

Directors' Report

31 December 2004

(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 2004.

Directors

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

Peter Seah Lim Huat	(Chairman)
Tan Pheng Hock	(President and Chief Executive Officer)
Koh Beng Seng	
LG Ng Yat Chung	
Dr Tan Kim Siew	
Professor Lui Pao Chuen	
Winston Tan Tien Hin	
Lucien Wong Yuen Kuai	
Dr Philip Nalliah Pillai	
Quek Poh Huat	
Venkatachalam Krishnakumar	
BG Bernard Tan Kok Kiang	(alternate Director to LG Ng Yat Chung)

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 Engineering 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.

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 2005.

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

Directors' interests in shares or debentures (continued)

According to the register kept by the Company for the purposes of Section 164 of the Singapore 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	
	1 January 2004 or date of appointment if later	31 December 2004
The Company		
Ordinary Shares of \$0.10 each		
Tan Pheng Hock	73,864	73,864
Dr Tan Kim Siew	35,000	–
Professor Lui Pao Chuen	181,444	181,444
Winston Tan Tien Hin	200,000* ¹	200,000* ¹
Quek Poh Huat	763,228	763,228
BG Bernard Tan Kok Kiang	9,164	9,164
Related Corporations		
CapitaCommercial Trust Management Limited		
Unit Holdings in CapitaCommercial Trust		
Peter Seah Lim Huat	–	22,600
BG Bernard Tan Kok Kiang	–	500
CapitaLand Limited		
Ordinary Shares of \$1.00 each		
Peter Seah Lim Huat	113,000	113,000
Professor Lui Pao Chuen	34,600	34,600
BG Bernard Tan Kok Kiang	2,500	2,500
CapitaMall Trust Management Limited		
Unit Holdings in CapitaMall Trust		
Peter Seah Lim Huat	55,000	60,500
Tan Pheng Hock	10,000	11,000
Winston Tan Tien Hin	70,000* ²	70,000* ²
Lucien Wong Yuen Kuai	55,000	60,500
Chartered Semiconductor Manufacturing Ltd		
Ordinary Shares of \$0.26 each		
Tan Pheng Hock	7,000	7,000
Koh Beng Seng	44,074	44,074
Dr Tan Kim Siew	25,000	25,000

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

Holdings in the name of the director, spouse or infant children

1 January 2004
or date of
appointment
if later 31 December 2004

Neptune Orient Lines Ltd		
<i>Ordinary Shares of \$1.00 each</i>		
Professor Lui Pao Chuen	10,000	–
Raffles Holdings Limited		
<i>Ordinary Shares of \$0.32 each</i>		
Tan Pheng Hock	8,000	8,000
SembCorp Industries Ltd		
<i>Ordinary Shares of \$0.25 each</i>		
Professor Lui Pao Chuen	70,415	70,415
Quek Poh Huat	36,890	36,890
BG Bernard Tan Kok Kiang	3,951	3,951
SembCorp Logistics Ltd		
<i>Ordinary Shares of \$0.25 each</i>		
Professor Lui Pao Chuen	125,200	125,200
SembCorp Marine Ltd		
<i>Ordinary Shares of \$0.10 each</i>		
Professor Lui Pao Chuen	60,000	60,000
SIA Engineering Company Limited		
<i>Ordinary Shares of \$0.10 each</i>		
Dr Tan Kim Siew	10,000	–
Professor Lui Pao Chuen	40,000	40,000
Singapore Airlines Limited		
<i>Ordinary Shares of \$0.50 each</i>		
Dr Tan Kim Siew	2,000	5,000
Professor Lui Pao Chuen	8,000	8,000
Winston Tan Tien Hin	4,000	4,000
Lucien Wong Yuen Kuai	50,000	40,000
Venkatachalam Krishnakumar	4,000	4,000
BG Bernard Tan Kok Kiang	1,000	1,000

