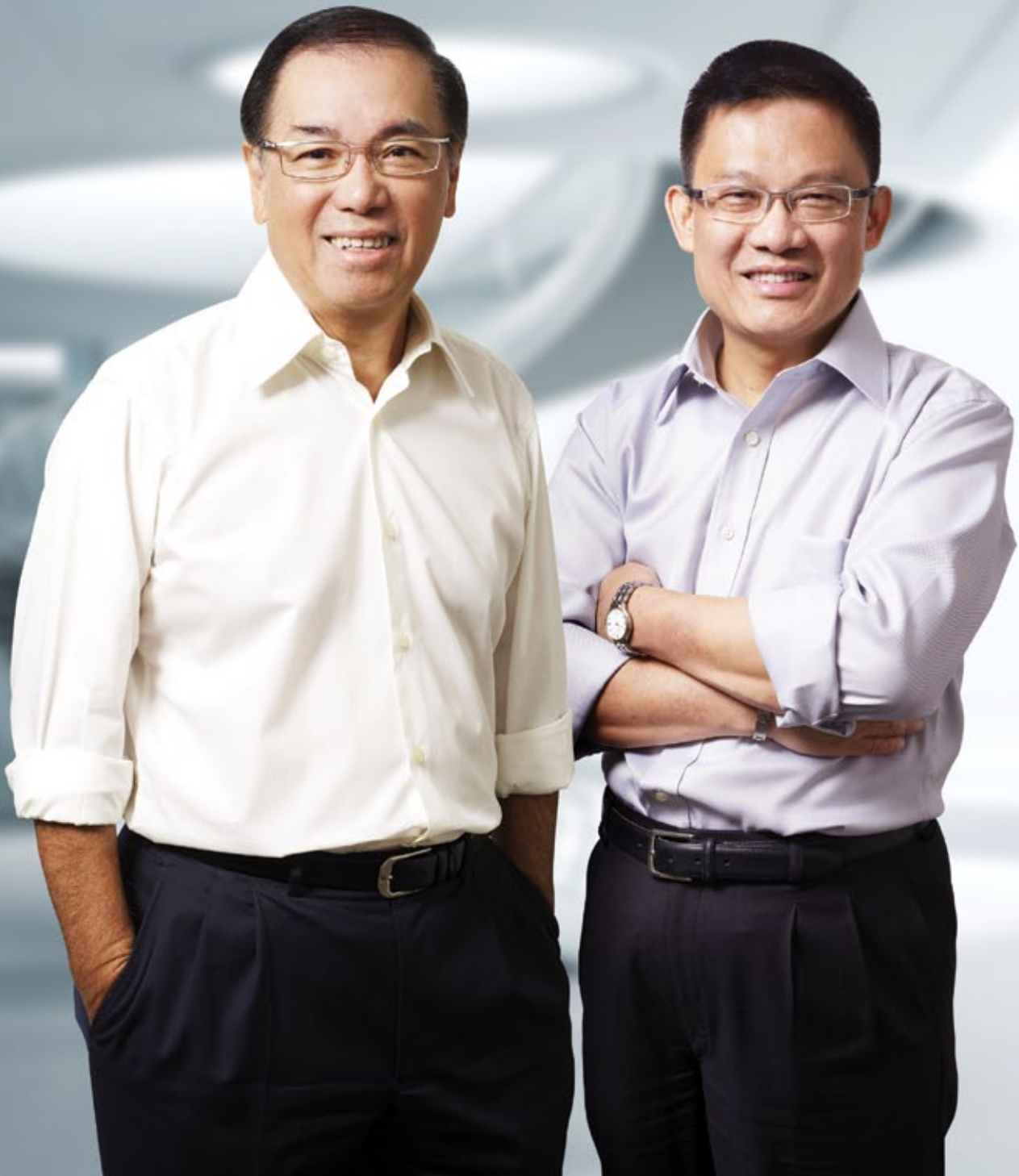


The ST Engineering Group has weathered the storm well. We continue to show strong operating performance and continue to deliver good results.

Peter SEAH Lim Huat
Chairman

We are confident that we have a winning business model, which we continually strengthen, that will see us through any economic situation and allow us to seize opportunities.

TAN Pheng Hock
President & CEO



Letter to Shareholders

Every crisis presents opportunities. Throughout the year, ST Engineering has consistently won new contracts, proving the resilience of our business model.

