

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

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

1. GENERAL

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

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The principal activities of the Company, are those of an investment holding company and the provision of engineering and related services. The principal activities of the subsidiaries are set out in Note 13 to the financial statements.

The financial statements of Singapore Technologies Engineering Ltd and the consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries as at 31 December 2009 and for the year then ended were authorised and approved by the Board of Directors for issuance on 18 February 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of financial statements preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

The accounting policies have been consistently applied by the Company and the Group and except for changes in accounting policies discussed in Note 2(y), are consistent with those used in the previous year.

(b) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of the directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

- (ii) The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. The financial statements of the subsidiaries used in the presentation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. The results of subsidiaries acquired or disposed of during the financial year are included from the effective date of acquisition or up to the effective date of disposal. All significant inter-company balances and transactions are eliminated on consolidation.

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

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

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated income statement. Transactions with minority interests are accounted for using the parent entity extension method, whereby, on acquisition of minority interests, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill. Gain or loss on disposal to minority interests is recognised in the income statement.

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

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

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

- (iv) Goodwill or reserve on consolidation represents the excess or deficiency of the purchase consideration over the fair value (assigned by the directors) of the underlying net assets of the subsidiaries, associated companies and joint ventures at the date of acquisition. The accounting policy for goodwill is set out in Note 2(q).

Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the income statement on the date of acquisition.

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(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

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

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

(c) Investments in associated companies and joint ventures

The Group's investment in its associated companies and joint ventures is accounted for under the equity method of accounting.

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

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

Under the equity method, the investment in the associated company/joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company/joint venture. Goodwill relating to an associated company is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company/joint venture. The income statement reflects the share of the results of operations of the associated company/joint venture. Where there has been a change recognised directly in the equity of the associated company/joint venture, the Group recognises its share of any changes and discloses this, where applicable, in the statement of changes in equity.

The reporting dates of the associated company/joint venture and the Group are identical and the accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(d) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charged is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period any impairment loss recognised for goodwill.

(e) Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(i) *Financial assets at fair value through profit or loss*

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other debtors are classified as loans and receivables under FRS 39. An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Known bad debts are written off. Further details on the accounting policy for impairment of financial assets are stated in Note 2(j).

(iii) *Held-to-maturity investments*

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

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(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment when the financial asset is derecognised.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

For investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost.

(f) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Buildings	- 15 to 30 years
Leasehold land	- Over the period of the lease of between 5 to 60 years
Improvements to premises	- 3 to 30 years
Wharves and slipways	- 10 to 16 years
Syncrolift and floating docks	- 5 to 10 years
Boats and barges	- 5 years
Plant and machinery	- 2 to 20 years
Production tools and equipment	- 3 to 10 years
Furniture, fittings, office equipment and computers	- 2 to 5 years
Transportation equipment and vehicles	- 5 years
Aircraft and aircraft engines	- 5 to 20 years

Freehold land has unlimited useful life and therefore is not depreciated.

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment and depreciation (continued)

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

(g) Investment properties

Investment properties are stated at cost, net of depreciation and any impairment loss. Depreciation is provided on the straight-line basis so as to write-off the cost of the investment properties over their estimated useful lives of 15 - 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2(f) up to the date of change in use.

(h) Stocks and work-in-progress

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

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash consists of cash on hand and cash with banks or financial institutions, including fixed deposits. Cash equivalents are short-term, highly liquid investments and short-term loans to related corporations that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Notes to the Financial Statements

1 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) *Assets carried at amortised costs*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) *Assets carried at costs*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The loss recognised is not reversed in future periods.

(iii) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Notes to the Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

Trade and other creditors are financial liabilities initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are financial liabilities initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are recognised as expenses using the effective interest method except for those that are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

(l) Provisions

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

(i) Warranties

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

(ii) Liquidated damages

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

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(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income taxes

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in other comprehensive income or directly in equity.

(ii) Deferred tax

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

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

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

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

Deferred income tax relating to items recognised outside profit or loss is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefits

(i) Employee equity compensation benefits

- *Share Option Plan*

Pursuant to the ST Engineering Share Option Plan, certain directors and employees are granted non-transferable options to purchase the Company's shares. The fair value of options granted is determined using a binomial model and is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. In valuing the share option, no account is taken of any performance condition, other than market conditions, if any. The cumulative expense recognised for share options at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of share options that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The proceeds received are credited to share capital when the options are exercised.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

- *Performance Share Plan*

Pursuant to the ST Engineering Performance Share Plan, the Company's shares can be awarded to certain employees and directors of the Group. The details of the Performance Share Plan are described in Note 41.

The performance shares cost is amortised and recognised in the income statement on a straight-line basis over the three-year performance period. The fair value of the performance shares is determined at conditional grant date using the Monte Carlo simulation model, which takes into account the market conditions and non-market conditions.

- *Restricted Stock Plan*

Pursuant to the ST Engineering Restricted Stock Plan, the Company's shares can be awarded to certain employees and directors of the Group. The details of the Restricted Stock Plan are described in Note 41.

The restricted shares cost is amortised and recognised in the income statement over the vesting period. The fair value of the restricted shares is determined on conditional grant date using the Monte Carlo simulation model.