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

	Holdings in the name of the director, spouse or infant children	
	1 January 2004 or date of appointment if later	31 December 2004
Singapore Airport Terminal Services Ltd		
<i>Ordinary Shares of \$0.10 each</i>		
Dr Tan Kim Siew	30,000	–
Professor Lui Pao Chuen	40,000	50,000
Singapore Computer Systems Limited		
<i>Ordinary Shares of \$0.25 each</i>		
Quek Poh Huat	15,000	15,000
BG Bernard Tan Kok Kiang	1,000	1,000
Singapore Food Industries Limited		
<i>Ordinary Shares of \$0.05 each</i>		
Professor Lui Pao Chuen	20,000	20,000
Singapore Telecommunications Limited		
<i>Ordinary Shares of \$0.15 each</i>		
Peter Seah Lim Huat	3,420	3,176
Tan Pheng Hock	3,760	3,500
Koh Beng Seng	1,720	1,600
LG Ng Yat Chung	1,540	1,430
Dr Tan Kim Siew	58,220	2,990
Professor Lui Pao Chuen	3,620	3,370
Winston Tan Tien Hin	5,620	5,223
Lucien Wong Yuen Kuai	3,420	3,180
Dr Philip Nalliah Pillai	53,620	49,800
Quek Poh Huat	3,620	3,370
BG Bernard Tan Kok Kiang	400	380
SMRT Corporation Ltd		
<i>Ordinary Shares of \$0.10 each</i>		
Dr Tan Kim Siew	30,000	–
Quek Poh Huat	8,000	8,000
SNP Corporation Ltd		
<i>Ordinary Shares of \$0.50 each</i>		
Winston Tan Tien Hin	54,494* ³	54,494* ³

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

Holdings in the name of the director, spouse or infant children

1 January 2004
or date of
appointment
if later 31 December 2004

STATS ChipPAC Ltd

Ordinary Shares of \$0.25 each

Tan Pheng Hock	6,000	N.A.*4
Koh Beng Seng	45,000	N.A.*4
Dr Tan Kim Siew	35,000	N.A.*4
Lucien Wong Yuen Kuai	30,000	N.A.*4
Quek Poh Huat	1,000	N.A.*4
Venkatachalam Krishnakumar	1,000	N.A.*4

StarHub Ltd

Ordinary Shares of \$0.40 each

Peter Seah Lim Huat	–	60,000
Tan Pheng Hock	–	32,000
Venkatachalam Krishnakumar	–	20,000

TeleChoice International Limited

Ordinary Shares of \$0.02 each

Peter Seah Lim Huat	–	50,000
Tan Pheng Hock	–	30,000

The Ascott Group Limited

Ordinary Shares of \$0.20 each

Professor Lui Pao Chuen	74,180	74,180
BG Bernard Tan Kok Kiang	1,860	1,860

Vertex Technology Fund Ltd

Ordinary Shares of US\$1.00 each

Winston Tan Tien Hin	10	10
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Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

	Holdings in the name of the director, spouse or infant children	
	1 January 2004 or date of appointment if later	31 December 2004
Vertex Technology Fund (II) Ltd		
<i>Ordinary Shares of US\$1.00 each</i>		
Tan Pheng Hock	5 [†]	5 [†]
Koh Beng Seng	15	15
Winston Tan Tien Hin	20	20
<i>Redeemable Preference Shares of US\$0.01 each</i>		
Koh Beng Seng	15	15
Winston Tan Tien Hin	20	20
Vertex Investment (II) Ltd		
<i>Ordinary Shares of US\$1.00 each</i>		
Professor Lui Pao Chuen	20	20

	1 January 2004 or date of appointment if later	31 December 2004	Exercise price \$	Exercisable period
The Company				
<i>Options to Subscribe for Ordinary Shares of \$0.10 each</i>				
Peter Seah Lim Huat	89,000	89,000	1.92	13.8.2003 to 12.8.2007
	44,500	44,500	1.79	7.2.2004 to 6.2.2008
	40,500	40,500	1.86	12.8.2004 to 11.8.2008
	–	44,500	2.09	10.2.2005 to 9.2.2009
	–	44,500	2.12	11.8.2005 to 10.8.2009
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	175,000	2.29	8.2.2003 to 7.2.2012
	175,000	175,000	1.92	13.8.2003 to 12.8.2012
	200,000	200,000	1.79	7.2.2004 to 6.2.2013
	200,000	200,000	1.86	12.8.2004 to 11.8.2013
	–	200,000	2.09	10.2.2005 to 9.2.2014
–	200,000	2.12	11.8.2005 to 10.8.2014	
Koh Beng Seng	–	19,500	2.09	10.2.2005 to 9.2.2009
	–	19,500	2.12	11.8.2005 to 10.8.2009