Dear Shareholders

As we write this review, the economic outlook has brightened considerably from a year ago. Globally, signs of recovery are showing and most governments and businesses are cautiously optimistic that the recovery is sustainable and economies are slowly getting back on their feet.

Yet, for a good part of 2009, many countries were reporting much lower or even negative growth, as the global economic crisis that started in late 2008 continued into the year. Increases in job losses in many countries forced most governments to introduce measures to stimulate the economy. The outlook was highly uncertain and challenging, and many businesses faced a tough operating environment.

Against this backdrop, the ST Engineering Group has weathered the storm well. We continue to show strong operating performance and continue to deliver good results. The Group registered 4% growth in its turnover to \$5.55b with commercial sales constituting 62% or \$3.4b of the Group's turnover. Profit before tax increased slightly to \$546.6m while profit after tax and minority interests was lower by 6% at \$443.9m. Earnings per share was 14.78 cents and the Group's return on equity remained respectable at 28.3%.

Rewarding our shareholders

To reward our loyal shareholders, the Board of Directors has recommended a final dividend of 10.28 cents per share, comprising an ordinary dividend of 4.00 cents and a special dividend of 6.28 cents. Together with the interim ordinary dividend of 3.00 cents per share paid in September 2009, the total dividend payout for the year will be 13.28 cents per share. This is subject to shareholders' approval at our AGM in April 2010.

Seizing opportunities

Every crisis presents opportunities. Throughout the year, ST Engineering has consistently won new contracts, proving the resilience of our business model. At the end of 2009, our order book at \$10.3b was about twice our revenue, a robust level which provides good revenue visibility.

While the order book size reflects our sales efforts, the diversity of contracts we won reflects the breadth and depth of our capabilities and our market reputation. Significantly, many of these contracts were for government-related projects, both local and overseas, both defence and commercial, providing a stabilising balance to our workload.

While all four sectors benefited from government or government-related projects, many of these projects were the result of our dual use technology approach where defence technology is used in commercial applications and vice versa. Key ones included the Advanced Combat Man System for the Singapore Armed Forces, Expressway Monitoring & Advisory System for the Land Transport Authority, command and control systems for the Singapore Civil Defence Force and the Singapore Police Force, training services to the Republic of Singapore Navy and security-enhancement services for the Central Bank of Oman. The Land Systems sector continued to win overseas contracts for its 40mm ammunition, and has started delivery on the UK MOD Warthog contract announced in 2008. Our US subsidiary, VT Miltope, won a US\$500m contract to supply its MSD-V3 system comprising laptops, test equipment and instrument to the US Army. VT Miltope had been supplying its MSD-V2 system to the US Army over five years from 2004. This new contract affirms the quality of our system in providing US Army soldiers in the field with robust computing capabilities that work in the toughest tactical environment. At the close of the year, the Marine sector secured a contract to build an

enhanced version of a T-AGS 60 Class oceanographic survey ship for the US Navy. These contracts underscore our commitment to research and development and our ability to constantly create innovative products and systems that meet customers' evolving needs.

On the commercial front, the Aerospace sector continued to win new customers and had particular success with its Maintenance-By-the-Hour solution, adding customers such as Cimber Sterling, Jeju Air, Primera Air and Shanghai Airlines. For its ongoing 87-unit Passenger-To-Freighter conversion project for FedEx, 13 units were redelivered in the year, on schedule. The sector also secured a three-year contract, with an option to extend for another two years, to provide airframe maintenance services for a major US airline and renewed its maintenance contract with US Airways for another three years. These two contracts and various other successes reinforce our position as a preferred supplier of MRO services. The Marine sector also won several contracts including two from OSG Ship Management to outfit and commission two articulated tug barge units.

During the year, we expanded our global presence and achieved breakthroughs in new markets. The Electronics sector secured a contract to install a Tower Simulator for the Tanzania Civil Aviation Authority, its first project in Tanzania. We also broadened our scope of services under the Marine sector. It won a logistics management contract from the Republic of Singapore Navy. The Land System sector's US specialty vehicle subsidiary, VT Leeboy, made inroads into the US military market when it won a contract to supply its bituminous paver to the US Army. All these accomplishments resonate with our strategy to gain new market access, build new capabilities as well as cross leverage our defence and commercial opportunities.

A time for reflection

While the worst of the storm may be over, it is important to learn from the crisis, and review how well our business model has served us, and how we can improve further for the future.

