

Financial Report



Directors' Report

31 December 2005

(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 2005.

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 9 January 2006.

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 2005 or date of appointment if later	31 December 2005
The Company		
<i>Ordinary Shares of \$0.10 each</i>		
Tan Pheng Hock	73,864	85,864
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		
<i>Unit Holdings in CapitaCommercial Trust</i>		
Peter Seah Lim Huat	22,600	NA ^{*4}
BG Bernard Tan Kok Kiang	500	NA ^{*4}
CapitaLand Limited		
<i>Ordinary Shares of \$1.00 each</i>		
Peter Seah Lim Huat	113,000	NA ^{*4}
Professor Lui Pao Chuen	34,600	NA ^{*4}
BG Bernard Tan Kok Kiang	2,500	NA ^{*4}
CapitaMall Trust Management Limited		
<i>Unit Holdings in CapitaMall Trust</i>		
Peter Seah Lim Huat	60,500	NA ^{*4}
Tan Pheng Hock	11,000	NA ^{*4}
Winston Tan Tien Hin	70,000 ^{*2}	NA ^{*4}
Lucien Wong Yuen Kuai	60,500	NA ^{*4}
Chartered Semiconductor Manufacturing Ltd		
<i>Ordinary Shares of \$0.26 each</i>		
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 2005

(Currency - Singapore dollars unless otherwise stated)

	Holdings in the name of the director, spouse or infant children	
	1 January 2005 or date of appointment if later	31 December 2005
Raffles Holdings Limited <i>Ordinary Shares of \$0.32 each</i>		
Tan Pheng Hock	8,000	NA ⁴
SembCorp Industries Ltd <i>Ordinary Shares of \$0.25 each</i>		
Peter Seah Lim Huat	-	140,000
Professor Lui Pao Chuen	70,415	66,189
Quek Poh Huat	36,890	34,676
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	105,070
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>		
Professor Lui Pao Chuen	40,000	40,000
Singapore Airlines Limited <i>Ordinary Shares of \$0.50 each</i>		
Dr Tan Kim Siew	5,000	-
Professor Lui Pao Chuen	8,000	8,000
Winston Tan Tien Hin	4,000	4,000
Lucien Wong Yuen Kuai	40,000	-
Venkatachalam Krishnakumar	4,000	4,000
BG Bernard Tan Kok Kiang	1,000	1,000
Singapore Airport Terminal Services Ltd <i>Ordinary Shares of \$0.10 each</i>		
Professor Lui Pao Chuen	50,000	50,000

	Holdings in the name of the director, spouse or infant children	
	1 January 2005 or date of appointment if later	31 December 2005
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	3,176	3,176
Tan Pheng Hock	3,500	3,500
Koh Beng Seng	1,600	1,600
LG Ng Yat Chung	1,430	1,430
Dr Tan Kim Siew	2,990	2,990
Professor Lui Pao Chuen	3,370	3,370
Winston Tan Tien Hin	5,223	105,223 ⁶
Lucien Wong Yuen Kuai	3,180	3,180
Dr Philip Nalliah Pillai	49,800	49,800
Quek Poh Huat	3,370	3,370
BG Bernard Tan Kok Kiang	380	380
SMRT Corporation Ltd <i>Ordinary Shares of \$0.10 each</i>		
Quek Poh Huat	8,000	8,000
SP AusNet <i>Stapled Securities</i>		
Quek Poh Huat	–	206,000 ⁷
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 2005

(Currency - Singapore dollars unless otherwise stated)

	Holdings in the name of the director, spouse or infant children	
	1 January 2005 or date of appointment if later	31 December 2005
StarHub Ltd		
<i>Ordinary Shares of \$0.40 each</i>		
Peter Seah Lim Huat	60,000	60,000
Tan Pheng Hock	32,000	32,000
Venkatachalam Krishnakumar	20,000	20,000
TeleChoice International Limited		
<i>Ordinary Shares of \$0.02 each</i>		
Peter Seah Lim Huat	50,000	50,000
Tan Pheng Hock	30,000	30,000
The Ascott Group Limited		
<i>Ordinary Shares of \$0.20 each</i>		
Professor Lui Pao Chuen	74,180	NA ^{*4}
BG Bernard Tan Kok Kiang	1,860	NA ^{*4}
Vertex Technology Fund Ltd		
<i>Ordinary Shares of US\$1.00 each</i>		
Winston Tan Tien Hin	10	10
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
Redeemable Preference Shares of US\$0.01 each		
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