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

	1 January 2004 or date of appointment if later	31 December 2004	Exercise price \$	Exercisable period
The Company				
<i>Options to Subscribe for Ordinary Shares of \$0.10 each</i>				
Professor Lui Pao Chuen	21,500	21,500	1.79	7.2.2004 to 6.2.2008
	21,500	21,500	1.86	12.8.2004 to 11.8.2008
	–	21,500	2.09	10.2.2005 to 9.2.2009
	–	25,250	2.12	11.8.2005 to 10.8.2009
Winston Tan Tien Hin	115,000	115,000	2.72	20.2.2002 to 19.2.2006
	105,000	105,000	2.29	8.2.2003 to 7.2.2007
	56,500	56,500	1.79	7.2.2004 to 6.2.2008
	46,500	46,500	1.86	12.8.2004 to 11.8.2008
	–	48,500	2.09	10.2.2005 to 9.2.2009
Lucien Wong Yuen Kuai	75,000	75,000	2.72	20.2.2002 to 19.2.2006
	59,000	59,000	2.29	8.2.2003 to 7.2.2007
	23,500	23,500	1.79	7.2.2004 to 6.2.2008
	19,500	19,500	1.86	12.8.2004 to 11.8.2008
	–	19,500	2.09	10.2.2005 to 9.2.2009
	–	19,500	2.12	11.8.2005 to 10.8.2009
Dr Philip Nalliah Pillai	75,000	75,000	2.72	20.2.2002 to 19.2.2006
	62,000	62,000	2.29	8.2.2003 to 7.2.2007
	31,000	31,000	1.79	7.2.2004 to 6.2.2008
	29,000	29,000	1.86	12.8.2004 to 11.8.2008
	–	31,000	2.09	10.2.2005 to 9.2.2009
	–	31,000	2.12	11.8.2005 to 10.8.2009
Quek Poh Huat	43,000	43,000	1.92	13.8.2003 to 12.8.2007
	35,000	35,000	1.79	7.2.2004 to 6.2.2008
	33,000	33,000	1.86	12.8.2004 to 11.8.2008
	–	33,000	2.09	10.2.2005 to 9.2.2009
	–	33,000	2.12	11.8.2005 to 10.8.2009
Related Corporations				
CapitaLand Limited				
<i>Options to Subscribe for Ordinary Shares of \$1.00 each</i>				
Peter Seah Lim Huat	90,000	90,000	1.32 ⁺¹	11.5.2003 to 10.5.2007
	90,000	118,800 ⁺¹	1.00 ⁺¹	1.3.2004 to 28.2.2008
	–	90,000	1.33 ⁺¹	28.2.2005 to 27.2.2009
Lucien Wong Yuen Kuai	53,850	53,850	2.10	13.6.2001 to 11.6.2005
	100,000	100,000	2.02	19.6.2002 to 18.6.2006
	70,000	70,000	1.32	11.5.2003 to 10.5.2007
	80,000	105,600	1.00	1.3.2004 to 28.2.2008
	–	80,000	1.33	28.2.2005 to 27.2.2009