(ii) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Income is recognised using the following methods:

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

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

- (iii) Dividend income is recognised when the shareholder's rights to receive payment is established.
- (iv) Management fee income is recognised on an accrual basis upon which management services are rendered.
- (v) For certain subsidiaries, the first 15% of the total commission receivable for each contract is treated as downpayment and is deferred and taken up in the income statement only upon the discharge of specified contractual obligations. Commission income in respect of each contract in excess of the first 15% of the total amount receivable is taken up in the income statement as and when it is billed. For certain back to back contracts, commission income is recognised upon delivery of goods and services.
- (vi) Interest income, including income arising from finance leases and other financial instruments, is recognised on an accrual basis using the effective interest method.
- (vii) Rental income arising from investment properties is accounted for on a straight-line basis over the lease terms.

(p) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity and recognised in the consolidated income statement on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the income statement.

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(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation are also taken directly to other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the other comprehensive income.

(ii) Foreign currency translation

The results and financial position of foreign subsidiary companies are translated into Singapore dollars using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries on or after 1 January 2005 are treated as assets and liabilities of the foreign subsidiaries and are recorded in the functional currency of the foreign subsidiaries and translated at the closing rate at the balance sheet date.

On disposal of a foreign subsidiary, the cumulative amount of exchange differences deferred in equity relating to that foreign subsidiary is recognised in the income statement as a component of the gain or loss on disposal.

(q) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's reporting format determined in accordance with FRS 108 *Operating Segments*.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Intangible assets (continued)

(i) Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised in respect of cash-generating unit (group of cash-generating units) are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating unit (group of cash-generating units) and then, to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a pro-rata basis.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and the expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible asset with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

- **Research and development expenditure**

Research expenditure is charged to the income statement as and when incurred. Deferred development costs arising from development expenditure on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project (5 years) on a straight-line basis.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Intangible assets (continued)

(ii) Other intangible assets (continued)

- *Film cost inventory*

Film production costs are capitalised as film cost inventory. The film cost inventory is amortised using the individual-film-forecast computation method which amortises the film costs in the same ratio that current gross revenue bear to anticipated total gross income for the film. However, should this result in a book value for a film which exceed the estimated net realisable value, then a corresponding reduction to its estimated net realisable value is to be made on a film-by-film basis. Amortisation is to commence when each film begins to earn revenue.

- *Commercial and intellectual property rights*

Costs relating to intellectual property rights, which are acquired are capitalised and amortised on a straight-line basis over its estimated economic useful lives of 2 - 16 years.

- *Brands*

Costs relating to brands, which are acquired are capitalised and amortised on a straight-line basis over their estimated economic useful lives of 20 - 70 years.

- *Dealer network*

Costs relating to dealer network, which are acquired are capitalised and amortised on a straight-line basis over their estimated economic useful life of 7 years.

(r) Hire purchase

Assets acquired on hire purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as a liability. The total interest, being the difference between the total instalments payable and the capitalised amount, is charged to the income statement over the period of such hire purchase arrangements in equal monthly instalments to produce a constant rate of charge on the balance of capital repayments outstanding. Assets acquired on hire purchase arrangements are depreciated in accordance with the policy set out in Note 2(f) above.

(s) Finance leases

(i) As lessee

Finance leases are those leasing agreements, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease items. Assets financed under such leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Assets acquired on finance lease arrangements are depreciated in accordance with the policy set out in Note 2(f) above.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Finance leases (continued)

(ii) As lessor

Leases where the Group transferred substantially all the risks and rewards incidental to legal ownership of the leased assets, are classified as finance lease.

The leased asset is derecognised and the present value of the lease receivables (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet. The difference between the gross receivables and the present value of the lease receivables is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in the income statement on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the income statement over the lease term on the same basis as the leased income.

(t) Operating leases

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

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

(u) Government grants

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

(v) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement for the year.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivatives are not closely related, a separate instrument with the same terms as the embedded derivatives would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Derivative financial instruments and hedging (continued)

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap and cross currency swap contracts is determined by reference to market values for similar instruments.

The Group uses cash from time to time as a hedging instrument to hedge its risk associated with foreign currency fluctuations.

For the purpose of hedge accounting, hedges are classified either as fair value hedge or cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the hedging instrument is remeasured at fair value and gains and losses from both are taken to the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedging instrument for which the effective interest method is used is amortised in the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedging instrument for which the effective interest method is used is amortised in the income statement. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Derivative financial instruments and hedging (continued)

(ii) Cash flow hedges

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

(iii) Hedge of net investment in foreign operations

The Group has foreign currency differences arising from the translation of financial liabilities that are designated as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. The currency translation differences on the financial liabilities relating to the effective portion of the hedge are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operations. The currency translation differences relating to the ineffective portion of the hedge are recognised immediately in the income statement.

(w) Segments

For management purposes, the Group is organised on a worldwide basis into four major operating segments. The Management of the Company reviewed the segments' operating results regularly in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these operating segments are shown in Note 49, including the factors used to identify the reportable segments and the measurement basis of segment information.

(x) Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Derecognition of financial assets and liabilities (continued)

(i) Financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised in other comprehensive income is recognised in the income statement.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(y) Changes in accounting policies

(i) Adoption of new and revised FRS

With effect from 1 January 2009, the Group has adopted all the new and revised FRS and INT FRS that are mandatory for financial years beginning on or after 1 January 2009. The adoption of these FRS and INT FRS has no significant impact to the Group, except for FRS 1, FRS 107 and FRS 108 as indicated below:

FRS 1 Presentation of Financial Statements – Revised presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group is presenting the statement of comprehensive income in two statements.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Changes in accounting policies (continued)

(i) Adoption of new and revised FRS (continued)

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 50 and Note 51 to the financial statements respectively.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 *Segment Reporting*. Additional disclosures about each of the segments are shown in Note 49, including the revised comparative information.