Directors' Report

31 December 2005

(Currency - Singapore dollars unless otherwise stated)

	1 January 2005 or date of appointment if later	31 December 2005	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	44,500	2.09	10.2.2005 to 9.2.2009
	44,500	44,500	2.12	11.8.2005 to 10.8.2009
	–	44,500	2.37	8.2.2006 to 7.2.2010
	–	44,500	2.57	11.8.2006 to 10.8.2010
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	200,000	2.09	10.2.2005 to 9.2.2014
	200,000	200,000	2.12	11.8.2005 to 10.8.2014
	–	200,000	2.37	8.2.2006 to 7.2.2015
	–	200,000	2.57	11.8.2006 to 10.8.2015
Koh Beng Seng	19,500	19,500	2.09	10.2.2005 to 9.2.2009
	19,500	19,500	2.12	11.8.2005 to 10.8.2009
	–	27,500	2.37	8.2.2006 to 7.2.2010
	–	27,500	2.57	11.8.2006 to 10.8.2010
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	21,500	2.09	10.2.2005 to 9.2.2009
	25,250	25,250	2.12	11.8.2005 to 10.8.2009
	–	29,000	2.37	8.2.2006 to 7.2.2010

Directors' Report

31 December 2005

(Currency - Singapore dollars unless otherwise stated)

	1 January 2005 or date of appointment if later	31 December 2005	Exercise price \$	Exercisable period
The Company				
<i>Options to Subscribe for Ordinary Shares of \$0.10 each</i>				
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	48,500	2.09	10.2.2005 to 9.2.2009
	–	37,000	2.37	8.2.2006 to 7.2.2010
	–	37,000	2.57	11.8.2006 to 10.8.2010
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	19,500	2.09	10.2.2005 to 9.2.2009
	19,500	19,500	2.12	11.8.2005 to 10.8.2009
	–	19,500	2.37	8.2.2006 to 7.2.2010
	–	19,500	2.57	11.8.2006 to 10.8.2010
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	31,000	2.09	10.2.2005 to 9.2.2009
	31,000	31,000	2.12	11.8.2005 to 10.8.2009
	–	31,000	2.37	8.2.2006 to 7.2.2010
	–	31,000	2.57	11.8.2006 to 10.8.2010
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	33,000	2.09	10.2.2005 to 9.2.2009
	33,000	33,000	2.12	11.8.2005 to 10.8.2009
	–	33,000	2.37	8.2.2006 to 7.2.2010
	–	33,000	2.57	11.8.2006 to 10.8.2010
Venkatachalam Krishnakumar	–	25,250	2.37	8.2.2006 to 7.2.2010
	–	25,250	2.57	11.8.2006 to 10.8.2010

	1 January 2005 or date of appointment if later	31 December 2005	Exercise price \$	Exercisable period
Related Corporations				
CapitalLand Limited				
<i>Options to Subscribe for Ordinary Shares of \$1.00 each</i>				
Peter Seah Lim Huat	90,000	NA ^{*4}	1.32	11.5.2003 to 10.5.2007
	118,800	NA ^{*4}	1.00	1.3.2004 to 28.2.2008
	90,000	NA ^{*4}	1.33	28.2.2005 to 27.2.2009
Lucien Wong Yuen Kuai	53,850	-	2.10	13.6.2001 to 11.6.2005
	100,000	NA ^{*4}	2.02	19.6.2002 to 18.6.2006
	70,000	NA ^{*4}	1.32	11.5.2003 to 10.5.2007
	105,600	NA ^{*4}	1.00	1.3.2004 to 28.2.2008
	80,000	NA ^{*4}	1.33	28.2.2005 to 27.2.2009
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	85,000	1.70	27.2.2005 to 27.2.2009
	-	85,000	1.16	26.8.2006 to 26.8.2010
Koh Beng Seng	11,721	-	14.24	6.4.2001 to 6.4.2005
	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	40,000	10.16	12.1.2005 to 12.1.2014
PT Indosat Tbk				
<i>Options to Subscribe for Ordinary shares of Rp\$100 each</i>				
Peter Seah Lim Huat	150,000	-	1567.44	1.8.2004 to 31.7.2005
	150,000	150,000	3702.60	1.8.2005 to 31.7.2006

Directors' Report

31 December 2005

(Currency - Singapore dollars unless otherwise stated)