The Group's steady results did not come about by chance. Over the years, we have built a well-diversified global portfolio across four key sectors, with operations in 24 countries and customers in over 80 countries, spanning defence, non-defence government and commercial work. Our diversification strategy ensures resilience to cope with varying economic landscapes as our business is not subject to the fortunes of any single market. Our Aerospace sector for example, came

through the crisis better than most other MRO service providers, precisely because of its diverse customer base and a flexible business model that suits the specific needs of each customer. With a comprehensive offering and customers including legacy, regional and low cost airlines as well as defence forces, the sector has managed to maintain a comparable turnover despite the turbulence in the aviation industry.

Our exposure to defence and other government projects has always provided the Group with a stable base load, and such work again provided stability through the last year. Having a global presence and a wide customer base have also been critical, as it means that we are better able to spread our risks and also act quickly on various opportunities in each market.

We exercised prudent liquidity management, recognising it is key to maintaining a strong financial position. During the past year, we tightened our credit controls, and worked hard to manage payments and credit terms. During the year, we generated a healthy operating cash flow of \$932m.

Our established Enterprise Risk Management Framework makes certain that we periodically review our business risks and identify and manage new risks. We had in place a Business Continuity Plan earlier in the year to address the H1N1 scare, including drawing up split teams and off-site operations in the event that the health situation worsened.

Thinking ahead: ready for the upturn

Our diversification model has equipped us well to prepare for the future. We continue to enhance our capabilities, while constantly anticipating trends, introducing new solutions and exploring new market opportunities, so that we are able to maintain our leading position.

In the Aerospace sector, we are increasing our airframe maintenance capacity in our key markets. Our Pudong hangar in Shanghai, which can accommodate the A380, is expected to be ready in the first half of this year. We expect to commission our fourth hangar at our Panama facility this year and are adding a two-bay hangar at our San Antonio facility. Furthermore, as an integrated aerospace services provider, we continue to build up our capabilities in engines and components MRO. During the year, we signed a 20-year agreement to serve as a GE-approved On-Wing support provider for the GEnx-1B and -2B engines, and added capabilities such as the CFM56-5B engine. Our new Xiamen engine MRO facility is on track to commence operations this year.

The Electronics sector has progressively developed new capabilities and new solutions leveraging dual use technology in its applications as well as seeking new markets in its growth strategy. In September, it won contracts from China's Changchun Rolling Stock Company for projects in Saudi Arabia and China. This is an important new step in terms of marketing efforts. By working directly with the train makers whose trains are sold internationally, we hope to capture a bigger slice of the pie. We are also making progress in interactive digital media, creating the Virtual World for the inaugural Singapore 2010 Youth Olympic Games, a showcase of our technology to a worldwide audience, as well as a platform to grow in this fast moving industry. In addition, the satellite communications (satcoms) business has expanded its facilities through the rental of a building in Paya Lebar to house the entire satcoms team.

Two new products were delivered to the Singapore Armed Forces by the Land Systems sector: the Terrex 8x8 Infantry Carrier Vehicle unveiled at the 2009 Army Open House, and the Trailblazer Countermine Vehicle. The sector's commercial vehicles business has seen strong demand in China, and it has strengthened its presence and offerings there by acquiring Zhenjiang Huachen Huatong Road Machinery Co., Ltd. and Zhenjiang Huatong Aran Machinery Co., Ltd. To meet market needs for eco-friendly vehicles, the sector launched Singapore's first commercial diesel-electric hybrid bus and the world's first hybrid hydraulic drive enhanced port prime mover.

In the Marine sector, we will be enhancing the facilities at our US yards, including adding a fabrication shop to support the construction of our previously announced Fast Missile Craft project. In addition, the sector has made advances in its environmental engineering business and has secured initial success in the Middle East and China markets. We expect the needs for innovative environmental engineering solutions to grow globally as we progressively grow this new thrust.

The recent financial crisis has taught us the importance of financial prudence and liquidity. Thus, we have added financial strength by establishing a US\$1.2b multi-currency Medium Term Note (MTN) programme. The MTN programme provides us with additional funding options and also ensures that we can raise funds quickly to capitalise on opportunities in the future. Taking advantage of favourable market conditions, we issued a US\$500m 10-year bond under the programme.

