	469,006	381,397	464,610	423,461
Total assets	1,434,821	1,474,808	1,323,940	1,344,098	1,186,549
Net tangible assets	458,870	469,006	381,397	464,610	423,461
Return on turnover (%)	15.4	15.9	16.1	15.2	12.8
Earnings per share (¢)	77.79	80.17	54.70	41.53	34.10
Return on equity (%)	33.9	34.2	39.6	27.0	24.3
Return on total assets (%)	11.2	11.1	11.7	9.7	9.0
Net tangible assets per share (¢)	229.4	234.5	138.1	154.1	140.5
Productivity Data					
Average staff strength (number)	4,716	4,480	4,332	4,254	3,973
Employment costs	343,194	364,635	340,373	316,444	296,550
Sales per employee (\$)	221,397	230,811	221,406	201,679	208,976
Profit after tax per employee (\$)	32,990	35,790	34,866	29,433	25,878
Economic value added	118,054	110,371	110,108	92,567	61,595
Economic value added spread (%)	17.9	17.4	16.2	14.2	9.9
Economic value added per employee (\$)	25,033	24,636	25,417	21,760	15,503
Value added	616,612	632,692	606,448	545,938	512,512
Value added per employee (\$)	130,749	141,226	139,993	128,335	128,999
Value added per \$ of employment costs (\$)	1.80	1.74	1.78	1.73	1.73
Value added per \$ of gross fixed assets (\$)	1.14	1.24	1.32	1.27	1.31
Value added per \$ of turnover (\$)	0.59	0.61	0.63	0.64	0.62

SECTORAL FINANCIAL REVIEW – ELECTRONICS

1. Financial Performance

1.1 Turnover

The turnover of \$579 million recorded in FY2002 was higher than that in FY2001 by 16% or \$81 million. The increase was contributed by all three business groups. In Communication & Sensor Systems Group (CSG), major sales was recorded from the milestone completion of Ministry of Home Affairs' (MHA) communication project, the sale of communication equipments and the delivery of a shipboard integrated communication system. Software Systems Group (SSG) achieved higher sales with the milestone completion of the aircraft simulator projects, a ship console project and Hong Kong Fire Services project. The higher sales recorded in Large-Scale Systems Group (LSG) was largely due to milestone completion of the Land Transport Authority's (LTA) North-East Line MRT and Sengkang LRT projects and the Manila LRT project.

1.2 Profit

The profit before tax of \$56.7 million for FY2002 was higher than that in FY2001 by 9% or \$4.5 million. The increase in gross profit was the result of higher sales. This was partly affected by increased marketing and selling and R&D expenses. At business group level, CSG and SSG reported higher profit due to higher sales. LSG reported a lower profit due to higher R&D and marketing expenses, start up costs in an overseas subsidiary and lower margins in project milestones completed. The overall performance was affected by lower interest income.

1.3 Cash and Cash Equivalents

Net cash from operating activities for the year amounted to \$80.1 million. \$40.3 million was paid out during the year as net dividends to the parent company.

1.4 Capital Expenditure

FY2002 capital expenditure was \$7.1 million (FY2001 : \$10.3 million), mainly incurred on computers (\$2.1 million), production tools and equipment (\$1.8 million) and office furniture and equipment and renovation (\$2.5 million).

1.5 Economic Value Added (EVA)

EVA for FY2002 was \$20.2 million, a decrease of 18% over FY2001. The weighted average cost of capital was 9.3% for 2002 (2001: 9.4%).

2. Review of Business Activities

2.1 Business Environment

The generally weak economic outlook has affected public infrastructure spending in the region, including electronic system projects. This has put pressures on many participants in the industry. Despite this competitive environment, the Electronics sector will continue to focus on growing its business, both in Singapore and internationally, especially in regions such as Greater China where investment in public infrastructure remains an area of priority.

2.2 Major Projects

In year 2002, total order of more than \$0.7 billion was received. Major orders secured under LSG include Rail System Electronics for LTA's Circle Line Stages 3-5 (\$192 million), Kaoshiong Rapid Transit Corporation's Platform Screen Doors System (\$50 million) and MMDS contracts with MVS Multivision through GFM Electronics (\$13.3 million). Major orders secured under CSG include MHA's Syscon project (\$14.7 million), LTA's i-Transport project (\$13.3 million) and communications system equipment for Taipei's Nankang/Panchiao/Chungho Rapid Transit System (\$4.2 million). Major orders secured under SSG include consoles for defence applications (\$57.6 million) and an overseas simulator project (US\$3.5 million).

The major projects contributing to the full year sales include LTA's and Manila's Light Rail Transit Authority's LRT/MRT projects; the Hong Kong Fire Services project; the aircraft simulator projects; the MHA's Communications, Command & Control project and the supply of radio communications and VSAT equipment.

SECTORAL FINANCIAL REVIEW – ELECTRONICS

2. Review of Business Activities *(continued)*

2.2 Major Projects *(continued)*

ST Elect also continued to develop new innovative products to grow its business. The culture of innovation fostered by the company led to the filing of six patents in 2002, bringing the total to 25 since 1998. CET Technologies Pte Ltd through its subsidiary, DataMark Technologies Pte Ltd received a patent award for their solution for embedding image, audio and video watermarks in digital data in April 2002, while Agilis Communication Technologies Pte Ltd (Agilis) was awarded the patent for Combined Motion Detection & Shock Sensing Apparatus in October 2002. To-date, we have a total of 9 patents granted.

2.3 Major Acquisitions

Major investments made in 2002 include:

- a. Sino Stride Technology (Holdings) Limited (Sino Stride), a holding company listed on the Hong Kong Growth Enterprise Market whose main operating unit Zhejiang SinoStride Technology is a leading intelligent building systems integration house in China;
- b. Ripple Systems Pty Ltd, a joint venture company based in Perth, Australia developing integrated control center solution that coordinates the operation of multiple and distributed subsystems, and ensures efficient and safe operation in road and rail transportation applications;
- c. RF Korea, Inc. (RF Korea), a company in South Korea specialising in radio frequency (RF) module design and manufacturing, cellular phone repeater system, optic transceiver system design and RF power amplifier;
- d. ST Education & Training Private Limited, a Singapore joint venture company with expertise in education & training, management & consultancy services for maritime, aerospace and land services and industries;
- e. Infowave Pte Ltd, a Singapore-based specialist in marketing of information appliances and wireless connectivity solutions to vertical markets such as transportation, maintenance & engineering, healthcare and properties;
- f. Mobile Solutions and Payment Services Pte Ltd, a Singapore company providing mobile payment & mobile commerce service; and
- g. Valens CGV Pte Ltd, a Singapore company specialising in computer graphics and visualisation solutions.

3. Prospects

Greater China market comprising China, Hong Kong and Taiwan will continue to be our main focus. Specific markets that we are targeting include rail electronic systems, traffic and fleet management systems, public safety systems, and Infocomm products.

