



# financial report

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# directors' report

as at 31 december 2007 (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 2007.

## 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 Desmond Kuek Bak Chye	(Appointed on 27 April 2007)
Dr Tan Kim Siew	
Professor Lui Pao Chuen	
Winston Tan Tien Hin	
Dr Philip Nalliah Pillai	
Quek Poh Huat	
Venkatachalam Krishnakumar	
Davinder Singh s/o Amar Singh	(Appointed on 1 August 2007)
LTC Chia Choon Hoong	(Alternate Director to LG Desmond Kuek Bak Chye on 1 August 2007)

## 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, Singapore Technologies Engineering Performance Share Plan and Singapore Technologies Engineering Restricted Stock 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. There were no changes in any of the directors' interests in the Company between the end of the financial year and on 21 January 2008.

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 2007 or date of appointment if later	31 December 2007
<b>The Company</b>		
<b>Ordinary Shares</b>		
Peter Seah Lim Huat	–	307,500
Tan Pheng Hock	173,364	578,364
Professor Lui Pao Chuen	181,444	224,444
Winston Tan Tien Hin	315,000* <sup>1</sup>	420,000* <sup>1</sup>
Dr Philip Nalliah Pillai	75,000	137,000
Quek Poh Huat	813,728	841,228
LTC Chia Choon Hoong	7,000	7,000

# directors' report

as at 31 december 2007 (currency – singapore dollars unless otherwise stated)

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

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

1 January 2007 or date of  
appointment if later

31 December 2007

### Related Corporations

#### Chartered Semiconductor Manufacturing Ltd

##### Ordinary Shares

Tan Pheng Hock	7,000	7,000
Koh Beng Seng	44,074	44,074
Winston Tan Tien Hin	20,000*2	200,000*2

#### Global Crossing Limited

##### Common Stock of US\$0.01 each

Peter Seah Lim Huat	1,785	7,771
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#### Mapletree Logistics Trust Management Ltd

##### Unit holdings in Mapletree Logistics Trust

Professor Lui Pao Chuen	63,000	63,000
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#### Neptune Orient Lines Limited

##### Ordinary Shares

LTC Chia Choon Hoong	4,000	2,000
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#### SIA Engineering Company Limited

##### Ordinary Shares

Professor Lui Pao Chuen	40,000	50,000
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#### Singapore Airlines Limited

##### Ordinary Shares

Professor Lui Pao Chuen	8,000	7,600
Venkatachalam Krishnakumar	4,000	4,000
LTC Chia Choon Hoong	2,000	1,870

#### Singapore Airport Terminal Services Ltd

##### Ordinary Shares

Professor Lui Pao Chuen	90,000	90,000
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#### Singapore Computer Systems Limited

##### Ordinary Shares

Quek Poh Huat	15,000	15,000
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#### Singapore Food Industries Limited

##### Ordinary Shares

Professor Lui Pao Chuen	20,000	20,000
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# directors' report

as at 31 december 2007 (currency – singapore dollars unless otherwise stated)

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2007 or date of appointment if later	31 December 2007
<b>Singapore Telecommunications Limited</b>		
<b>Ordinary Shares</b>		
Peter Seah Lim Huat	3,040	3,040
Tan Pheng Hock	3,350	3,350
Koh Beng Seng	1,520	1,520
LG Desmond Kuek Bak Chye	2,230	2,230
Dr Tan Kim Siew	2,850	2,850
Professor Lui Pao Chuen	3,210	3,210
Winston Tan Tien Hin	137,980* <sup>3</sup>	104,980* <sup>4</sup>
Davinder Singh s/o Amar Singh	3,170	3,170
Dr Philip Nalliah Pillai	47,320	47,320
Quek Poh Huat	5,210	5,210
LTC Chia Choon Hoong	4,610	4,610
<b>SMRT Corporation Ltd</b>		
<b>Ordinary Shares</b>		
Quek Poh Huat	8,000	8,000
<b>SP AusNet</b>		
<b>Stapled Securities</b>		
Quek Poh Huat	206,000	206,000
<b>SNP Corporation Ltd</b>		
<b>Ordinary Shares</b>		
Winston Tan Tien Hin	54,494* <sup>5</sup>	54,494* <sup>5</sup>
<b>StarHub Ltd</b>		
<b>Ordinary Shares</b>		
Peter Seah Lim Huat	133,720	147,560
Tan Pheng Hock	27,430	25,150
Venkatachalam Krishnakumar	17,144	15,716
<b>STATS ChipPAC Ltd.</b>		
<b>Ordinary Shares</b>		
Koh Beng Seng	N.A. <sup>#</sup>	45,000
Quek Poh Huat	N.A. <sup>#</sup>	1,000
Venkatachalam Krishnakumar	N.A. <sup>#</sup>	1,000
<b>TeleChoice International Limited</b>		
<b>Ordinary Shares</b>		
Peter Seah Lim Huat	50,000	50,000
Tan Pheng Hock	30,000	30,000