Conclusion

The year ahead is still plagued with challenges and uncertainties, as the global economic pick-up is expected to happen at a subdued pace, and even then, many

factors may derail the recovery. But we cannot afford to wait and watch. We need to think and plan ahead, as we have always done.

We are confident that we have a winning business model, which we continually strengthen, that will see us through any cycle or economic situation, and allow us to seize opportunities in a timely way.

Appreciation

On behalf of the Group, we would like to express our appreciation to our Board Directors for their wise counsel and guidance. We thank Dr Philip Pillai, who resigned from the Board at the end of September, to take up appointment as Judicial Commissioner of the Supreme Court of Singapore. Dr Pillai had been a Director since April 2000 and we are deeply grateful for his invaluable contributions during his tenure. We welcome Dr Stanley Lai, who was appointed Independent Director in October. He has been appointed a Member of the Nominating Committee, Audit Committee and Executive Resource and Compensation Committee. Effective 31 March this year, LG Desmond Kuek Bak Chye and COL Chia Choon Hoong will resign from the Board, we take this opportunity to thank them for their guidance. We also look forward to welcoming MG Neo Kian Hong as non-executive Director and COL Ong Ann Kiat as his Alternate Director.

We wish to thank our staff for their loyalty and unwavering commitment to the Group these past years, and for their sacrifices made during the year. During the worst of the financial crisis, the Group took a prudent approach and implemented pay cuts for senior management and senior executives, and pay freeze for all other staff.

We are grateful to our Board of Directors for volunteering to accept a reduction in directors' retainer fees for 2009, in tandem with the senior executives' pay cut.

Finally, we thank our shareholders, stakeholders and business partners for their continued confidence in the Group.

We remain focused on strengthening our foundation to enable our Group to create and deliver long term sustainable value for all our shareholders and stakeholders.



Peter SEAH Lim Huat
Chairman



TAN Pheng Hock
President & CEO

3 March 2010

给股东的信函

各位股东：

当我们在写这份报告时，这一年来的经济情况已经大为好转。全球性的经济复苏迹象已经显现，大多数政府和商业机构对经济的持续复苏持谨慎的乐观态度。他们认为，虽然当前经济发展仍然缓慢，但复苏的脚步已然迈开。

即便如此，始于2008年末的全球性经济危机导致许多国家在2009年的大部分时间出现了经济低速发展，甚至负增长的现象。失业率的上升迫使许多政府采取相关措施以刺激经济发展。当时，经济发展的前景难以预测，且充满挑战性。许多商业机构仍然面临着艰难的运作环境。

在这样的背景下，新科工程集团成功经受住了金融风暴的冲击。我们仍然表现出强大的运作能力，继续收获成果。集团的营业额增长了4%，达到了55.5亿元，其中商业销售额占了总营业额的62%，即34亿元。税前利润小幅度增长至5.466亿元；税后净营业利润及少数股东权益低6%，为4.439亿元。每股盈利14.78分，股本回报率仍然可观，保持在28.3%。

回报股东

为回报广大忠实的股东，董事会提议将年终股息定为每股10.28分，由普通股股息每股4.00分和特别股息每股6.28分组成。加上2009年9月所支付的每股3.00分中期普通股股息，2009财年分发的总股息为每股13.28分。这一提议将在2010年4月的年度股东大会上征求股东们的同意。

把握机遇

在每次危机中其实都存在着商机。一年来，新科工程不断获得各种新合约，这充分说明了我们的商业模式在面临危机时强有力的恢复力与灵活性。截至2009年底，我们的订单总额达到103亿元，相当于年营业额的大约两倍。这一稳健的水平提供了良好的营业额能见度。

大规模订单量是我们销售努力的结果，而合约的多样化则体现了我们能力的广度和深度及良好的市场声誉。值得注意的是，这些合约很多是与政府相关的项目，既有本地的，也有海外的；既有国防的，也有商业的——都有利地平衡了我们的工作量。

我们的航空、电子、路陆、海事这四方面业务都受惠于政府或政府相关的项目，很多项目是我们“军民两用技术”使用的结果，即将国防技术应用于商业用途，或将商业技术应用于国防用途。其中一些重要的项目有为新加坡武装部队提供的“先进战士系统”，为路路交通管理局提供的“路况提示系统”，为新加坡民防部队和警察部队提供的指挥控制系统，为新加坡海军部队提供的训练服务项目，及为阿曼中央银行提供保安升级项目。在陆路业务方面，我们不断赢得生产40毫米弹药的海外订单。根据我们与英国国防部在2008年签订的合约，我们已经开始向其提供 WARTHOG 全地形运