We are actively pursuing rail electronics projects in Shanghai, Beijing and Wuhan in China as well as opportunities in Taiwan and the Philippines. We are also pursuing fleet management and traffic management systems prospects in Beijing, Suzhou and Hangzhou/Huzhou.

For our VSAT product sales, Agilis is setting up a service centre in India in 2002. This centre will service existing and new VSAT customers. We are also evaluating the feasibility of setting up an office in Chengdu, China for the microwave digital radios and VSAT market and tapping on the large pool of microwave engineers for design and development work.

In the area of public safety system, Singapore Engineering Software Pte Ltd is actively developing markets in Hong Kong, Australia and other selected Asian countries. In the area of simulation, ST Training & Simulation Pte Ltd is pursuing simulator projects in the international market including Thailand, Korea and Africa.

We will be working with our partners such as Sino Stride, RF Korea in addition to our overseas offices to develop these new markets.

SECTORAL FINANCIAL REVIEW – ELECTRONICS

Electronics Sector Profit and Loss Accounts

	2002 \$'000	2001 \$'000 (Restated)
Turnover	579,376	498,477
Cost of sales	<u>(453,996)</u>	<u>(381,132)</u>
Gross profit	125,380	117,345
Other operating income	4,288	8,253
Distribution and selling expenses	(21,952)	(16,720)
Administration expenses	(29,494)	(31,718)
Other operating expenses	<u>(21,927)</u>	<u>(18,584)</u>
Profit from operations	56,295	58,576
Other income/(expenses), net	1,322	(5,553)
Financial expenses	<u>(5)</u>	<u>(5)</u>
	57,612	53,018
Share of results of associated companies and joint ventures	(840)	(840)
Amortisation of goodwill on acquisition of associated companies	<u>(73)</u>	<u>(27)</u>
Profit before taxation	56,699	52,151
Taxation	<u>(14,816)</u>	<u>(17,778)</u>
Profit after taxation	41,883	34,373
Minority interests	917	126
Net profit for the year	<u>42,800</u>	<u>34,499</u>

SECTORAL FINANCIAL REVIEW – ELECTRONICS

Electronics Sector Balance Sheets

	2002 \$'000	2001 \$'000 (Restated)
Share capital and reserves	105,121	102,936
Minority interests	1,983	2,096
	107,104	105,032
Fixed assets	25,429	26,482
Associated companies and joint ventures	4,708	1,343
Long-term investments	59,688	54,526
Intangible assets	5,153	792
Loan receivables, non-current	58	115
Deferred tax assets	10,339	11,148
Current assets		
Stocks and work-in-progress	212,789	200,391
Debtors, deposits and prepayments	180,045	275,595
Loan receivables, current	125	132
Other investment	289	289
Amounts under fund management	10,000	10,000
Bank balances and other liquid funds	188,921	110,584
	592,169	596,991
Current liabilities		
Advance payments from customers, current	114,452	101,939
Creditors and accruals	255,579	259,983
Provisions	37,520	36,901
Progress billings in excess of work-in-progress	90,877	88,022
Provision for taxation	26,252	24,149
Bank overdrafts (unsecured)	-	49
	524,680	511,043
Net current assets	67,489	85,948
Non-current liabilities		
Advance payments from customers, non-current	65,084	74,485
Hire purchase creditors	5	-
Deferred income	367	553
Deferred tax liabilities	5	-
Provision for staff retirement benefits	299	284
	65,760	75,322
	107,104	105,032

SECTORAL FINANCIAL REVIEW – ELECTRONICS

Electronics Sector Combined Statement of Cash Flows

	2002 \$'000	2001 \$'000 (Restated)
Cash flows from operating activities	80,064	63,728
Cash flows from investing activities	(23,724)	(34,711)
Proceeds from sale of fixed assets	86	2
Purchase of equity investments	(9,119)	(23,730)
Purchase of fixed assets	(7,066)	(10,345)
Additional investment in subsidiary	-	(73)
Investment in associated companies and joint ventures	(4,081)	(2,855)
Acquisition of business by a subsidiary	(4,439)	-
Capital contribution from minority shareholders	895	2,188
Exchange difference on investing activities	-	102
Cash flows from financing activities	(40,265)	(24,162)
Dividends paid to shareholder of the Company	(40,260)	(24,157)
Interest paid	(5)	(5)
Net increase in cash and cash equivalents	16,075	4,855
Cash and cash equivalents at beginning of year	292,718	287,863
Cash and cash equivalents at end of year	308,793	292,718

SECTORAL FINANCIAL REVIEW – ELECTRONICS

Electronics Sector Value Added Statements

	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
Value added from:					
Revenue earned	579,376	498,477	423,533	361,991	337,670
Bought in materials and services	(351,621)	(295,208)	(247,801)	(230,819)	(216,744)
Gross value added	227,755	203,269	175,732	131,172	120,926
Income from investments and interest	4,288	8,253	8,409	5,687	7,619
Extraordinary items	–	–	–	(2,093)	–
Exchange (loss)/gain	(76)	998	782	997	(321)
Other non-operating income/(expenses)	1,398	(6,551)	1,974	1,451	1,630
Share of results of associated companies and joint ventures	(840)	(840)	(220)	–	(766)
Amortisation of goodwill on acquisition of associated companies	(73)	(27)	–	–	–
Total value added	232,452	205,102	186,677	137,214	129,088
Distribution of value added					
To employees in wages, salaries and benefits	167,955	145,699	134,482	107,121	91,929
To government in income and other taxes	15,363	15,763	16,632	13,151	7,341
To providers of capital on:					
• Interest paid on borrowings	5	5	7	–	–
• Dividends to shareholder	40,260	24,157	19,040	16,906	10,105
	223,583	185,624	170,161	137,178	109,375
Balance retained in/(applied from) business					
Depreciation	8,332	7,242	5,329	5,348	6,969
Retained profits	(2,497)	3,466	2,067	(8,305)	2,553
	5,835	10,708	7,396	(2,957)	9,522
Non-production cost and income					
Bad debts	(1,178)	(481)	(71)	(1,598)	2,893
Income from investments and interest	4,288	8,253	8,409	5,687	7,619
Extraordinary items	–	–	–	(2,093)	–
Exchange (loss)/gain	(76)	998	782	997	(321)
	3,034	8,770	9,120	2,993	10,191
Total distribution	232,452	205,102	186,677	137,214	129,088