(ii) Future changes in accounting policies

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective for annual periods beginning on or after
FRS 27	: Consolidated and Separate Financial Statements – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate	1 July 2009
FRS 39	: Financial Instruments: Recognition and Measurement – Amendments Relating to Eligible Hedged Items	1 July 2009
FRS 101	: First-Time Adoption of Financial Reporting Standards – Amendments Relating to Additional Exemptions for First-time Adopters	1 January 2010
FRS 102	: Share-based Payment – Amendments Relating to Group Cash-settled Share-based Payment Transactions	1 January 2010
FRS 103	: Business Combinations	1 July 2009
FRS 105	: Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
INT FRS 117	: Distributions of Non-cash Assets to Owners	1 July 2009

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Changes in accounting policies (continued)

(ii) Future changes in accounting policies (continued)

Effective for annual
periods beginning
on or after

Improvements to FRSs issued in 2009

FRS 38	:	Intangible Assets	1 July 2009
FRS 102	:	Share-based Payment	1 July 2009
FRS 108	:	Operating Segments	1 July 2009
INT FRS 109	:	Reassessment of Embedded Derivatives	1 July 2009
INT FRS 116	:	Hedges of a Net Investment in a Foreign Operation	1 July 2009
FRS 1	:	Presentation of Financial Statements	1 January 2010
FRS 7	:	Statement of Cash Flows	1 January 2010
FRS 17	:	Leases	1 January 2010
FRS 36	:	Impairment of Assets	1 January 2010
FRS 39	:	Financial Instruments: Recognition and Measurement	1 January 2010
FRS 105	:	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
FRS 108	:	Operating Segments	1 January 2010

The Group expects that the adoption of the above pronouncements will not have a significant impact on the financial statements in the period of initial application, except for FRS 103 and FRS 27 as indicated below.

FRS 103 *Business Combinations* and Amendments to FRS 27 *Consolidated and Separate Financial Statements*

The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 *Statement of Cash Flows*, FRS 12 *Income Taxes*, FRS 21 *The Effects of Changes in Foreign Exchange Rates*, FRS 28 *Investments in Associates* and FRS 31 *Interests in Joint Ventures*. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interest. The standards may be early applied. However, the Group does not intend to early adopt.

(z) Significant accounting estimates and judgements

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Significant accounting estimates and judgements (continued)

(i) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, Management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and other intangible assets, are given in Note 16 to the financial statements.

- *Impairment of loans and receivables*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 51 to the financial statements.

- *Depreciation charge*

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment and investment properties to be within 2 to 60 years. The carrying amount of the Group's property, plant and equipment and investment properties at 31 December 2009 was \$1,168,686,000 (2008: \$1,036,455,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these property, plant and equipment and investment properties, therefore future depreciation charges could be revised.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Significant accounting estimates and judgements (continued)

(ii) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, Management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

- *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred tax assets was \$127,196,000 (2008: \$138,128,000), tax payables was \$178,734,000 (2008: \$177,647,000) and deferred tax liabilities was \$58,297,000 (2008: \$62,602,000) at 31 December 2009.

3. TURNOVER

Turnover represents invoiced value of sales/services less returns and discounts given and billings recognised on contracts as follows:

	2009 \$'000	Group 2008 \$'000
Sale of goods	2,966,111	2,907,967
Service income	2,581,676	2,436,548
	5,547,787	5,344,515

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

4. OTHER OPERATING INCOME, NET

	Note	2009 \$'000	Group 2008 \$'000
Commission income		371	746
Dividend income			
- quoted equity investments		118	99
- unquoted equity investments		63	123
Interest income			
- related corporations		1,823	10,731
- bank deposits		5,731	9,097
- staff loans		12	12
- finance lease		625	456
- bonds		3,202	160
- others		1,295	695
Impairment in value of investments			
- quoted investments	15	(313)	(25,580)
- unquoted investments	15	(747)	(363)
Gain/(loss) on disposal of			
- subsidiary companies		(83)	-
- associated companies		-	803
- investments		690	650
Profit on maturity of amounts under fund management		-	19,586
Gain/(loss) on fair value changes of held for trading investments		421	(9)
Fair value changes of financial instruments			
- gain/(loss) on forward currency contract designated as hedging instrument in fair value hedges		996	(3,308)
- ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges		(15)	(69)
Fair value of hedged items		(590)	1,971
Others		7,814	11,173
		21,413	26,973

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

5. PROFIT FROM OPERATIONS

Profit from operations is arrived at:

	Note	2009 \$'000	Group 2008 \$'000
After charging			
Auditors' remuneration			
- auditors of the Company		1,782	1,891
- other auditors		2,979	3,479
Non-audit fees			
- auditors of the Company		484	537
- other auditors		1,190	1,528
Fees and remuneration of directors		3,810	5,042
Fees paid to a firm of which a director is a member		269	109
Personnel expenses	6	1,470,638	1,430,643
Depreciation charge	12, 17	150,985	148,590
Allowance for			
- Stock obsolescence		48,726	22,515
- Doubtful debts (trade)	22	28,084	28,775
- Unbilled receivables (trade)	22	1,854	-
- Loan receivables	18	-	435
- Doubtful lease receivables	19	1,138	877
Provision/(write-back of provision) for			
- Foreseeable losses		4,966	4,867
- Liquidated damages	30	2,901	(5,257)
- Warranties	30	34,903	5,164
Property, plant and equipment written off		10,948	12,117
Research, design and development expenses incurred		82,238	75,204
Operating lease expenses		36,464	28,491
Amortisation of other intangible assets	16	11,773	10,203
Write-back of impairment of property, plant and equipment	12	(42)	(102)
Impairment in value of other intangible assets	16	397	2
And crediting			
Grants and subsidies received		2,494	2,122
Deferred income recognised	34	2,259	3,784

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

6. PERSONNEL EXPENSES

	Group	
	2009	2008
	\$'000	\$'000
Wages and salaries *	1,219,616	1,187,800
Pension contributions	86,600	79,075
Share-based payments	17,702	19,357
Other personnel expenses	146,720	144,411
	1,470,638	1,430,643

* Includes directors' remuneration of \$1,667,176 (2008: \$3,841,576).

7. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group	
	2009	2008
	\$'000	\$'000
Short-term employee benefits	34,382	41,650
Pension contributions	432	464
Other long-term benefits	5	7
Share-based payments	4,138	7,007
	38,957	49,128

8. OTHER INCOME, NET

	Group	
	2009	2008
	\$'000	\$'000
Gain on disposal of property, plant and equipment and investment property	1,702	4,364
Grant income from Jobs Credit Scheme	39,118	-
Proceeds received/receivable from insurers (Hurricane Katrina)	-	144
Exchange loss, net	(3,495)	(10,841)
Rental income	5,774	5,269
Long-term loan from a minority shareholder forgiven	-	194
Others	12,875	9,329
	55,974	8,459

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first \$2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Group received its grant income of \$39,118,000 (2008: \$nil) in four receipts in March, June, September and December 2009.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

9. FINANCIAL EXPENSES

	Group	
	2009	2008
	\$'000	\$'000
Interest expenses:		
Bank loans and overdrafts	39,653	41,606
Bonds	15,586	–
Finance lease	375	506
Others	506	575
	56,120	42,687

10. TAXATION

	Group	
	2009	2008
	\$'000	\$'000
Current income tax		
Current year	107,490	119,773
Overprovision in respect of prior years	(17,112)	(37,396)
Associated companies and joint ventures	(307)	4,441
	90,071	86,818
Deferred income tax		
Current year	(7,271)	(17,395)
Underprovision/(overprovision) in respect of prior years	4,951	(17,484)
Effect of reduction in tax rate	2,411	–
	90,162	51,939
Deferred income tax related to items charged or credited directly to other comprehensive income:		
Net change in fair value of available-for-sale financial assets	243	(1,096)
Net change in fair value of derivative financial instruments designated in cash flow hedges	160	(3,947)
Effect of reduction in tax rate	(152)	–
	251	(5,043)

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

10. TAXATION (continued)

The Group

Unrecognised tax losses

As at 31 December 2009, subsidiaries of the Group have potential tax benefits of approximately \$20,885,000 (2008: \$15,271,000) arising from unutilised tax losses, unabsorbed wear and tear allowances and other temporary differences, which are available for set-off against future taxable profits. These tax benefits have not been recognised in the financial statements due to the uncertainty of its recoverability. The use of these potential tax benefits is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

Unrecognised temporary differences relating to investments in subsidiaries

At the balance sheet date, no deferred tax liability (2008: \$nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that the undistributed profits of some of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but be retained for organic growth and acquisitions.

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December is as follows:

	2009 \$'000	Group 2008 \$'000
Profit from operations before taxation	546,559	540,702
Taxation at statutory tax rate of 17% (2008: 18%)	92,915	97,326
Adjustments:		
Income not subject to tax	(8,751)	(1,344)
Expenses not deductible for tax purposes	10,749	12,540
Higher effective tax rates of other countries	4,003	1,368
Overprovision in prior years, net	(12,161)	(54,880)
Effect of change in tax rates	2,411	-
Lower effective tax rates of associated companies	(6,064)	(1,316)
Deferred tax assets not recognised	10,368	1,746
Deferred tax assets previously not recognised now recognised	(997)	(814)
Others	(2,311)	(2,687)
Current financial year's taxation charge	90,162	51,939

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009.

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(Currency - Singapore dollars unless otherwise stated)

11. EARNINGS PER SHARE

Basic earnings per share

The calculation for basic earnings per share is based on:

	Group	
	2009	2008
	\$'000	\$'000
Consolidated profit after taxation and minority interests	443,930	473,636

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

	Group	
	2009	2008
<i>Number of shares ('000)</i>		
Issued ordinary shares at beginning of the year	2,998,603	2,983,550
Weighted average number of ordinary shares issued during the year	5,466	11,049
Weighted average number of ordinary shares	3,004,069	2,994,599

Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential ordinary shares. The number of unissued shares under option granted under the ESOS/ESOP and their exercise prices are set out in Note 41. The average fair value of one ordinary share during the financial year ended 31 December 2009 was \$2.63 (2008: \$2.89) per share. The weighted average number of ordinary shares adjusted for the unissued shares under option is as follows:

	Group	
	2009	2008
<i>Number of shares ('000)</i>		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	3,004,069	2,994,599
Weighted average number of unissued shares under option	54,150	73,190
Number of shares that would have been issued at fair value	(46,168)	(59,130)
Weighted average number of ordinary shares (diluted)	3,012,051	3,008,659

63,870,596 (2008: 55,495,102) of share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial years presented.