# directors' report

as at 31 december 2007 (currency – singapore dollars unless otherwise stated)

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

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

	1 January 2007 or date of appointment if later	31 December 2007
<b>Vertex Investment (II) Ltd</b>		
<b>Ordinary Shares</b>		
Professor Lui Pao Chuen	20	20
Davinder Singh s/o Amar Singh	50	50
<b>Vertex Technology Fund Ltd</b>		
<b>Ordinary Shares</b>		
Winston Tan Tien Hin	10	10
<b>Vertex Technology Fund (II) Ltd</b>		
<b>Ordinary Shares</b>		
Tan Pheng Hock	5 <sup>+</sup>	5 <sup>+</sup>
Koh Beng Seng	15	15
Winston Tan Tien Hin	20	20
Davinder Singh s/o Amar Singh	550	550
<b>Redeemable Preference Shares</b>		
Koh Beng Seng	15	15
Winston Tan Tien Hin	20	20
Davinder Singh s/o Amar Singh	500	500

	1 January 2007 or date of appointment if later	31 December 2007	Exercise price \$	Exercisable period
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### The Company

#### Options to Subscribe for Ordinary Shares

Peter Seah Lim Huat	89,000	–	1.92	13.8.2003 to 12.8.2007
	44,500	–	1.79	7.2.2004 to 6.2.2008
	40,500	–	1.86	12.8.2004 to 11.8.2008
	44,500	11,125	2.09	10.2.2005 to 9.2.2009
	44,500	11,125	2.12	11.8.2005 to 10.8.2009
	44,500	22,250	2.37	8.2.2006 to 7.2.2010
	44,500	22,250	2.57	11.8.2006 to 10.8.2010
	44,500	33,375	3.01	10.2.2007 to 9.2.2011
	44,500	33,375	2.84	11.8.2007 to 10.8.2011
	–	44,500	3.23	16.3.2008 to 15.3.2012
	–	44,500	3.61	11.8.2008 to 10.8.2012

# directors' report

as at 31 december 2007 (currency – singapore dollars unless otherwise stated)

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

	1 January 2007 or date of appointment if later	31 December 2007	Exercise price \$	Exercisable period	
<b>The Company</b>					
<b>Options to Subscribe for Ordinary Shares</b>					
Tan Pheng Hock	5,000	–	1.29	8.8.2000	to 7.8.2008
	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	200,000	2.37	8.2.2006	to 7.2.2015
	200,000	200,000	2.57	11.8.2006	to 10.8.2015
	200,000	200,000	3.01	10.2.2007	to 9.2.2016
	200,000	200,000	2.84	11.8.2007	to 10.8.2016
	–	200,000	3.23	16.3.2008	to 15.3.2017
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	27,500	2.37	8.2.2006	to 7.2.2010
	27,500	27,500	2.57	11.8.2006	to 10.8.2010
	27,500	27,500	3.01	10.2.2007	to 9.2.2011
	27,500	27,500	2.84	11.8.2007	to 10.8.2011
	–	27,500	3.23	16.3.2008	to 15.3.2012
	–	27,500	3.61	11.8.2008	to 10.8.2012
Professor Lui Pao Chuen	21,500	–	1.79	7.2.2004	to 6.2.2008
	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	29,000	2.37	8.2.2006	to 7.2.2010
	29,000	29,000	3.01	10.2.2007	to 9.2.2011

# directors' report

as at 31 december 2007 (currency – singapore dollars unless otherwise stated)