SECTORAL FINANCIAL REVIEW – ELECTRONICS

Electronics Sector Financial Highlights

	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
Turnover	579,376	498,477	423,533	361,991	337,670
Profit before tax	56,699	52,151	46,591	28,201	16,159
Profit after tax (before extraordinary items)	42,800	34,499	30,580	15,300	9,188
Shareholders' funds	105,121	102,936	78,746	67,322	71,013
Total assets	697,544	691,397	592,884	497,124	407,154
Net tangible assets	99,968	102,144	78,746	67,322	71,013
Return on turnover (%)	7.2	6.9	7.2	4.2	2.7
Earnings per share (¢)	40.74	32.84	29.11	14.57	8.75
Return on equity (%)	40.7	33.51	38.8	22.7	12.9
Return on total assets (%)	6.1	5.0	5.2	3.1	2.3
Net tangible assets per share (¢)	95.2	97.2	75.0	64.1	67.6
Productivity data					
Average staff strength (number)	2,586	2,310	2,030	1,796	1,638
Employment costs	167,976	145,747	134,135	107,121	91,929
Sales per employee (\$)	224,043	215,791	208,637	201,554	206,148
Profit after tax per employee (\$)	16,551	14,935	15,064	8,519	5,609
Economic value added	20,157	24,639	22,957	12,599	6,073
Economic value added spread (%)	13.8	18.6	18.8	11.2	5.7
Economic value added per employee (\$)	7,795	10,666	11,309	7,015	3,708
Value added	232,452	205,102	186,677	137,214	129,088
Value added per employee (\$)	89,889	88,789	91,959	76,400	78,808
Value added per \$ of employment costs (\$)	1.38	1.41	1.39	1.28	1.40
Value added per \$ of gross fixed assets (\$)	2.31	2.11	2.08	1.55	1.53
Value added per \$ of turnover (\$)	0.40	0.41	0.44	0.38	0.38

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

1. Financial Performance

1.1 Turnover

FY2002 turnover compared to that for FY2001 increased by 17% or \$104 million to \$711 million, contributed mainly by the Automotive (Auto) and Munitions & Weapon (M&W) business groups. The Auto business group's higher turnover was from the delivery of Bronco, Bionix Launched Bridge and other products despite lower delivery of Bionix IFVs. The M&W business group had a higher turnover mainly from the delivery of SAR 21, 155 mm howitzer and air defence weapon system. The Services, Trading and Others (S&T) business group had a lower turnover due to lower engine and trading sales.

1.2 Profit

FY2002 profit after tax of \$100.6 million was comparable to that for FY2001 of \$100.2 million. This was due mainly to higher profits of the M&W and S&T business groups being largely offset by lower profits from the Auto business group. Restructuring costs amounting to \$21.4 million (Auto \$4.7 million, M&W \$16.3 million and S&T \$0.4 million) were charged in FY2002. Excluding restructuring cost, FY2002 profit after tax was higher by \$17.1 million or 17.1% than that of FY2001 despite lower interest income.

Excluding restructuring costs, the M&W business group had higher profits due mainly to higher turnover and the write-back of provision for liquidated damages due mainly to rescheduling of project deliveries. The higher profits in S&T business group were due mainly to lower operating expenses, lower tax as a result of tax write-back and other tax benefits, partially offset by income from externally managed investment funds which was not repeated this year. The Auto business group's profits decreased due mainly to provision for foreseeable loss and lower tax write-back, partially offset by a higher turnover, write-back of stock provisions and higher gain on disposal of NASDAQ quoted H Power shares. Additionally, FY2001 profits were aided by reversal of provision for investment in H Power while also being impacted by spending on e-initiatives and consultancy/professional fees.

1.3 Cash and Cash Equivalents

Cash and cash equivalents as at 31 December 2002 reduced by \$209.3 million to \$413.3 million, compared to \$622.6 million at the beginning of the year. The decrease was mainly attributed to net cash outflow from operating activities amounting to \$133.8 million, dividend payment of \$40.0 million, new equity investment in Timoney Holdings Limited as well as additional investments in Solectria Corporation and the Silvatech group of companies totalling \$19.7 million and capital expenditure of \$12.8 million.

1.4 Capital Expenditure

Total capital expenditure amounted to \$12.8 million mainly for the purchase of plant and machinery for use on projects as well as building of a factory in Shanghai.

1.5 Economic Value Added (EVA)

EVA for FY2002 was \$81.3 million, an increase of \$55.6 million over FY2001. The weighted average cost of capital was 9.3% for 2002 (2001: 9.4%).

2. Review of Business Activities

2.1 Business Environment

The fight against terrorism is affecting many armed forces, adding new responsibilities and increasing the need for new anti-terrorism solutions. Armed forces around the world are therefore taking steps to address such threats. In addition, within the military arena, the "Revolution in Military Affairs" is driving the transformation of the armed forces in many parts of the world – calling for technology-driven, network-centric and multi-functional integrated systems designed to improve future military planning and battlefield effectiveness. The industry will have to keep up and transform in tandem to provide more ingenious solutions to meet these twin demands. Increasingly, there will be lesser need for conventional platforms and weapons, and more towards technology-laden systems and solutions.

In 2002, the Sector began the process to align itself in preparation for this new phase in the industry's development. A new business structure – comprising Defence and Commercial Business Divisions – reflects the two-prong approach in the Sector's strategy to chart a course for long-term business growth.

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

2. Review of Business Activities *(continued)*

2.1 Business Environment *(continued)*

The Defence Business Division will focus on accelerating capability development in areas of strategic importance, including Multi-Role Land Systems, Guided Weapons, and Operations and Support.

In the international front, the Defence Division will focus on establishing a presence in the West through possible acquisitions and alliances (with ST Kinetics having a subcontractor role, a partnership role or even a licensing role), as well as increased participation in international programmes such as the 8x8 wheeled vehicle programmes in Turkey and Belgium.

The Commercial Business Division will spearhead the Sector's drive into new commercial businesses and seed growth engines in Heavy Automotive sub-systems and Alternate Energy products, leveraging on dual-use technology.

2.2 Major Projects

Deliveries of the BRONCO all-terrain tracked carrier and SAR 21 to the Singapore Armed Forces continued into 2002. The 40 mm Air Bursting Munitions System was successfully demonstrated to many interested customers in Switzerland, and reliability trials continued for the various developments such as the 120 mm Super Rapid Advanced Mortar System, the 40 mm Super Light Weight Automatic Grenade Launcher and the Terrex AV81.

Memoranda of Understanding were signed with a Turkish company to promote the Terrex AV81 and the Bronco to the Turkish Army.

A wholly-owned company, Kinetics Systems (Shanghai) Co. Ltd., was set-up to produce commercial drive systems in China.

2.3 Major Acquisitions

In January, the Sector acquired a 25 percent equity stake in Timoney Holdings Limited, an Irish company with global leadership in independent suspension systems for heavy vehicles. In May, the Sector acquired a 9.6 percent equity stake in Nesscap Co., Ltd, a Korean company with expertise in commercial ultra-capacitors.

In line with efforts to tap on dual-use technologies and expand into distributed power generation systems, the Sector made additional investments in Solectria Corporation, a US company involved in advanced electric, hybrid and hybrid electric drive systems, and in the Silvatech Group of Companies which specialises in electro-hydraulic drives.

3. Prospects

The Sector will continue to deliver key products such as Bronco, 155 mm howitzer and SAR 21 in 2003. With the new and bigger facility at Portsdown and 50 percent more capacity, STAR Automotive Centre is expected to improve its car repair revenue. STA Inspection Pte Ltd should also increase its revenue sources through its four Independent Damage Assessment Centres (IDACs) as well as its parts trading business with its JuzclickPart.com portal.