载车。我们在美国的子公司VT Miltope，赢得了一份5亿美元的合约，向美国陆军提供MSD-V3系统，包括笔记本电脑、测试装备和仪器。VT Miltope自2004年起，已经连续5年向美国陆军提供其研发的MSD-V2系统。该系统能在最为艰难的作战环境中，令美军发挥强有力的计算机运作能力。这份新合约是对我们研发产品与系统质量的充分肯定。在海事业务方面，今年末，我们与美国海军签定了一份合约，为其建造一艘升级版的T-AGS 60深海地质勘探船。这些合约展现了我们的研发能力，不断开发出创新性的产品和系统，以满足客户不断变化的需求。

在商业业务方面，宇航业务得益于成功的“包修飞机维修按固定飞行小时收费”的服务计划，使我们不断赢得新客户，包括辛伯航空公司、济州航空公司、西甲航空公司和上海航空公司。我们也正在将联邦快递公司的87架客运机改为货运机，其中13架已按计划交付使用。该业务获得了为一间美国主要航空公司提供飞机机体维修服务的三年合约，并可选择延长两年；美国航空公司与我们的合约也延长了三年。这两项合约以及其它各项业务的成功，巩固了我们在维护、修理及操作方面作为首选供应商的地位。在海事业务方面，我们也签订了几份新合约，包括从美国的海外船舶控股集团获得的两份订单，以装备两套顶推船铰接装置。

一年来，我们不断扩大全球业务，开拓新市场。在电子业务方面，我们与坦桑尼亚民用航空局签订合同，为其建造模拟航空塔台。这是我们在坦桑尼亚开展的第一个项目。我们也在海事业务方面不断拓宽服务领域。集团与新加坡海军签订了一份后勤管理合约。VT Leeboy，是陆路业务设在美国的专用车生产子公司，赢得了一份为美国陆军提供沥青混凝土摊铺机的合约，成功进入美国军贸市场。这些成绩的取得，是我们采取开拓新市场、发展新能力、平衡利用国防与商业机遇等策略的结果。

反思

尽管金融风暴最严重的时期可能已经过去，但是，吸取经济危机过程的教训、审视我们的经营模式何以在危机中生存，以及将来如何进一步改善，均是当下我们需要思考的重点。

集团这一系列成果的取得并非偶然。针对我们的四项业务领域，集团已经在全球建立起多元发展的档案，在24个国家和与来自80多个国家的客户在国防、非国防政府和商业等领域展开合作。我们的业务发展不会仅仅依靠某一个市场的盛衰而起伏，这种经营模式多样化的策略确保我们在面临不同经济境况时可以应付自如。以宇航业务为例，我们之所以能够比其他进行维护、修理及操作的供应商更为顺利地渡过经济危机，关键在于公司客户源的多元化，及弹性化经营模式的实施，因此可以满足每个客户的特别需求。尽管在经济危机的影响下，整个航空业的发展呈现动荡局面，但由于我们所具备的全方位供应能力，以及拥有老牌航空公司、区域性航空公司、廉价航空公司及国防部队等不同客户群，和去年相比，公司在航空业务方面保持了相对不错的营业额。

一直以来，国防与其它政府项目是集团业务稳定发展的基础，也确保了我们的平稳度过去年的经济危机。在全球范围内开展业务合作以及拥有广泛的客户群也是关键因素，因为这意味着我们可以更好地分散风险，以及在单一市场中，针对各种机遇迅速采取行动。

我们认识到，采取稳健的资产流动管理是保持公司良好财务状况的关键。过去的一年中，我们采取了谨慎的信用政策，努力控制好支付和信贷条款的实施。截至2009年底，我们的经营业务现金流量为9.32亿元。

我们建立了企业风险管理综合框架，以确保我们可以定期检讨业务风险，确定和应对新风险。今年早些时候，针对H1N1带来的恐慌，我们制定了业务连续性计划，针对万一出现的健康状况恶化的病例，实施团队分组和非现场操作的运作方式。