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

	1 January 2004 or date of appointment if later	31 December 2004	Exercise price \$	Exercisable period
Chartered Semiconductor Manufacturing Ltd				
<i>Options to Subscribe for Ordinary Shares of \$0.26 each</i>				
Peter Seah Lim Huat	23,443	23,443	3.46	22.2.2003 to 22.2.2007
	46,887	46,887	1.86	30.8.2003 to 30.8.2007
	40,000	40,000	0.72	28.2.2004 to 28.2.2008
	45,000	45,000	1.10	29.8.2004 to 29.8.2008
	–	85,000	1.70	27.2.2005 to 27.2.2009
Koh Beng Seng	11,721	–	2.86	29.4.2000 to 29.10.2004
	11,721	11,721	14.24	6.4.2001 to 6.4.2005
	11,721	11,721	10.12	3.10.2001 to 3.10.2005
	5,860	5,860	4.05	28.3.2002 to 28.3.2006
	11,721	11,721	4.26	15.8.2002 to 15.8.2006
	29,304	29,304	1.86	30.8.2003 to 30.8.2007
Global Crossing Limited				
<i>Options to Purchase Common shares of US\$0.01 each</i>				
Peter Seah Lim Huat	–	40,000	10.16	12.1.2005 to 11.1.2014
PT Indonesian Satellite Corporation Tbk				
<i>Options to Subscribe for Ordinary shares of Rp\$100 each</i>				
Peter Seah Lim Huat	30,000	150,000 ⁺⁴	1567.44 ⁺⁴	1.8.2004 to 31.7.2005
	–	150,000	3702.60	1.8.2005 to 31.7.2006
SembCorp Industries Ltd				
<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	70,000	1.59	8.5.2003 to 7.5.2007
	70,000	70,000	0.98	18.10.2003 to 17.10.2007
	70,000	70,000	1.14	3.6.2004 to 2.6.2008
	70,000	70,000	1.29	19.11.2004 to 18.11.2008
	–	70,000	1.35	18.5.2005 to 17.5.2009
	–	70,000	1.52	23.11.2005 to 22.11.2009

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

	1 January 2004 or date of appointment if later	31 December 2004	Exercise price \$	Exercisable period
SembCorp Marine Ltd				
<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	40,000	0.90	8.11.2003 to 7.11.2007
	50,000	50,000	0.99	9.8.2004 to 8.8.2008
	–	50,000	1.04	11.8.2005 to 10.8.2009
StarHub Ltd				
<i>Options to Subscribe for Ordinary Shares of \$0.40 each</i>				
Peter Seah Lim Huat	150,000	37,500 ⁺²	0.88 ⁺²	30.11.2003 to 29.11.2007
	75,000	18,750 ⁺²	0.88 ⁺²	31.5.2004 to 30.5.2008
	75,000	18,750 ⁺²	0.88 ⁺²	29.11.2004 to 28.11.2008
	–	18,750	0.96	3.4.2005 to 2.4.2009
	–	18,750	0.985	27.11.2005 to 26.11.2009
STATS ChipPAC Ltd				
<i>Options to Subscribe for Ordinary Shares of \$0.25 each</i>				
Peter Seah Lim Huat	70,000	N.A.*4	1.99	6.8.2004 to 5.8.2013
Koh Beng Seng	50,000	N.A.*4	3.554	9.2.2000 to 21.11.2004
	10,000	N.A.*4	0.250	9.2.2000 to 9.12.2004
	40,000	N.A.*4	6.930	20.4.2001 to 19.4.2005
	50,000	N.A.*4	1.592	24.4.2002 to 23.4.2006
	50,000	N.A.*4	2.885	29.4.2003 to 28.4.2007
	50,000	N.A.*4	1.990	6.8.2004 to 5.8.2008
STT Communications Ltd				
<i>Options to Subscribe for Ordinary Shares of \$0.50 each</i>				
Peter Seah Lim Huat	8,000	8,000	0.50	29.6.2003 to 28.6.2012
	39,000	39,000	0.57	30.7.2004 to 29.7.2013
	–	130,000	1.08	29.7.2005 to 28.7.2014
Singapore Telecommunications Limited				
<i>Options to Subscribe for Ordinary Shares of \$0.15 each</i>				
Quek Poh Huat	60,000	60,000	1.42	9.9.2003 to 9.9.2007