With a dedicated team in place, the Sector will further increase its efforts to leverage on our core competencies as well as seek opportunities to expand into the commercial business, especially in China and the western markets.

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

Land Systems Sector Profit and Loss Accounts

	2002 \$'000	2001 \$'000 (Restated)
Turnover	711,160	607,465
Cost of sales	<u>(471,548)</u>	<u>(413,908)</u>
Gross profit	239,612	193,557
Other operating income	11,939	39,983
Distribution and selling expenses	(16,935)	(9,718)
Administration expenses	(89,986)	(106,147)
Other operating expenses	(30,381)	<u>(35,540)</u>
Profit from operations	114,249	82,135
Other income, net	1,044	7,976
Financial expenses	(110)	(144)
Exceptional item	(21,429)	–
	93,754	89,967
Share of results of associated companies and joint ventures	4,562	7,141
Amortisation of goodwill on acquisition of associated company	(1,439)	–
Profit before taxation	96,877	97,108
Taxation	2,293	3,846
Profit after taxation	99,170	100,954
Minority interests	1,432	(731)
Net profit for the year	100,602	100,223

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

Land Systems Sector Balance Sheets

	2002 \$'000	2001 \$'000 (Restated)
Share capital and reserves	213,373	152,969
Minority interests	4,313	449
	217,686	153,418
Fixed assets	76,450	82,581
Associated companies and joint ventures	88,453	79,378
Long-term investments	128,636	167,202
Intangible assets	15,333	209
Loan receivables, non-current	132	636
Deferred tax assets	22,286	20,657
Current assets		
Stocks and work-in-progress	264,849	223,513
Debtors, deposits and prepayments	360,578	526,332
Loans receivables, current	345	701
Amounts under fund management	5,500	5,500
Bank balances and other liquid funds	206,711	250,955
	837,983	1,007,001
Current liabilities		
Advance payments from customers, current	142,463	253,066
Creditors and accruals	231,508	265,258
Provisions	84,173	99,153
Provision for taxation	26,057	31,289
Short-term bank loans (unsecured)	–	2,517
Long-term bank loan, current	–	353
Long-term loan, current	300	–
Bank overdrafts (unsecured)	–	454
	484,501	652,090
Net current assets	353,482	354,911
Non-current liabilities		
Advance payments from customers, non-current	462,964	548,022
Deferred income	1,227	1,568
Deferred tax liabilities	1,181	1,679
Loan from holding company	1,520	–
Long-term bank loan, non-current	–	693
Long-term loan from minority shareholder of a subsidiary	194	194
	467,086	552,156
	217,686	153,418

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

Land Systems Sector Combined Statement of Cash Flows

	2002 \$'000	2001 \$'000 (Restated)
Cash flows from operating activities	(133,771)	(66,225)
Cash flows from investing activities	(29,979)	76,708
Proceeds from sale of fixed assets	728	2,428
Proceeds from sale of long-term investments	7,105	3,870
Dividends from unquoted long-term investments	293	–
Proceeds from sale and maturity of amounts under fund management	–	88,297
Purchase of fixed assets	(12,767)	(12,103)
Purchase of long-term investments	(5,566)	(1,614)
Proceeds from capital redemption of long-term investments	–	630
Loan to an associated company	–	(1,166)
Additional investment/acquisition of associated companies	(14,716)	(1,282)
Acquisition and disposal of subsidiaries	(5,028)	(672)
Acquisition of additional interest in subsidiary	–	(1,680)
Deconsolidation of subsidiaries	(28)	–
Cash flows from financing activities	(45,628)	(50,892)
Interest paid	(110)	(144)
Repayment of long-term bank loan	(223)	(63)
Repayment of short-term bank loan	(3,690)	–
Repayment of loan from minority shareholders	(1,190)	–
Dividends paid to shareholder of the Company	(40,000)	(50,500)
Dividend paid to minority shareholders of subsidiaries	–	(185)
Redemption of preference shares	(415)	–
Net decrease in cash and cash equivalents	(209,378)	(40,409)
Cash and cash equivalents at beginning of year	622,577	662,950
Exchange difference on cash and cash equivalents at beginning of year	94	36
Cash and cash equivalents at end of year	413,293	622,577

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

Land Systems Sector Value Added Statements

	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
Value added from:					
Revenue earned	711,160	607,465	528,241	297,188	299,116
Bought in materials and services	(443,416)	(391,896)	(331,921)	(207,549)	(235,080)
Gross value added	267,744	215,569	196,320	89,639	64,036
Income from investments and interest	11,166	30,625	30,220	11,678	18,929
Extraordinary items	-	-	-	(9,255)	(3,310)
Exchange (loss)/gain	(1,568)	3,776	(201)	(177)	(116)
Other non-operating income	3,385	4,200	3,255	243	1,369
Share of results of associated companies and joint ventures	3,123	7,141	6,179	6,446	5,076
Total value added	283,850	261,311	235,773	98,574	85,984
Distribution of value added					
To employees in wages, salaries and benefits	169,147	156,582	128,354	57,355	53,838
To government in income and other taxes	(2,243)	(135)	21,333	4,881	4,769
To providers of capital on:					
• Interest paid on borrowings	110	144	374	102	209
• Dividends to shareholder	40,000	50,500	32,000	8,007	11,989
	207,014	207,091	182,061	70,345	70,805
Balance retained in/(applied from) business					
Depreciation	17,603	18,155	21,707	10,755	12,520
Retained profits	53,702	14,472	2,825	8,829	(13,300)
	71,305	32,627	24,532	19,584	(780)
Non-production cost and income					
Bad debts	(4,067)	(12,808)	(839)	6,399	456
Income from investments and interest	11,166	30,625	30,220	11,678	18,929
Extraordinary items	-	-	-	(9,255)	(3,310)
Exchange (loss)/gain	(1,568)	3,776	(201)	(177)	(116)
	5,531	21,593	29,180	8,645	15,959
Total distribution	283,850	261,311	235,773	98,574	85,984