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

		1 January 2007 or date of appointment if later	31 December 2007	Exercise price \$	Exercisable period	
<b>The Company</b>						
<b>Options to Subscribe for Ordinary Shares</b>						
Winston Tan Tien Hin	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	37,000	–	2.37	8.2.2006 to	7.2.2010
	37,000	37,000	–	2.57	11.8.2006 to	10.8.2010
	37,000	37,000	–	3.01	10.2.2007 to	9.2.2011
	37,000	37,000	–	2.84	11.8.2007 to	10.8.2011
	–	37,000	–	3.23	16.3.2008 to	15.3.2012
	–	37,000	–	3.61	11.8.2008 to	10.8.2012
Dr Philip Nalliah Pillai	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	31,000	–	2.37	8.2.2006 to	7.2.2010
	31,000	31,000	–	2.57	11.8.2006 to	10.8.2010
	33,000	33,000	–	3.01	10.2.2007 to	9.2.2011
	33,000	33,000	–	2.84	11.8.2007 to	10.8.2011
	–	33,000	–	3.23	16.3.2008 to	15.3.2012
	–	33,000	–	3.61	11.8.2008 to	10.8.2012
Quek Poh Huat	12,750	–	–	1.92	13.8.2003 to	12.8.2007
	14,750	–	–	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	33,000	–	2.37	8.2.2006 to	7.2.2010
	33,000	33,000	–	2.57	11.8.2006 to	10.8.2010
	33,000	33,000	–	3.01	10.2.2007 to	9.2.2011
	33,000	33,000	–	2.84	11.8.2007 to	10.8.2011
	–	33,000	–	3.23	16.3.2008 to	15.3.2012
	–	33,000	–	3.61	11.8.2008 to	10.8.2012
Venkatachalam Krishnakumar	25,250	25,250	–	2.37	8.2.2006 to	7.2.2010
	25,250	25,250	–	2.57	11.8.2006 to	10.8.2010
	25,500	25,500	–	3.01	10.2.2007 to	9.2.2011
	25,500	25,500	–	2.84	11.8.2007 to	10.8.2011
	–	25,500	–	3.23	16.3.2008 to	15.3.2012
	–	25,500	–	3.61	11.8.2008 to	10.8.2012

# directors' report

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## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

		1 January 2007 or date of appointment if later	31 December 2007	Exercise price \$	Exercisable period	
<b>Related Corporations</b>						
<b>Chartered Semiconductor Manufacturing Ltd</b>						
<i>Options to Subscribe for Ordinary Shares</i>						
Peter Seah Lim Huat	23,443	–	3.46	22.2.2003	to	22.2.2007
	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	85,000	1.16	26.8.2006	to	26.8.2010
	95,000	95,000	1.21	25.8.2007	to	25.8.2011
	–	47,500	1.07	31.8.2008	to	31.8.2012
Koh Beng Seng	29,304	–	1.86	30.8.2003	to	30.8.2007
<b>Global Crossing Limited</b>						
<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
<b>StarHub Ltd</b>						
<i>Options to Subscribe for Ordinary Shares</i>						
Peter Seah Lim Huat	6,250	–	0.88	29.11.2004	to	28.11.2008
	6,250	–	0.96	3.4.2005	to	2.4.2009
	12,500	6,250	0.985	27.11.2005	to	26.11.2009
	17,000	8,500	1.52	31.5.2006	to	30.5.2010
<b>STATS ChipPAC Ltd.</b>						
<i>Options to Subscribe for Ordinary Shares</i>						
Peter Seah Lim Huat	N.A.*	70,000	1.99	6.8.2004	to	5.8.2013
	N.A.*	35,000	1.91	17.2.2005	to	16.2.2014
Koh Beng Seng	N.A.*	50,000	1.99	6.8.2004	to	5.8.2008
	N.A.*	25,000	1.91	17.2.2005	to	16.2.2009
<b>STT Communications Ltd</b>						
<i>Options to Subscribe for Ordinary Shares</i>						
Peter Seah Lim Huat	9,750	–	0.57	30.7.2004	to	29.7.2013
	65,000	–	1.08	29.7.2005	to	28.7.2014
		1 January 2007 or date of appointment if later	31 December 2007		Vesting period	
<b>Global Crossing Limited</b>						
<i>Restricted Stock Units of Common Stock of US\$0.01 each</i>						
Peter Seah Lim Huat	5,625	4,125		8.3.2005	to	8.3.2009
	3,294	–				15.8.2007
	–	2,420				12.6.2008