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(Currency - Singapore dollars unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT

	As at 1.1.2008 \$'000	Additions \$'000	Disposals \$'000	Valuation/Cost Arising from acquisition of interest in subsidiaries \$'000	Reclassi- fications \$'000	Translation difference \$'000	As at 31.12.2008 \$'000
The Group							
At Valuation							
Leasehold land and buildings	1,919	–	–	–	–	–	1,919
Wharves and slipways	1,490	–	–	–	–	–	1,490
Syncrolift and floating docks	4,603	–	–	–	–	–	4,603
Plant and machinery	1,694	–	–	–	–	–	1,694
Furniture, fittings, office equipment and computers	279	–	–	–	–	–	279
At Cost							
Freehold land and buildings	59,843	394	(615)	–	35	(322)	59,335
Leasehold land and buildings	509,181	10,138	(111)	–	31,542	1,288	552,038
Improvements to premises	45,482	9,168	(1,048)	–	(252)	(545)	52,805
Wharves and slipways	27,368	919	–	–	4,222	(13)	32,496
Syncrolift and floating docks	68,782	394	(240)	–	–	–	68,936
Boats and barges	5,167	–	–	–	–	(10)	5,157
Plant and machinery	952,161	95,065	(51,134)	–	2,206	(24,305)	973,993
Production tools and equipment	194,753	20,954	(1,810)	–	81	(976)	213,002
Furniture, fittings, office equipment and computers	157,223	21,808	(10,661)	31	119	(586)	167,934
Transportation equipment and vehicles	14,582	1,390	(1,120)	–	–	45	14,897
Aircraft and aircraft engines	78,051	2,013	(8,111)	–	–	–	71,953
Construction-in-progress	25,412	29,048	(148)	–	(37,953)	(34)	16,325
	2,147,990	191,291	(74,998)	31	–	(25,458)	2,238,856

Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Valuation/Cost							
	As at 1.1.2009 \$'000	Additions \$'000	Disposals \$'000	Arising from acquisition of interest in subsidiaries [ⓐ] \$'000	Reclassi- fications \$'000	Transfer from investment properties \$'000 (Note 17)	Translation difference \$'000	As at 31.12.2009 \$'000
The Group								
At Valuation								
Leasehold land and buildings	1,919	—	—	—	—	—	—	1,919
Wharves and slipways	1,490	—	—	—	—	—	—	1,490
Syncrolift and floating docks	4,603	—	—	—	—	—	—	4,603
Plant and machinery	1,694	—	—	—	—	—	—	1,694
Furniture, fittings, office equipment and computers	279	—	—	—	—	—	—	279
At Cost								
Freehold land and buildings	59,335	484	—	—	—	—	(1,397)	58,422
Leasehold land and buildings	552,038	34,211	(2,677)	24,856	2,085	28,217	(3,732)	634,998
Improvements to premises	52,805	2,674	(420)	94	(218)	—	(691)	54,244
Wharves and slipways	32,496	382	—	—	—	—	(160)	32,718
Syncrolift and floating docks	68,936	—	—	—	—	—	—	68,936
Boats and barges	5,157	—	—	—	—	—	(44)	5,113
Plant and machinery	973,993	85,932	(41,266)	3,375	2,067	—	(5,987)	1,018,114
Production tools and equipment	213,002	19,803	(1,641)	599	142	—	(890)	231,015
Furniture, fittings, office equipment and computers	167,934	23,995	(14,866)	188	25	—	(756)	176,520
Transportation equipment and vehicles	14,897	2,251	(548)	1,198	—	—	(144)	17,654
Aircraft and aircraft engines	71,953	38,254	—	—	—	—	—	110,207
Construction-in-progress	16,325	68,539	(17)	240	(4,101)	—	(67)	80,919
	2,238,856	276,525	(61,435)	30,550	—	28,217	(13,868)	2,498,845

[ⓐ] Additions during the year included property, plant and equipment of \$7,780,000 contributed by minority shareholders as part of capital injection.

Notes to the Financial Statements

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Accumulated depreciation						As at 31.12.2008 \$'000
	As at 1.1.2008 \$'000	Depreciation charge for the year \$'000 (Note 5)	Write- back of impairment \$'000 (Note 5)	Disposals \$'000	Reclassi- fications \$'000	Translation difference \$'000	
The Group							
At Valuation							
Leasehold land and buildings	1,919	—	—	—	—	—	1,919
Wharves and slipways	1,490	—	—	—	—	—	1,490
Syncrolift and floating docks	4,603	—	—	—	—	—	4,603
Plant and machinery	1,694	—	—	—	—	—	1,694
Furniture, fittings, office equipment and computers	279	—	—	—	—	—	279
At Cost							
Freehold land and buildings	18,555	1,129	—	(545)	—	(77)	19,062
Leasehold land and buildings	283,040	19,964	—	(12)	16	30	303,038
Improvements to premises	23,044	6,192	—	(1,036)	(16)	(197)	27,987
Wharves and slipways	18,340	2,020	—	—	—	6	20,366
Syncrolift and floating docks	68,242	512	—	(240)	—	—	68,514
Boats and barges	4,790	37	—	—	—	(8)	4,819
Plant and machinery	376,956	74,880	(102)	(35,009)	—	(3,821)	412,904
Production tools and equipment	152,421	19,703	—	(1,545)	—	(547)	170,032
Furniture, fittings, office equipment and computers	130,573	17,395	—	(10,545)	—	(364)	137,059
Transportation equipment and vehicles	9,517	1,662	—	(943)	—	21	10,257
Aircraft and aircraft engines	37,904	3,943	—	(6,098)	—	—	35,749
	1,133,367	147,437	(102)	(55,973)	—	(4,957)	1,219,772