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

Land Systems Sector Financial Highlights

	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
Turnover	711,160	607,465	528,241	297,188	299,116
Profit before tax	96,877	97,108	84,650	33,092	16,628
Profit after tax (before extraordinary items)	100,602	100,223	64,948	27,998	12,228
Shareholders' funds	213,373	152,969	95,075	86,069	75,624
Total assets	1,169,273	1,357,664	1,513,789	746,168	782,414
Net tangible assets	198,040	152,760	95,075	86,069	75,624
Return on turnover (%)	13.9	16.6	12.3	9.5	4.1
Earnings per share (¢)	83.44	83.13	53.87	23.22	10.16
Return on equity (%)	47.1	65.5	68.3	32.5	16.2
Return on total assets (%)	8.5	7.4	4.3	3.8	1.6
Net tangible assets per share (¢)	164.3	126.7	78.9	71.4	62.7
Productivity data					
Average staff strength (number)	2,738	2,858	2,679	983	974
Employment costs	169,111	156,550	128,372	57,355	53,838
Sales per employee (\$)	259,737	212,549	197,178	302,328	307,101
Profit after tax per employee (\$)	36,743	35,068	24,243	28,482	12,554
Economic value added	81,320	25,721	41,755	28,610	4,113
Economic value added spread (%)	29.4	8.9	17.6	21.7	3.1
Economic value added per employee (\$)	29,701	9,000	15,586	29,105	4,223
Value added	283,850	261,311	235,773	98,574	85,984
Value added per employee (\$)	103,671	91,431	88,008	100,279	88,279
Value added per \$ of employment costs (\$)	1.68	1.67	1.84	1.72	1.59
Value added per \$ of gross fixed assets (\$)	0.91	0.84	0.76	0.89	0.78
Value added per \$ of turnover (\$)	0.40	0.43	0.45	0.33	0.29

SECTORAL FINANCIAL REVIEW – MARINE

1. Financial Performance

1.1 Turnover

The Sector's FY2002 turnover of \$281 million was lower than the previous year's turnover of \$336 million by 16% or \$55 million. Lower turnover was recorded by all business groups. Shipbuilding recorded a turnover of \$134 million in FY2002 representing a 25% decrease over the previous year. The higher Shipbuilding turnover in FY2001 was due mainly to the delivery of a Landing Ship Tank. Shiprepair turnover declined by 5% to \$133 million. Engineering turnover at \$14 million was 17% lower mainly as a result of the reduced activities in the naval bases.

The Sector applied the percentage of completion basis of revenue accounting with effect from 1 January 2002 which was a change in accounting policy from the previous year's completed contract basis. On a comparable basis, had the percentage of completion basis been applied from 1 January 2001, the turnover for FY2001 would have been \$253 million. The Sector's FY2002 turnover of \$281 million would then represent an 11% increase over the previous year. The increase was due mainly to higher Shipbuilding turnover.

1.2 Profit

Gross profit for FY2002 was \$42.7 million, 38% or \$25.8 million lower than that achieved in FY2001 due mainly to the lower Shipbuilding turnover and weaker margin. Other operating income at \$20.3 million was comparable to the previous year. Distribution and selling expenses were \$6.2 million in FY2002, an increase of 125% due mainly to higher bad debt expenses. Administration expenses were \$12.4 million comparable to FY2001. Other operating expenses totalling \$3.8 million for FY2002 were lower than the previous year's \$8.0 million, due mainly to a write-back of a provision for doubtful debt that was no longer required. There was no share of associated companies' losses in FY2002 as the investments had been fully provided for. The lower tax was due mainly to the lower tax rate and the lower profit before tax.

The above resulted in the Sector's net profit after tax of \$29.2 million which represent a 36% decrease.

Had the FY2001 profit before tax and profit after tax been restated on a comparable percentage of completion basis, the profit before tax and profit after tax would have been \$38.4 million and \$27.7 million respectively.

1.3 Cash and Cash Equivalents

The Sector's cash and cash equivalents increased by \$34.4 million to \$129.3 million. Net cash outflow from operating activities was \$100.6 million due mainly to movements in working capital. Investing activities had a net cash inflow of \$74.6 million due mainly to cash received from maturity of funds under management offset by cash utilised for the acquisition of the assets in VT Halter Marine, Inc. (VT Halter Marine). Net cash inflow from financing activities comprise mainly loans of \$130.9 million taken up offset by a \$70.0 million dividend payout.

1.4 Capital Expenditure

The capital expenditure of \$107.1 million comprise mainly the assets purchased by VT Halter Marine; cost of upgrade of the Singapore yard facilities; and purchase of plant and machinery in preparation for the frigate programme.

1.5 Economic Value Added (EVA)

EVA for FY2002 was \$5.1 million, a decrease of 83% over FY2001. The weighted average cost of capital was 9.3% for 2002 (2001: 9.4%).

2. Review of Business Activities

2.1 Business Environment

The near term business environment for the Marine sector remains tied in to general economic conditions and concerns in the Middle East. The immediate impact is difficult to predict. While declines in demand could lead to fewer newbuilding orders for shipyards, it is also conceivable that higher oil prices may present opportunities for replacement of ageing offshore support vessels.

SECTORAL FINANCIAL REVIEW – MARINE

2. Review of Business Activities *(continued)*

2.1 Business Environment *(continued)*

Closer home, the Marine sector envisages an increasingly tougher shiprepair environment. Till the sand issue is resolved, the utilisation of dredgers will remain low. However, the recent release of several dredgers by the Indonesian authority gives certain optimism that the issue may be resolved soon. Nevertheless, the Sector will also continue to focus on chemical tankers and gas carrier vessels while securing in-roads into the offshore repair market.

2.2 Major Projects

In 2002, we delivered two of the three Platform Supply Vessels (PSVs) for Tidewater, Inc. in Singapore. The remaining PSV will be delivered in 2003. In US, VT Halter Marine secured the novation of two US government contracts comprising a Fisheries Research Vessel for the National Oceanographic Atmospheric Administration and a Logistics Support Vessel for the US Army. The US Army shortly thereafter, also exercised their option for another Logistic Support Vessel. VT Halter Marine also secured a contract to build a commercial Offshore Supply Vessel with options for six additional similar vessels.

2.3 Major Acquisitions

The major acquisition by the Sector in 2002 was the purchased of the assets of the shipbuilding yards of Friede Goldman Halter for US\$66 million. VT Halter Marine was established for this purpose and had commenced operation upon completion of the purchase on 23 October 2002.

3. Prospects

In 2003, the Singapore operation will focus on the frigate programme. We will also focus on the build up of the order book of VT Halter Marine by pursuing shipbuilding contracts.

Marine Sector Profit and Loss Accounts

	2002 \$'000	2001 \$'000 (Restated)
Turnover	281,231	335,770
Cost of sales	(238,539)	(267,244)
Gross profit	42,692	68,526
Other operating income	20,318	19,991
Distribution and selling expenses	(6,186)	(2,746)
Administration expenses	(12,360)	(12,808)
Other operating expenses	(3,809)	(8,001)
Profit from operations	40,655	64,962
Other income, net	1,033	1,020
Financial expenses	(556)	–
	41,132	65,982
Share of results of associated companies and joint ventures	–	(3,351)
Profit before taxation	41,132	62,631
Taxation	(11,931)	(16,960)
Net profit for the year	29,201	45,671