展望未来：为经济好转做好准备

集团多元化的经营模式使我们得以更好地应对未来挑战。我们将继续加强自身能力，同时不断预测发展趋势，推出新的解决方案，探索新的市场机会，继续保持我们的领先地位。

在宇航业务方面，针对主要市场，我们将继续增强机身维修能力。可以容纳A380飞机的浦东机库预计将在今年上半年建成。我们希望在今年内将巴拿马的第四个机库投产。在圣安东尼奥也将新添一个双机位机库。此外，作为一个综合性的航空服务供应商，我们将继续加强在维护、修理及操作发动机和零部件的能力。在2009年，我们签署了一份长达20年的协议，为GENx-1B和-2B两款发动机提供在翼支援，同时我们也具备了CFM56-5B发动机维护等方面的能力。我们在厦门的新发动机维修设施也有望于今年开始运作。

电子业务方面，通过“军民两用技术”的运用及寻求新市场的增长策略的实施，我们逐步具备了一些新能力。9月份，我们赢得了长春轨道客车股份有限公司在沙特阿拉伯和中国一些项目中的合约。这标志着我们在市场营销方面迈出了重要一步。通过与在全世界销售机车的机车制造商的直接合作，我们希望获得更大的市场份额。我们在互动数字媒介方面的业务也取得了发展，为即将开幕的新加坡2010年青年奥运会创造“虚拟世界”，在这个平台上将我们的技术展示给全世界观众，并使我们在这一快速发展的行业中迅速成长。此外，我们为整个卫星通信团队的工作租用了位于巴耶利峇的一幢大楼，以拓展设施。

陆路业务已向新加坡武装部队提供了两样新产品，即在2009年陆军开放日上展示的Terrex 8x8步兵输送车和Trailblazer扫雷车。中国市场也对我们的商用车产生了强烈需求。通过收购镇江华晨通路面机械有限公司和镇江华通阿伦机械有限公司，公司在这方面的业务得以扩展。为满足市场对环保汽车的需求，我们推出了新加坡首个混动混合动力公交车以及世界上第一款港口液压混合动力牵引车。

海事业务方面，我们将加强我们在美国船厂的设施，包括增加一个配件制造车间，以支持我们先前宣布的导弹快艇工程。除此之外，我们在环境工程业务方面也取得了进展，在中东和中国市场

取得了初步成功。我们期望随着全球对创新性环境工程解决方案需求的增长，集团在这一方面的业务也能随之得以发展。

这次金融危机告诉我们，审慎理财及资产流动的重要性。因此，我们通过建立一个12亿美元的多币种的中期票据方案来改善融资模式。这一方案为我们提供了额外的筹资办法，使我们确保可以在未来把握机会、迅速筹集资金。根据该方案，我们在有利的市场条件下，发行了价值5亿美元的10年期债券。

总结

根据预测，经济复苏的脚步将十分缓慢，甚至不排除一些可能破坏经济复苏的因素存在。因此，未来的一年仍然充满挑战和诸多不确定因素。但是，我们不能驻足旁观，我们需要一如既往地先行一步，思考和规划未来。

我们相信，我们拥有一个成功且不断加以改善的商业模式，它使我们得以洞察任何经济周期或经济状况，及时把握商机。

致谢

借此机会，我们愿代表整个集团，向董事会成员表示感谢，感谢他们明智的建议和领导。感谢 Philip Pillai 博士，他已于9月底辞去了董事职务，转而担任新加坡最高法院司法委员。Philip Pillai 博士自2000年4月担任董事，我们对他在任职期间的宝贵贡献深表感谢。我们也欢迎于10月份被委任为独立董事的黎智昌博士。他已经被委任为提名委员会委员，审计委员会委员和资源及薪酬委员会的委员。我们要借此机会，感谢将于今年3月31日从董事会离职的郭木财中将和谢俊雄上校。也期待着对即将出任非执行董事的梁建鸿少将及其替代董事王安傑上校表示欢迎。

我们要感谢员工们这些年来的忠诚和奉献，以及过去的一年里，他们所做出的牺牲。在金融危机最严重的时刻，集团采取了审慎的态度，对高级管理人员和执行人员实行减薪，并冻结了其他所有员工的工资。

在对高级执行人员实行减薪的同时，董事会成员也自愿减少2009年董事聘用费，我们对此表示感谢。

最后，我们感谢各位股东、利益相关者和业务合作伙伴一直以来对集团发展的坚定信心。

我们将继续加强基础建设，以使集团能为广大股东和利益相关者创造和提供长久的可持续发展的价值。



余林发
主席



陈平福
总裁及首席执行官

2010年3月3日