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

	1 January 2004 or date of appointment if later	31 December 2004	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	12,000	0.353	5.5.2003 to 30.12.2006 ⁺³
	30,000	30,000	0.321	10.5.2004 to 30.12.2006 ⁺³
	–	32,000	0.418	31.12.2004 to 30.12.2006 ⁺³

**Holdings in the name of the director,
spouse or infant children**

	1 January 2004 or date of appointment if later	31 December 2004
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The Company

**Conditional Award of 150,000 performance
shares to be delivered after 2003**

Tan Pheng Hock	0 to 300,000 ^{#1}	_ #1
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**Conditional Award of 200,000 performance
shares to be delivered after 2004**

Tan Pheng Hock	0 to 400,000 ^{#2}	0 to 400,000 ^{#2}
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**Conditional Award of 250,000 performance
shares to be delivered after 2005**

Tan Pheng Hock	0 to 500,000 ^{#3}	0 to 500,000 ^{#3}
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**Conditional Award of 250,000 performance
shares to be delivered after 2006**

Tan Pheng Hock	–	0 to 500,000 ^{#4}
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*1 Held in the name of Winmark Investments Pte Ltd, a company in which Winston Tan Tien Hin has a 50% interest.

*2 Includes deemed interest in 35,000 in unit holdings in CapitaMall Trust, held by Winmark Investments Pte Ltd, a company in which Winston Tan Tien Hin has a 50% interest.

*3 Includes deemed interest in 366 shares in SNP Corporation Ltd, held by Winmark Investments Pte Ltd, a company in which Winston Tan Tien Hin has a 50% interest.

*4 STATS ChipPAC Ltd ceased to be a related corporation of Singapore Technologies Pte Ltd during the financial year following the consummation of the Merger between ST Assembly Test Services Ltd and ChipPAC, Inc. on 5 August 2004.

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

+1 During the year CapitaLand Ltd underwent a capital restructuring exercise involving capital reduction and distribution in specie of an aggregate sum of approximately \$886 million in the form of units in CapitaCommercial Trust ("CCT") to CapitaLand shareholders. Pursuant to the CapitaLand Share Option Plan, adjustments were accordingly made to outstanding options and/or the exercise price of certain options in connection with the capital reduction and the distribution in specie of CCT units.

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

- +2 StarHub Ltd underwent a capital restructuring exercise in August 2004 by way of a share consolidation whereby every 4 ordinary shares of par value \$0.10 each in the capital of StarHub Ltd were consolidated into one ordinary share of par value \$0.40. Pursuant to the StarHub Pte Ltd Share Option Plan ("terminated Share Option Plan"), the unexercised options granted under the terminated Share Option Plan were adjusted by dividing the number of shares underlying each option by 4 and multiplying the respective exercise price by 4.
- +3 Pursuant to the existing STTC Share Option Plan and Ascott Share Option Plan (together, the "Share Option Plans"), Singapore Technologies Pte Ltd ("STPL") has been designated as the parent company. Employees of STPL as parent group employees were granted options ("Options") to subscribe for ordinary shares in the capital of STT Communications Limited ("STTC") and/or The Ascott Group Ltd ("Ascott"). Arising from a restructuring between Temasek Holdings (Private) Limited and STPL which was completed on 31 December 2004, STPL ceased to be the parent company of STTC and Ascott respectively. Employees of STPL ceased to be employees of STPL with effect from 1 January 2005. Pursuant to the rules of the respective Share Option Plans, the respective Executive Resource & Compensation Committees of STTC and Ascott agreed that the Options then held by each of such former employees of STPL shall not lapse, that the vesting periods (if any) in respect of such Options shall be fully accelerated and that such Options shall continue to be exercisable as follows:-
 - (a) In respect of STTC – up to 30 March 2005; and
 - (b) In respect of Ascott – for a period of 2 years from 31 December 2004.
- +4 Pursuant to the 5:1 stock split effected at Indosat's EGM on 8 March 2004, the number of shares, par value of shares and exercise price have been correspondingly changed and these figures reflect the figures following the share split.
- #1 The actual number of shares to be delivered depended on the level of achievement of set performance targets in ST Engineering over a 3 year period from 2001 to 2003. Achievement below 80% target level meant no performance shares would be delivered, while achievement up to 200% meant that up to twice the number of conditional performance shares awarded could be delivered. For this period, no new shares were awarded. The conditional award covering the period from 2001 to 2003 have thus lapsed.
- #2 The actual number of shares to be delivered will depend on the level of achievement of set performance targets in ST Engineering 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.
- #3 The actual number of shares to be delivered will depend on the level of achievement of set performance targets in ST Engineering over a 3 year period from 2003 to 2005. 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.
- #4 The actual number of shares to be delivered will depend on the level of achievement of set performance targets in ST Engineering over a 3 year period from 2004 to 2006. 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 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 2005, 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 2005.