SECTORAL FINANCIAL REVIEW – MARINE

Marine Sector Balance Sheets

	2002 \$'000	2001 \$'000 (Restated)
Share capital and reserves	78,808	119,617
Fixed assets	153,999	60,192
Associated companies and joint ventures	7,308	7,630
Long-term investments	57,771	8,293
Loan receivables, non-current	108	231
Deferred tax assets	6,472	13,855
Current assets		
Stocks and work-in-progress	20,541	6,939
Debtors, deposits and prepayments	111,300	107,516
Loan receivables, current	166	121
Other assets	27,743	–
Amounts under fund management	91,093	257,552
Bank balances and other liquid funds	53,918	47,059
	304,761	419,187
Current liabilities		
Advance payments from customers, current	49,234	52,081
Creditors and accruals	130,810	134,491
Provisions	29,460	36,580
Progress billings in excess of work-in-progress	22,456	16,261
Provision for taxation	29,421	37,737
	261,381	277,150
Net current assets	43,380	142,037
Non-current liabilities		
Advance payments from customers, non-current	59,313	112,621
Loans from a related company	130,917	–
	78,808	119,617

SECTORAL FINANCIAL REVIEW – MARINE

Marine Sector Combined Statement of Cash Flows

	2002 \$'000	2001 \$'000 (Restated)
Cash flows from operating activities	(100,555)	32,150
Cash flows from investing activities	74,617	52,943
Proceeds from sale of fixed assets	-	8
Proceeds from sale and maturity of investments	181,468	67,442
Dividends from investments	294	41
Purchase of fixed assets	(107,111)	(13,098)
Additional investment/acquisition of associated companies and joint ventures	-	(1,450)
Exchange difference on investing activities	(34)	-
Cash flows from financing activities	60,361	(32,999)
Proceeds from loans and borrowings	130,917	-
Dividend paid to shareholder of the Company	(70,000)	(32,999)
Interest paid	(556)	-
Net increase in cash and cash equivalents	34,423	52,094
Cash and cash equivalents at beginning of year	94,848	42,754
Cash and cash equivalents at end of year	129,271	94,848

SECTORAL FINANCIAL REVIEW – MARINE

Marine Sector Value Added Statements

	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
Value added from:					
Revenue earned	281,231	335,770	359,112	255,979	197,567
Bought in materials and services	(190,567)	(228,273)	(246,900)	(165,635)	(111,782)
Gross value added	90,664	107,497	112,212	90,344	85,785
Income from investments and interest	18,023	17,818	4,039	15,933	27,674
Exchange gain/(loss)	4	27	(29)	(10)	31
Other non-operating income	3,324	993	1,384	1,894	1,178
Share of results of associated companies and joint ventures	–	(3,351)	(1,915)	(1,096)	(2,035)
Total value added	112,015	122,984	115,691	107,065	112,633
Distribution of value added					
To employees in wages, salaries and benefits	54,676	44,666	42,916	43,830	48,041
To government in income and other taxes	13,079	18,028	21,029	15,664	15,447
To providers of capital on:					
• Interest paid on borrowings	556	–	10	175	–
• Dividend to shareholder	70,000	32,999	54,968	91,869	79,959
	138,311	95,693	118,923	151,538	143,447
Balance retained in/(applied from) business					
Depreciation	13,338	13,751	12,142	12,735	15,322
Retained profits	(58,826)	(5,241)	(15,148)	(76,614)	(75,798)
	(45,488)	8,510	(3,006)	(63,879)	(60,476)
Non-production cost and income					
Bad debts	1,165	936	(4,236)	3,483	1,957
Income from investments and interest	18,023	17,818	4,039	15,933	27,674
Exchange gain/(loss)	4	27	(29)	(10)	31
	19,192	18,781	(226)	19,406	29,662
Total distribution	112,015	122,984	115,691	107,065	112,633