# directors' report

as at 31 december 2007 (currency – singapore dollars unless otherwise stated)

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

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

1 January 2007 or date of  
appointment if later

31 December 2007

### The Company

#### *Conditional Award of 250,000 Performance*

##### *Shares to be delivered after 2006*

Tan Pheng Hock

0 to 500,000<sup>#1</sup>

–

#### *Conditional Award of 250,000 Performance*

##### *Shares to be delivered after 2007*

Tan Pheng Hock

0 to 375,000<sup>#2</sup>

0 to 375,000<sup>#2</sup>

#### *Conditional Award of 250,000 Performance*

##### *Shares to be delivered after 2008*

Tan Pheng Hock

0 to 375,000<sup>#3</sup>

0 to 375,000<sup>#3</sup>

#### *Conditional Award of 200,000 Performance*

##### *Shares to be delivered after 2009*

Tan Pheng Hock

–

0 to 300,000<sup>#4</sup>

#### *Conditional Award of 45,000 Restricted*

##### *Shares to be delivered after 2008*

Tan Pheng Hock

–

0 to 67,500<sup>#5</sup>

### Related Corporations

#### Chartered Semiconductor Manufacturing Ltd

##### *Conditional Award of Restricted Share Units*

##### *to be delivered after 2008*

Peter Seah Lim Huat

–

20,190<sup>#6</sup>

#### STATS ChipPAC Ltd.

##### *Conditional Award of Restricted Share Units*

##### *to be delivered after 2008*

Peter Seah Lim Huat

–

20,700<sup>#6</sup>

#### StarHub Ltd

##### *Conditional Award of Restricted Shares*

##### *to be delivered after 2008*

Peter Seah Lim Huat

–

17,200<sup>#7</sup>

# directors' report

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## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

- \*1 Includes deemed interest in 200,000 shares in Singapore Technologies Engineering Ltd, held by Winmark Investments Pte Ltd, a company in which Winston Tan Tien Hin has a 50% interest.
- \*2 Held by Winmark Investments Pte Ltd, a company in which Winston Tan Tien Hin has a 50% interest.
- \*3 Includes deemed interest in 133,000 shares in Singapore Telecommunications Limited, held by Winmark Investments Pte Ltd, a company in which Winston Tan Tien Hin has a 50% interest.
- \*4 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.
- \*5 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.
- # STATS ChipPAC Ltd. became a related corporation on 13 April 2007.
- † 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 achievement of set targets over a three-year period from 2004 to 2006. Achievement of targets 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, no new shares were awarded. The conditional award covering the period from 2004 to 2006 have thus lapsed.
- #2 A minimum threshold performance over a three-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.
- #3 A minimum threshold performance over a three-year period from 2006 to 2008 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.
- #4 A minimum threshold performance over a three-year period from 2007 to 2009 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.
- #5 A minimum threshold performance over a two-year period from 2007 to 2008 is required for any restricted shares to be released and the actual number of restricted shares to be released is capped at 150% of the conditional award.
- #6 The restricted share units will vest over a period of three years starting from the first anniversary of grant.
- #7 The actual number of shares to be delivered under the conditional award will depend on the level of achievement of set performance targets in the company over a two-year period from 1 January 2007 to 31 December 2008. No shares will be delivered if the threshold performance targets are not achieved, while up to 1.5 times the number of shares that are the subject of the award will be delivered if the stretched performance targets are met or exceeded. Shares will be delivered in phases according to the stipulated vesting periods.