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(Currency - Singapore dollars unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Accumulated depreciation							As at 31.12.2009 \$'000
	As at 1.1.2009 \$'000	Depreciation charge for the year \$'000 (Note 5)	Impairment/ (write-back of impairment) \$'000 (Note 5)	Disposals \$'000	Reclassi- fications \$'000	Transfer from investment properties \$'000 (Note 17)	Translation difference \$'000	
The Group								
At Valuation								
Leasehold land and buildings	1,919	—	—	—	—	—	—	1,919
Wharves and slipways	1,490	—	—	—	—	—	—	1,490
Syncrolift and floating docks	4,603	—	—	—	—	—	—	4,603
Plant and machinery	1,694	—	—	—	—	—	—	1,694
Furniture, fittings, office equipment and computers	279	—	—	—	—	—	—	279
At Cost								
Freehold land and buildings	19,062	1,157	—	—	—	—	(468)	19,751
Leasehold land and buildings	303,038	23,426	—	(2,545)	—	14,617	(1,013)	337,523
Improvements to premises	27,987	5,568	—	(364)	16	—	(425)	32,782
Wharves and slipways	20,366	2,136	—	—	—	—	(32)	22,470
Syncrolift and floating docks	68,514	47	—	—	—	—	—	68,561
Boats and barges	4,819	342	—	—	—	—	(48)	5,113
Plant and machinery	412,904	69,806	(84)	(27,380)	—	—	(2,466)	452,780
Production tools and equipment	170,032	21,698	—	(1,597)	—	—	(806)	189,327
Furniture, fittings, office equipment and computers	137,059	19,872	42	(14,414)	(16)	—	(773)	141,770
Transportation equipment and vehicles	10,257	2,178	—	(397)	—	—	(68)	11,970
Aircraft and aircraft engines	35,749	4,387	—	—	—	—	—	40,136
	1,219,772	150,617	(42)	(46,697)	—	14,617	(6,099)	1,332,168

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31 December 2009

(Currency - Singapore dollars unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Net book value	
	2009	2008
	\$'000	\$'000
The Group		
At Valuation		
Leasehold land and buildings	–	–
Wharves and slipways	–	–
Syncrolift and floating docks	–	–
Plant and machinery	–	–
Furniture, fittings, office equipment and computers	–	–
At Cost		
Freehold land and buildings	38,671	40,273
Leasehold land and buildings *	297,475	249,000
Improvements to premises	21,462	24,818
Wharves and slipways	10,248	12,130
Syncrolift and floating docks	375	422
Boats and barges	–	338
Plant and machinery	565,334	561,089
Production tools and equipment	41,688	42,970
Furniture, fittings, office equipment and computers	34,750	30,875
Transportation equipment and vehicles	5,684	4,640
Aircraft and aircraft engines	70,071	36,204
Construction-in-progress	80,919	16,325
	1,166,677	1,019,084

* The net book value of leasehold land and buildings amounting to \$13,600,000 (2008: \$nil) was reclassified from investment properties following the change in a subsidiary's occupation in the property during the year.

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(Currency - Singapore dollars unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture, fittings, office equipment and computers \$'000	Transportation equipment and vehicles \$'000	Total \$'000
The Company			
Cost			
As at 1.1.2008	1,801	331	2,132
Additions	696	–	696
Disposals	(115)	–	(115)
As at 31.12.2008 and 1.1.2009	2,382	331	2,713
Additions	311	–	311
Disposals	(204)	–	(204)
As at 31.12.2009	2,489	331	2,820
Accumulated depreciation			
As at 1.1.2008	1,272	17	1,289
Depreciation charge for the year	456	66	522
Disposals	(114)	–	(114)
As at 31.12.2008 and 1.1.2009	1,614	83	1,697
Depreciation charge for the year	548	66	614
Disposals	(202)	–	(202)
As at 31.12.2009	1,960	149	2,109
Net book value			
As at 31.12.2009	529	182	711
As at 31.12.2008	768	248	1,016

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

(a) Property, plant and equipment at valuation

Property, plant and equipment, which are shown at valuation are stated at values arrived at by an independent firm of professional valuers on 30 November 1972, on the basis of open market value for existing use. There is no fixed frequency of revaluation. Revaluation will be performed as and when deemed appropriate by the Directors. These property, plant and equipment are fully depreciated as at 31 December 2009 and 2008.

(b) Property, plant and equipment pledged as security

Freehold and leasehold land and buildings with a carrying value of \$45,623,000 (2008: \$3,952,000) are pledged as security for short-term and long-term loans.

In the prior year, plant and machinery of a subsidiary with a carrying value of \$426,914,000 were subject to a floating charge of Euro 210 million to secure two of the subsidiary's bank loans.