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 Engineering 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.

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 Venkatachalam Krishnakumar and Dr Philip Nalliah Pillai.

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.

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

Share plans (continued)

As at 31 December 2004, 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 Share Plans.

The number of options granted and accepted under the ESOP and the number of conditional awards under the Performance Share Plan is within the 15% limit allowed under the Share Plans.

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 ESOS/ESOP

(i) During the financial year, the following options were granted under the ESOP:

Date of grant	Exercisable period	No. of shares granted under options	Exercise price \$
9.2.2004	10.2.2005 to 9.2.2009	526,500	2.09
9.2.2004	10.2.2005 to 9.2.2014	14,045,631	2.09
21.6.2004	22.6.2005 to 21.6.2014	100,000	2.00
10.8.2004	11.8.2005 to 10.8.2009	482,448	2.12
10.8.2004	11.8.2005 to 10.8.2014	14,861,837	2.12

(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				
ESOS				
Tan Pheng Hock	–	1,699,864	889,864	810,000
ESOP				
Peter Seah Lim Huat	89,000	263,000	–	263,000
Tan Pheng Hock	400,000	1,602,500	–	1,602,500
Koh Beng Seng	39,000	39,000	–	39,000
Professor Lui Pao Chuen	46,750	89,750	–	89,750
Winston Tan Tien Hin	48,500	371,500	–	371,500
Lucien Wong Yuen Kuai	39,000	216,000	–	216,000
Dr Philip Nalliah Pillai	62,000	259,000	–	259,000
Quek Poh Huat	66,000	177,000	–	177,000

(iii) In respect of options granted to employees of related corporations, a total of 62,852 options were granted during the financial year, making it a total of 568,627 options granted from the commencement of the ESOS/ESOP to the end of the financial year.

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

Share plans (continued)

(a) *Options granted under the ESOS/ESOP* (continued)

(iv) 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) No share options had been offered at a discount during the financial year ended 31 December 2004.

(vii) Proforma Financial Effect under FRS102 Share-based Payment:

Strictly for information purposes only, based on management's current estimates and assumptions, 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 FRS102 Share-based Payment:

	2004 S'000
Profit after taxation and minority interests but before extraordinary items:	
As reported	358,385
Proforma	351,335
Earnings per share (in cents):	
As reported	12.40
Proforma	12.16
Diluted earnings per share (in cents):	
As reported	12.36
Proforma	12.12

Under the transitional provisions of FRS102 Share-based Payment, this FRS only applies to options that were granted after 22 November 2002 and had not yet vested at 1 January 2005.

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 during the period covered under the transitional provision. The estimated fair values of the share options are amortised over the vesting periods of the stock options and additional options may be granted in future years.

(b) *Issue of shares under option*

During the financial year, 6,136,280 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.

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

Share plans (continued)

(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 Engineering and its subsidiaries (“the ST Engineering 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.

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 fifth grant of conditional awards aggregating 2,130,000 performance shares was made to 28 key executives of the ST Engineering group, as part of the incentives plan to motivate key executives of the ST Engineering group. The key executives included Mr Tan Pheng Hock, an executive Director of the Board, who was conditionally awarded 250,000 performance shares. This fifth conditional award was for the performance qualifying period of 2004 to 2006.

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.