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## 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 ("RSP") (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 2007, 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 and RSP 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 \$
15.3.2007	16.3.2008 to 15.3.2012	390,500	3.23
15.3.2007	16.3.2008 to 15.3.2017	16,694,011	3.23
10.8.2007	11.8.2008 to 10.8.2012	357,500	3.61
10.8.2007	11.8.2008 to 10.8.2017	15,400,873	3.61

# directors' report

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## SHARE PLANS (continued)

### (a) Options granted under the ESOS/ESOP (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
<b>Director of the Company</b>				
<b>ESOS</b>				
Tan Pheng Hock	–	1,699,864	1,294,864	405,000
<b>ESOP</b>				
Peter Seah Lim Huat	89,000	530,000	307,500	222,500
Tan Pheng Hock	200,000	2,602,500	–	2,602,500
Koh Beng Seng	55,000	204,000	–	204,000
Professor Lui Pao Chuen	–	147,750	43,000	104,750
Winston Tan Tien Hin	74,000	593,500	220,000	373,500
Dr Philip Nalliah Pillai	66,000	453,000	137,000	316,000
Quek Poh Huat	66,000	375,000	78,000	297,000
Venkatachalam Krishnakumar	51,000	152,500	–	152,500

(iii) In respect of options granted to employees of related corporations, no options were granted during the financial year. The total options granted from the commencement of the ESOS/ESOP to the end of the financial year is 631,479.

(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.

(v) No share options had been offered at a discount during the financial year ended 31 December 2007.

### (b) Issue of shares under option

During the financial year, 37,296,756 ordinary shares 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 ("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. 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.

# directors' report

as at 31 december 2007 (currency – singapore dollars unless otherwise stated)

## SHARE PLANS (continued)

### (c) PSP (continued)

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 for financial years 2005 and 2006 are ST Engineering Group TSR against the MSCI Asia Pacific ex Japan Industrial Index, EVA Spread and EPS Growth.

With effect from financial year 2007, the performance measures are Wealth Added and ST Engineering Group TSR against the MSCI Asia Pacific ex Japan Industrial Index.

No shares were released in 2007 for the award covering the performance period 2004 to 2006 as the achievement of the set targets was below 80%. The 2,130,000 shares conditionally awarded for this performance period have hence lapsed.

Pursuant to the PSP for the financial year 2007, conditional awards aggregating 1,513,000 performance shares were made to 40 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 200,000 performance shares. This conditional award is for the performance qualifying period of 2007 to 2009.

The total number of shares in the remaining awards, which are granted conditionally for the performance periods 2005 to 2007, 2006 to 2008 and 2007 to 2009 respectively, total 5,823,000. Depending on the actual performance, the total release of awards will range from zero to a maximum of 8,734,500 shares.

### (d) RSP

The RSP is established with the objective of motivating managers and above to strive for sustained long-term growth and superior performance in ST Engineering Group. It also aims to foster a share ownership culture among staff within the ST Engineering Group and to better align staff's incentive scheme with shareholders' interest.

Pursuant to the RSP, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a two-year performance period. The actual number of restricted shares delivered will depend on the achievement of set targets over the respective performance period. This will be determined by the ERCC at the end of the qualifying performance period and released to the recipient over a three-year vesting period in the ratio of 50%, 25% and 25% each subsequent year.

A minimum threshold performance is required for any restricted share to be released while the maximum number of restricted shares to be delivered is capped at 150% of the conditional award.

The medium-term stretched targets measured over a two-year performance period are set based on ST Engineering Group corporate objectives. The performance measures used for the two-year performance period 2007 to 2008 are ST Engineering Group EVA Spread and EBITDA Margin.

Pursuant to the RSP for the financial year 2007, conditional awards aggregating 897,000 restricted shares were made for the first time and only to 48 key executives of the ST Engineering Group, in place of the 2nd tranche of ESOP they were to receive for 2007. The key executives include Mr Tan Pheng Hock, an executive Director of the Board, who was conditionally awarded 45,000 restricted shares. This conditional award is for the qualifying performance period of 2007 to 2008 with a three-year vesting period of 2009 to 2011.

# directors' report

as at 31 december 2007 (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  
26 February 2008

## 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 105 to 212 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 2007, 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  
26 February 2008

# independent auditors' report

## INDEPENDENT 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 (collectively the "Group") set out on pages 105 to 212, which comprise the balance sheets of the Group and the Company as at 31 December 2007, the statements of changes in equity of the Group and the Company, and the statement of profit and loss and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

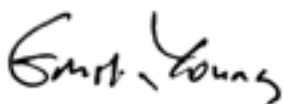
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 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 2007 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  
26 February 2008