(c) Property, plant and equipment under lease obligations

Included in the above are property, plant and equipment acquired under lease obligations with a net book value of:

	Group	
	2009	2008
	\$'000	\$'000
Leasehold land and buildings	1,335	1,813
Transportation equipment and vehicles	364	191
	1,699	2,004

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) The major properties of the Group comprise:

(i) Freehold land and buildings

Location	Description	Land area (sq. m.)	Net book value	
			2009 \$'000	2008 \$'000
USA				
47889 South K Street Tulare, California	Industrial buildings	88,949	2,487	2,544
13442 Emerson Road Kidron, Ohio	Industrial buildings	68,351	1,317	1,403
300 Hackney Ave, Independence, Kansas	Industrial buildings	117,358	1,784	1,898
400 Hackney Ave, Washington, North Carolina	Industrial buildings	39,942	1,952	2,050
914 Saegers Station Drive, Montgomery, Pennsylvania	Industrial buildings	122,659	3,841	3,949
7801 Trinity Drive, Escatawpa, Mississippi	Shipyard and buildings	839,564	4,434	4,552
5801 Elder Ferry Road, Moss Point, Mississippi	Shipyard and buildings	227,151	4,142	4,266
900 Bayou Casotte Parkway, Pascagoula, Mississippi	Shipyard and buildings	331,803	14,329	14,858
3800 Richardson Road South, Hope Hull, Alabama	Production facility	8,361	3,378	3,661

Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) The major properties of the Group comprise (continued)

(ii) Leasehold land, buildings and improvements

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2009 \$'000	2008 \$'000
Singapore					
501 Airport Road	Factory and office building	20 years from 1.6.1993	23,899	3,792	2,315
503 Airport Road	Factory and office building	20 years from 1.6.1993	7,175	546	626
505 Airport Road Lots 087066, 087M, 0870C and 99703 MK22	Jet engine test cell	3 years from 17.4.2007	5,317	19,171	20,237
540 Airport Road	Warehouse and office building	30 years from 15.8.1985	5,850	891	1,045
	Hangar and office building	30 years from 1.1.1984	18,918	2,411	2,918
8 Changi North Way	Hangar and office building	30 years from 1.1.1992	75,713	29,834	32,320
	Hangar and office building	22.5 years from 16.6.1999	14,860	2,884	3,124
	Hangar and office building	16.3 years from 20.8.2005	9,764	12,011	13,012
540 Airport Road	Hangars and office building	3 years lease from 1.7.2009 *	48,882	24,052	25,598
Seletar West Camp	Hangars and office building	Yearly *	15,670	17,058	17,476
	Hangars and office building	3 years lease from 1.8.2007 *	5,760	11,807	11,904
24 Ang Mo Kio Street 65	Industrial and commercial buildings	30 years from 1.12.1982, renewable to 2042	23,970	8,263	9,262
100 Jurong East Street 21	Industrial and commercial buildings	30 years from 1.11.1988, renewable to 2048	11,232	7,815	8,121
70 Ubi Crescent Ubi Techpark #01-12	Office building	60 years from 5.7.1997	730	1,229	1,255
5 Portsdown Road	Industrial and commercial buildings	3.5 years from 1.4.2007 to 30.9.2010	88,400	511	1,194
5 Ubi Close ^	Car show room cum workshop	30 years from 1.8.1994	6,274	12,814	—
33 Tuas Avenue 2	Factory and office building	30 years from 1.4.1996	6,669	2,379	2,527
16 Benoi Crescent	Industrial and commercial buildings	30 years from 16.7.1989	6,981	2,574	2,845

Notes to the Financial Statements

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) The major properties of the Group comprise (continued)

(ii) Leasehold land, buildings and improvements (continued)

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2009 \$'000	2008 \$'000
Singapore					
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028, renewable to 10.10.2065	148,091	32,714	5,230
2D Ayer Rajah Crescent	Industrial and commercial buildings	3 years from 1.4.2007 to 31.3.2010	29,404	309	721
16 Tuas Avenue 7	Industrial buildings	30 years from 16.8.1983	12,029	741	926
601 Rifle Range Road	Industrial buildings	Renewable every year *	1,380,983	1,168	1,117
15 Chin Bee Drive	Industrial buildings	60 years from 1.8.1973	39,640	2,847	3,234
16 Benoi Road	Administrative offices	56 years from 1.6.1969	20,224	3,406	—
7 Benoi Road	Buildings, foreshore and workshops	56 years from 1.6.1969	103,802	14,122	15,369
60 Tuas Road	Buildings, foreshore and workshops	30 years from 1.12.1992	125,262	5,205	4,939
30/36 Kian Teck Avenue	Workers' dormitory	30 years from 1.9.1995	3,908	4,578	4,870
USA					
2100 9 th Street Brookley Complex, Mobile, Alabama	Hangar and office building	22 years from 1.1.1991	103,825	13,272	16,699
9800 John Saunders Road, San Antonio, Texas	Hangar and office building	16 ⁷ / ₁₂ years from 1.6.2002	195,663	5,392	6,331
People's Republic of China					
2008Y03, North of Zhong Fang Road and East of Wu Shi Road, Xiamen, Fujian	Leasehold land for factory building	50 years from 11.8.2008	38,618	5,436	5,669
Guangzhou Airport Logistics Centre, Guangzhou Baiyun Airport Logistics, Guangzhou 510890	Warehouse	1 year lease from 31.10.2009 #	100	32	34