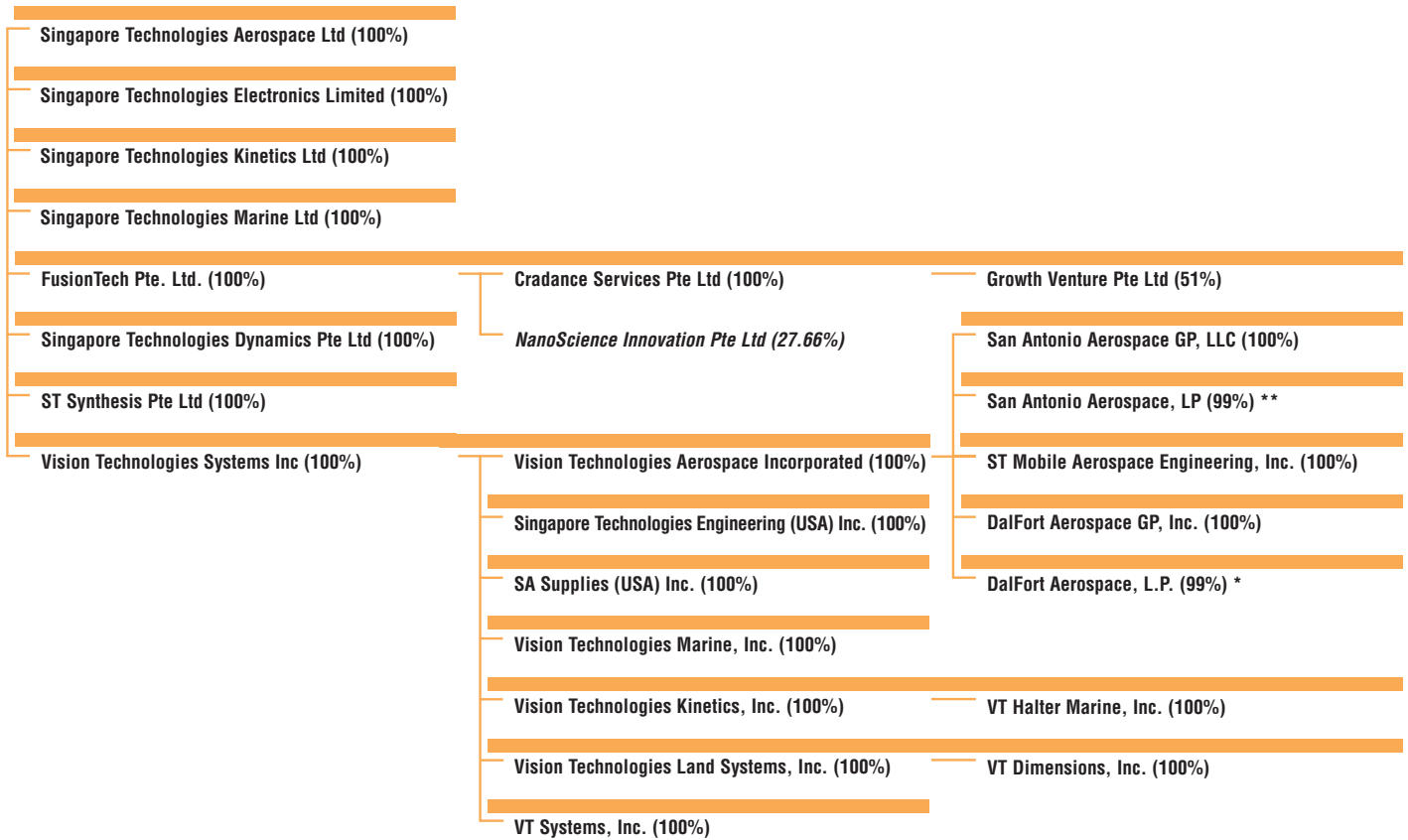
SECTORAL FINANCIAL REVIEW – MARINE

Marine Sector Financial Highlights

	2002 \$'000	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000
Turnover	281,231	335,770	359,112	255,979	197,567
Profit before tax	41,132	65,631	63,935	46,367	44,831
Profit after tax (before extraordinary items)	29,201	45,671	43,830	31,178	30,138
Shareholders' funds	78,808	119,617	93,174	104,312	165,003
Total assets	530,419	509,388	479,205	492,607	634,802
Net tangible assets	78,808	119,617	93,174	104,312	165,003
Return on turnover (%)	10.4	13.6	12.2	12.2	15.3
Earnings per share (¢)	14.93	23.35	22.41	15.94	15.41
Return on equity (%)	37.1	38.2	47.0	29.9	18.3
Return on total assets (%)	5.5	9.0	9.1	6.3	4.7
Net tangible assets per share (¢)	40.3	61.2	47.6	53.3	84.4
Productivity data					
Average staff strength (number)	1,168	934	951	1,073	1,195
Employment costs	54,809	44,836	43,077	43,830	48,041
Sales per employee (\$)	240,780	359,497	377,615	238,564	165,328
Profit after tax per employee (\$)	25,001	48,898	46,088	29,057	25,220
Economic value added	5,056	28,897	38,747	22,597	11,245
Economic value added spread (%)	2.4	16.5	25.0	13.0	4.1
Economic value added per employee (\$)	4,329	30,939	40,743	21,060	9,410
Value added	112,015	122,984	115,691	107,065	112,633
Value added per employee (\$)	95,903	131,675	121,652	99,781	94,254
Value added per \$ of employment costs (\$)	2.04	2.74	2.69	2.44	2.34
Value added per \$ of gross fixed assets (\$)	0.39	0.68	0.67	0.62	0.66
Value added per \$ of turnover (\$)	0.40	0.37	0.32	0.42	0.57



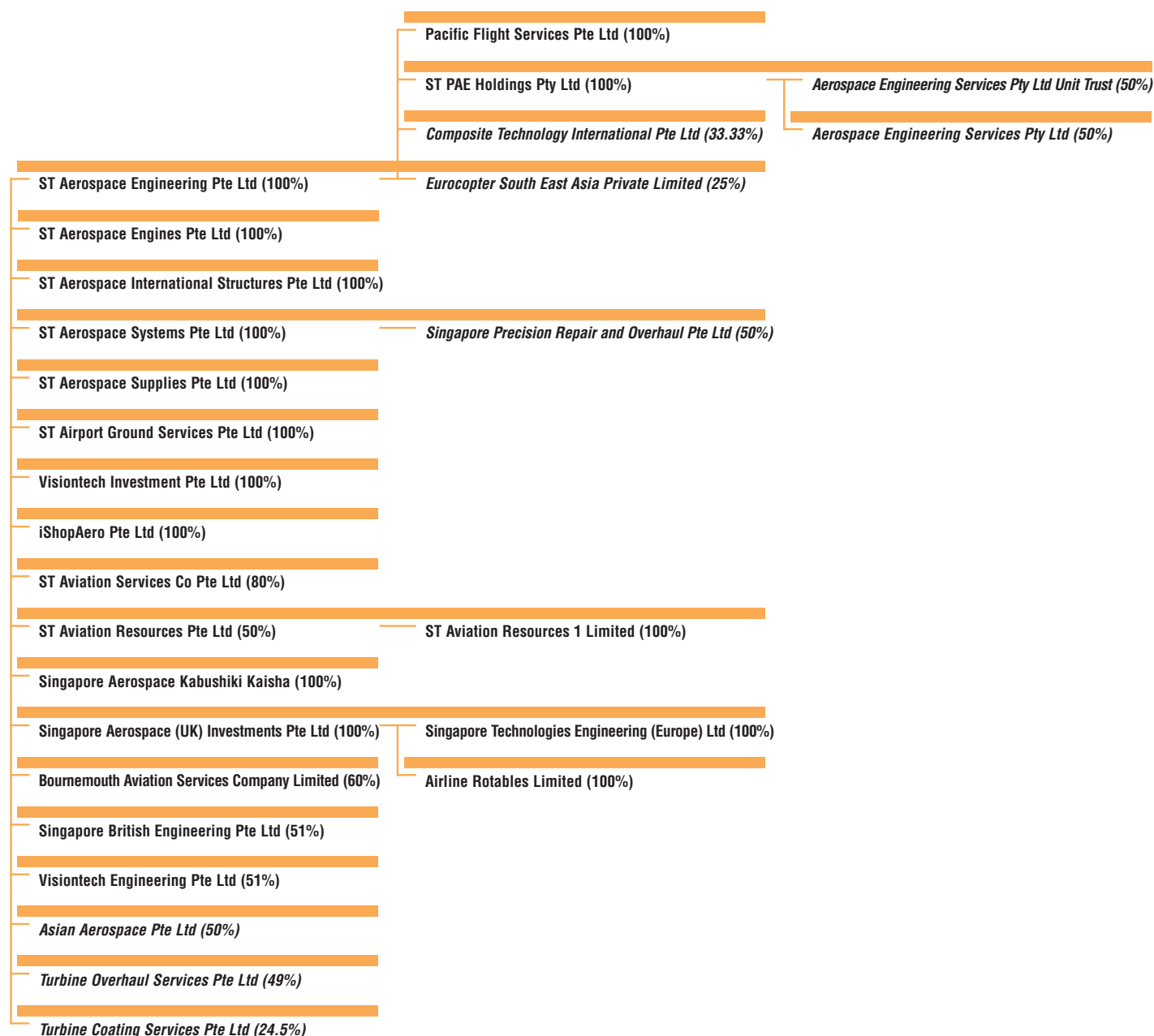
GROUP STRUCTURE – SINGAPORE TECHNOLOGIES ENGINEERING LTD SUBSIDIARIES AND ASSOCIATED COMPANIES (AS AT 31 JANUARY 2003)



****** Balance 1% held by San Antonio Aerospace GP, LLC
***** Balance 1% held by DalFort Aerospace GP, Inc.
Bold indicates subsidiary (both directly & indirectly held)
Italics indicates Associated Companies or Others

GROUP STRUCTURE – SINGAPORE TECHNOLOGIES AEROSPACE LTD

SUBSIDIARIES AND ASSOCIATED COMPANIES (AS AT 31 JANUARY 2003)



Bold indicates subsidiary (both directly & indirectly held)
Italics indicates Associated Companies or Others