	1 January 2005 or date of appointment if later	31 December 2005	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	50,000	1.04	11.8.2005 to 10.8.2009
	–	35,000	2.96	12.8.2006 to 11.8.2010
StarHub Ltd				
<i>Options to Subscribe for Ordinary Shares of \$0.40 each</i>				
Peter Seah Lim Huat	37,500	37,500	0.88	30.11.2003 to 29.11.2007
	18,750	18,750	0.88	31.5.2004 to 30.5.2008
	18,750	18,750	0.88	29.11.2004 to 28.11.2008
	18,750	18,750	0.96	3.4.2005 to 2.4.2009
	18,750	18,750	0.985	27.11.2005 to 26.11.2009
	–	25,500	1.52	31.5.2006 to 30.5.2010
STT Communications Ltd				
<i>Options to Subscribe for Ordinary Shares of \$0.50 each</i>				
Peter Seah Lim Huat	8,000	2,000	0.50	29.6.2003 to 28.6.2012
	39,000	19,500	0.57	30.7.2004 to 29.7.2013
	130,000	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
The Ascott Group Limited				
<i>Options to Subscribe for Ordinary Shares of \$0.20 each</i>				
Peter Seah Lim Huat	12,000	NA ¹⁴	0.353	5.5.2003 to 30.12.2006
	30,000	NA ¹⁴	0.321	10.5.2004 to 30.12.2006
	32,000	NA ¹⁴	0.418	31.12.2004 to 30.12.2006

Directors' Report

31 December 2005

(Currency - Singapore dollars unless otherwise stated)

	1 January 2005 or date of appointment if later	31 December 2005	Exercise price \$	Adjusted to ^{US} \$	Exercisable period
SembCorp Industries Ltd					
<i>Options to Subscribe for Ordinary Shares of \$0.25 each</i>					
Peter Seah Lim Huat	140,000	–	1.99	1.94	7.6.2001 to 26.6.2005
	140,000	140,000	1.55	1.50	20.4.2002 to 19.4.2006
	70,000	70,000	1.59	1.54	8.5.2003 to 7.5.2007
	70,000	70,000	0.98	0.93	18.10.2003 to 17.10.2007
	70,000	70,000	1.14	1.09	3.6.2004 to 2.6.2008
	70,000	70,000	1.29	1.24	19.11.2004 to 18.11.2008
	70,000	70,000	1.35	1.30	18.5.2005 to 17.5.2009
	70,000	70,000	1.52	1.47	23.11.2005 to 22.11.2009
	–	70,000	2.68	–	2.7.2006 to 1.7.2010
	–	70,000	2.67	–	22.11.2006 to 21.11.2010

	1 January 2005 or date of appointment if later	31 December 2005	Vesting period
Global Crossing Limited			
<i>Restricted stock units of Common stock of US\$0.01 each</i>			
Peter Seah Lim Huat	7,500	7,500	8.3.2005 to 8.3.2009

Directors' Report

31 December 2005

(Currency - Singapore dollars unless otherwise stated)

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

	1 January 2005 or date of appointment if later	31 December 2005
--	---	------------------

The Company

Conditional Award of 200,000 performance shares to be delivered after 2004

Tan Pheng Hock	0 to 400,000 ^{#1}	–
----------------	----------------------------	---

Conditional Award of 250,000 performance shares to be delivered after 2005

Tan Pheng Hock	0 to 500,000 ^{#2}	0 to 500,000 ^{#2}
----------------	----------------------------	----------------------------

Conditional Award of 250,000 performance shares to be delivered after 2006

Tan Pheng Hock	0 to 500,000 ^{#3}	0 to 500,000 ^{#3}
----------------	----------------------------	----------------------------

Conditional Award of 250,000 performance shares to be delivered after 2007

Tan Pheng Hock	–	0 to 375,000 ^{#4}
----------------	---	----------------------------

*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 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 CapitaCommercial Trust Management Limited, CapitaLand Limited, CapitaMall Trust Management Limited, Raffles Holdings Limited, The Ascott Group Limited and Australand Holdings Limited ceased to be a related corporation of Temasek Holdings (Private) Limited during the financial year.

*5 During the year, SembCorp Industries Ltd ("SCI") underwent a capital restructuring exercise involving capital reduction and cash distribution to SCI shareholders. As a result, adjustments were made to the subscription prices of the outstanding options.

*6 Includes deemed interest in 100,000 shares in Singapore Telecommunications Limited, held by Winmark Investments Pte Ltd, a company in which Winston Tan Tien Hin has a 50% interest.

*7 SP AusNet became a related corporation of Temasek Holdings (Private) Limited with effect from 8 December 2005.