No shares were released in 2004 for the award covering the performance period 2001 to 2003 as the achievement of the set targets was below 80%. The 780,000 shares conditionally awarded for this performance period have hence lapsed.

The total number of shares in the remaining awards which were granted conditionally for the performance periods 2002 to 2004, 2003 to 2005 and 2004 to 2006 respectively, not due to be released yet, total 6,100,000. This total is based on 100% achievement of the set targets. Based on the actual achievement of the set targets, the total release of awards could range from zero to a maximum of 12,200,000 shares.

In accordance with the accounting policy of the Group, the Group has provided \$3,040,850 (2003: \$3,667,400) for performance shares in the current financial year.

Directors' Report

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

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:

Koh Beng Seng (Chairman)
Dr Philip Nalliah Pillai
Venkatachalam Krishnakumar

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 2005

Statement by Directors

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 113 to 186 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 2004, and changes in equity of the Company and of the Group, the results of the business and cash flows 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 2005



Auditors' Report

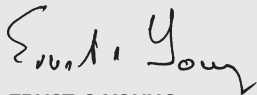
Auditors' Report to the Members of Singapore Technologies Engineering Ltd.

We have audited the accompanying financial statements of Singapore Technologies Engineering Ltd (the "Company") and its subsidiary companies (the "Group") set out on pages 113 to 186 for the year ended 31 December 2004. 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.

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 consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and changes in equity of the Group and of the Company, the results and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



ERNST & YOUNG
Certified Public Accountants

Singapore
7 January 2005

Balance Sheets

as at 31 December 2004

(Currency – Singapore dollars)

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Share capital and reserves					
Share capital	3	289,217	288,603	289,217	288,603
Share premium	4	76,602	67,557	76,602	67,557
Capital reserve	5	115,948	115,948	–	–
Foreign currency translation reserve		(7,594)	726	–	–
Statutory reserve	6	333	205	–	–
Unappropriated profit	7	883,903	851,488	359,426	327,921
		1,358,409	1,324,527	725,245	684,081
Minority interests		37,936	39,630	–	–
		1,396,345	1,364,157	725,245	684,081
Fixed assets					
Fixed assets	8	415,490	419,247	452	136
Subsidiaries	9	–	–	326,091	326,091
Associated companies and joint ventures	10	267,992	196,720	50	–
Long-term investments	11	48,433	36,081	–	–
Intangible assets	12	56,204	58,165	–	–
Long-term receivables	13	19,394	815	–	–
Deferred tax assets	14	84,772	85,069	–	–
Current assets					
Stocks and work-in-progress	15	679,008	640,483	–	–
Debtors, deposits and prepayments	16	1,660,064	1,603,464	255,540	155,475
Long-term receivables, current	13	735	889	183	3
Other assets	17	17,202	20,325	–	–
Amounts under fund management	18	250,000	214,661	–	8,535
Bank balances and other liquid funds	19	558,249	846,361	182,717	240,939
		3,165,258	3,326,183	438,440	404,952
Current liabilities					
Advance payments from customers, current		404,610	468,951	–	–
Creditors and accruals	24	1,159,603	1,182,201	32,622	41,696
Provisions	25	168,329	173,186	–	–
Progress billings in excess of work-in-progress	15	151,864	119,441	–	–
Provision for taxation		200,248	195,881	7,005	5,318
Short-term bank loans (unsecured)	26	128,798	132,303	–	–
Lease obligations, current	27	1,760	1,653	–	–
Long-term bank loans, current	31	864	1,968	–	–
Bank overdrafts		356	421	–	–
		2,216,432	2,276,005	39,627	47,014
Net current assets		948,826	1,050,178	398,813	357,938
Non-current liabilities					
Advance payments from customers, non-current		411,456	447,466	–	–
Deferred income	29	2,055	2,346	–	–
Deferred tax liabilities	30	4,654	4,566	161	84
Provision for staff retirement benefits		284	324	–	–
Lease obligations, non-current	27	13,000	15,028	–	–
Long-term bank loans, non-current	31	13,317	12,388	–	–
		1,396,345	1,364,157	725,245	684,081

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