GROUP STRUCTURE – SINGAPORE TECHNOLOGIES ELECTRONICS LIMITED

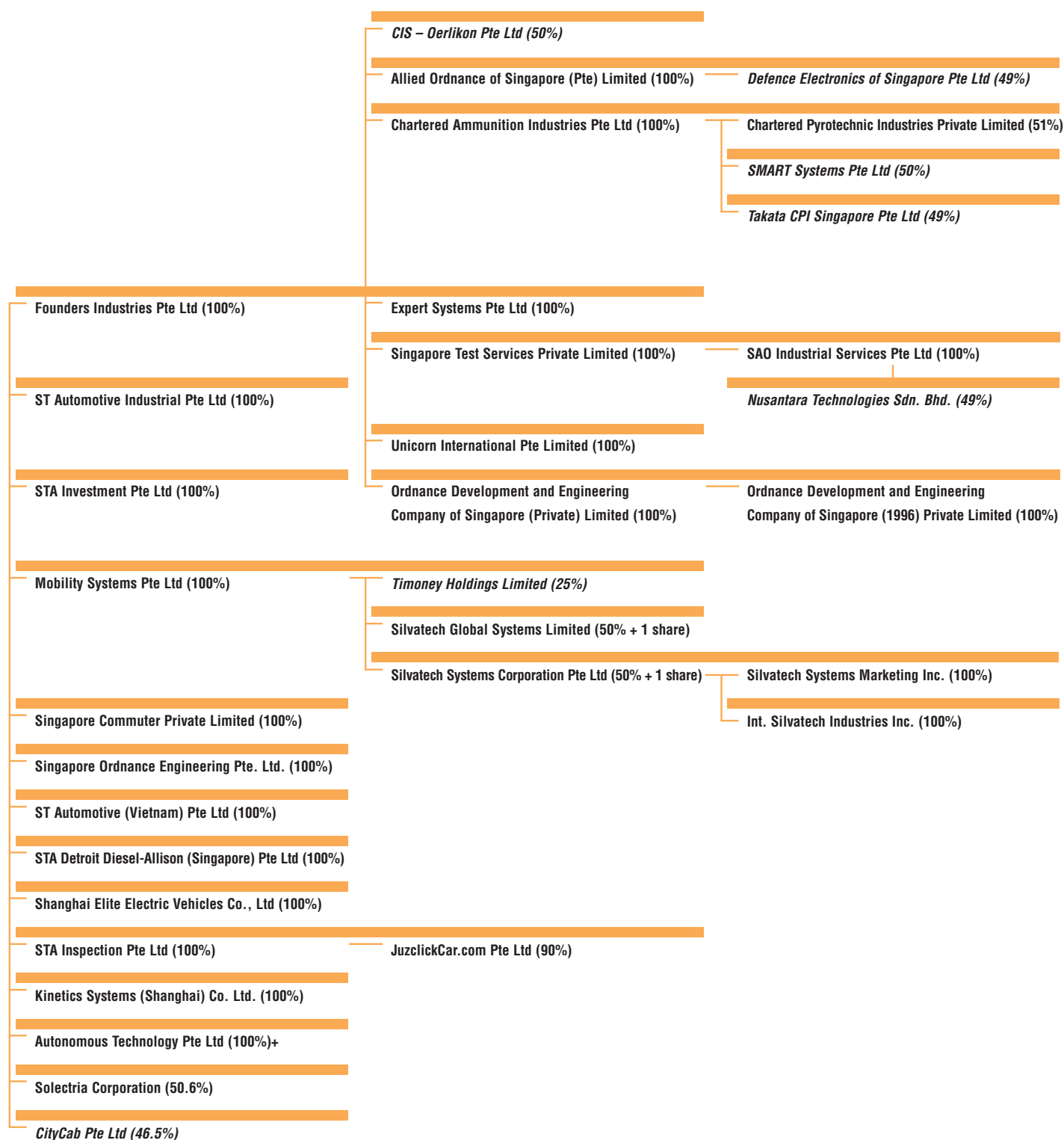
SUBSIDIARIES AND ASSOCIATED COMPANIES (AS AT 31 JANUARY 2003)



Bold Indicates subsidiaries (both directly & indirectly held)
Italics Indicates Associated Companies or Others

GROUP STRUCTURE – SINGAPORE TECHNOLOGIES KINETICS LTD

SUBSIDIARIES AND ASSOCIATED COMPANIES (AS AT 31 JANUARY 2003)

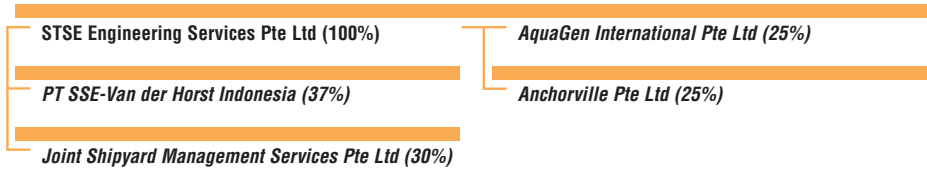


+ Shares of this subsidiary are held in trust by Directors of the subsidiary
Bold Indicates subsidiaries (both directly & indirectly held)
Italics Indicates Associated Companies or Others



GROUP STRUCTURE – SINGAPORE TECHNOLOGIES MARINE LTD

SUBSIDIARIES AND ASSOCIATED COMPANIES (AS AT 31 JANUARY 2003)



Bold indicates subsidiary (both directly & indirectly held)

Italics indicates Associated Companies or Others

CORPORATE INFORMATION

Board of Directors

Mr Peter Seah Lim Huat (*Chairman*)
 Mr Tan Pheng Hock (*President & CEO*)
 Mr Philip Tan Yuen Fah (*Director*)
 Mr Tan Guong Ching (*Director*)
 LG Lim Chuan Poh (*Director*)
 Prof Lui Pao Chuen (*Director*)
 Mr Winston Tan Tien Hin (*Director*)
 Mr Lucien Wong Yuen Kuai (*Director*)
 Dr Philip Nalliah Pillai (*Director*)
 Mr Quek Poh Huat (*Director*)
 Mr Venkatachalam Krishnakumar (*Director*)

Company Secretary

Mrs Chua Su Li

Audit Committee

Mr Philip Tan Yuen Fah (*Chairman*)
 Dr Philip Nalliah Pillai
 Mr Venkatachalam Krishnakumar

Executive Resource & Compensation Committee

Mr Peter Seah Lim Huat (*Chairman*)
 Mr Tan Guong Ching
 Dr Philip Nalliah Pillai
 Mr Ng Kee Choe (*co-opted*)

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Auditors

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 Ocean Building
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 Mr Ng Tiak Soon (*Partner-in-charge*)

Principal Bankers

Citibank N.A.
 3 Temasek Avenue #12-00
 Centennial Towers
 Singapore 039190

The Development Bank of Singapore Ltd
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 DBS Building
 Singapore 068809

DIRECTORY OF SUBSIDIARIES, ASSOCIATES & INVESTMENT COMPANIES

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Seletar Airport
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Contact : Katherine YEO, Asst. Marketing Manager
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