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

- #1 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 performance shares can be delivered. For this period, Mr Tan Pheng Hock was awarded 12,000 new shares on 5 August 2005 upon partial achievement of targets set. The balance of the conditional performance shares award covering the period from 2002 to 2004 has 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 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 performance shares can 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 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 performance shares can be delivered.
- #4 A minimum threshold performance over a 3 year period from 2005 to 2007 is required for any performance shares to be released and the actual number of performance shares to be released is capped at 150% of the conditional award.

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 9 January 2006, 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 9 January 2006.

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 ("PSP") 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.

As at 31 December 2005, 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 PSP is within the 15% limit allowed under the Share Plans.

Directors' Report

31 December 2005

(Currency - Singapore dollars unless otherwise stated)

Share plans (continued)

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 \$
7.2.2005	8.2.2006 to 7.2.2010	505,500	2.37
7.2.2005	8.2.2006 to 7.2.2015	15,125,773	2.37
10.8.2005	11.8.2006 to 10.8.2010	498,916	2.57
10.8.2005	11.8.2006 to 10.8.2015	15,970,258	2.57

(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	352,000	–	352,000
Tan Pheng Hock	400,000	2,002,500	–	2,002,500
Koh Beng Seng	55,000	94,000	–	94,000
Professor Lui Pao Chuen	29,000	118,750	–	118,750
Winston Tan Tien Hin	74,000	445,500	–	445,500
Lucien Wong Yuen Kuai	39,000	255,000	–	255,000
Dr Philip Nalliah Pillai	62,000	321,000	–	321,000
Quek Poh Huat	66,000	243,000	–	243,000
Venkatachalam Krishnakumar	50,500	50,500	–	50,500

(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 631,479 options granted from the commencement of the ESOS/ESOP to the end of the financial year.

(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 2005.

(b) **Issue of shares under option**

During the financial year, 22,230,518 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) **PSP**

The PSP is established with the objective of motivating senior executives to strive for sustained long-term growth and performance in ST Engineering and its subsidiaries ("the ST Engineering Group"). Awards of performance shares are granted conditional on performance targets set based on the ST Engineering Group corporate objectives.

Pursuant to the PSP, 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. A specified number of performance shares shall be released by the ERCC to the recipient and the actual number of performance shares will depend on the achievement of set targets over the respective performance period. For achievements that are below 80% of these targets, no performance shares will be given while for achievements that exceed targets by more than 100%, more performance shares than the original award will be delivered up to a maximum of 200% of the conditional award.

The medium-term stretched targets measured over a three-year performance period are set based on ST Engineering Group corporate objectives. The performance measures used in PSP grant up to financial year 2004 are ST Engineering Group Total Shareholders' Return ("TSR") against the MSCI Asia Pacific ex Japan Industrial Index, Value Added per Employment Cost and EVA Spread.

Pursuant to the PSP for the financial year 2005, conditional awards aggregating 2,160,000 performance shares were made to 29 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 include Mr Tan Pheng Hock, an executive Director of the Board, who was conditionally awarded 250,000 performance shares. This conditional award is for the performance qualifying period of 2005 to 2007.

With effect from financial year 2005, the performance measures are ST Engineering Group TSR against the MSCI Asia Pacific ex Japan Industrial Index, EVA Spread and EPS Growth.

A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 150% of the conditional award.

On 5 August 2005 and 28 September 2005, 95,400 and 4,800 new shares respectively were awarded upon the partial achievement of one of three targets set for a grant of conditional award relating to the performance cycle from 2002 to 2004. The balance of the conditional award covering the period from 2002 to 2004 has thus lapsed.

The total number of shares in the remaining awards which are granted conditionally for the performance periods 2003 to 2005, 2004 to 2006 and 2005 to 2007 respectively, not due to be released yet, total 6,590,000. Depending on the actual performance, the total release of awards will range from zero to a maximum of 12,100,000 shares.

Directors' Report

31 December 2005

(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.

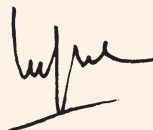
In addition, the Audit Committee has reviewed the requirements for approval and disclosure of interested person transactions, reviewed the procedures set up by the Group and the Company to identify and report and where necessary, seek approval for interested person transactions and, with the assistance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

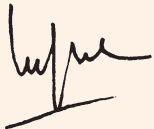
Singapore
9 January 2006

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 115 to 218 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 2005, 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
9 January 2006

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 115 to 218 for the year ended 31 December 2005. 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 2005 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
9 January 2006