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) The major properties of the Group comprise (continued)

(ii) Leasehold land, buildings and improvements (continued)

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2009 \$'000	2008 \$'000
People's Republic of China					
97 Zhong Cao Road Guiyang, Guizhou	Leasehold land, industrial and commercial buildings	50 years from 26.2.2008 to 21.2.2058	242,662	22,190	23,252
613 Xin Jiao Dong Road, Hai Zhu District, Guangzhou, Guangdong	Industrial and commercial buildings	15 years from 22.4.2005 to 21.4.2020	9,751	1,219	1,358
No. 555 Kanghua Road, Kangqiao Industrial Zone, Shanghai	Leasehold land	50 years from 12.6.2003 to 27.7.2052	15,898	854	911
6 Kuang Ji Road, Zhenjiang, Jiangsu	Leasehold land, industrial and commercial buildings	40 years from 21.5.2009 to 21.3.2049	76,711	11,482	—
1 Ding Mao Wei San Road, Zhenjiang, Jiangsu	Leasehold land, industrial and commercial buildings	46 years from 20.4.2006 to 20.5.2052	55,883	10,573	—
Panama					
Bryant Ave, Howard Balboa	Hangar and office building	20 years from 18.8.2006	36,278	2,258	3,085

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

This relates to a warehouse constructed by a subsidiary on properties rented from the Authority on leases which are renewable yearly. In view of the relationship between the landlord and the subsidiary, the cost of the warehouse is depreciated over 20 years.

^ This property was reclassified from investment property to property, plant and equipment following the change in a subsidiary's occupation in the property during the year.

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13. SUBSIDIARIES

	Company	
	2009	2008
	\$'000	\$'000
Unquoted shares, at cost:		
Singapore Technologies Aerospace Ltd	90,114	90,114
Singapore Technologies Electronics Limited	26,982	26,982
Singapore Technologies Kinetics Ltd	61,938	61,938
Singapore Technologies Marine Ltd	56,000	56,000
Vision Technologies Systems, Inc.	297,494	297,494
Singapore Technologies Dynamics Pte Ltd	6,000	6,000
ST Synthesis Pte Ltd	2,156	2,156
FusionTech Pte. Ltd.	1,000	1,000
Kaz-ST Engineering Bastau Limited Liability Partnership	578	578
ST Engineering Financial I Ltd.	— *	—
	542,262	542,262
Impairment in subsidiaries	(7,000)	(7,000)
Carrying amount after impairment in subsidiaries	535,262	535,262
Capital contribution in the form of share options, performance shares and restricted shares issued to employees of subsidiaries	53,215	39,191
	588,477	574,453

* Amount less than \$1,000

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13. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

	Effective equity interest held by the Group	
	2009 %	2008 %
(a) Singapore Technologies Aerospace Ltd and its subsidiaries	100	100
ST Aerospace Engineering Pte Ltd and its subsidiaries:	100	100
ST PAE Holdings Pty Ltd	100	100
Pacific Flight Services Pte Ltd	100	100
Pacific Flight Services Pty Ltd	100	100
ST Aerospace Training Academy Pte. Ltd. (formerly known as ST Aviation Training Academy Pte. Ltd.) and its subsidiary:	70	66
Aviation Training Academy Australia Pty Ltd and its subsidiary:	70	66
ST Aviation Training Academy (Australia) Pty Ltd	70	66
ST Aerospace Engines Pte Ltd and its subsidiary:	100	100
ST Aerospace Technologies (Xiamen) Company Limited	80	80
ST Aerospace Systems Pte Ltd	100	100
ST Aerospace Supplies Pte Ltd and its subsidiaries:	100	100
iShopAero Pte Ltd	100	100
ST Aerospace Guangzhou Aero-Technologies & Engineering Co Ltd (formerly known as Guangzhou Aerospace Technologies and Engineering Company Limited)	100	100
ST Aerospace International Structures Pte Ltd	100	100
ST Aviation Resources Pte Ltd and its subsidiary:	100	100
ST Aviation Resources 1 Limited	100	100
ST Aerospace Services Co Pte. Ltd. (formerly known as ST Aviation Services Co Pte Ltd)	80	80
Singapore Technologies Engineering (Europe) Ltd	100	100
Singapore Aerospace Kabushiki Kaisha	100	100
Visiontech Investment Pte Ltd	100	100
Visiontech Engineering Pte Ltd	51	51
ST Airport Ground Services Pte Ltd	100	100
Bournemouth Aviation Services Company Limited **	–	81
Singapore British Engineering (Pte) Ltd	51	51
ST Aerospace Solutions (Europe) A/S and its subsidiary:	100	100
Airline Rotables (UK Holdings) Limited and its subsidiary:	100	100
Airline Rotables Limited	100	100
ST Aerospace Panama, Inc. (formerly known as Panama Aerospace Engineering Inc.)	100	100
Precision Products Singapore Pte Ltd	100	–

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13. SUBSIDIARIES (continued)

	Effective equity interest held by the Group	
	2009	2008
	%	%
(b) Singapore Technologies Electronics Limited and its subsidiaries	100	100
SEEL Electronic & Engineering Sdn Bhd	100	100
ST Electronics (Info-Software Systems) Pte. Ltd. and its subsidiaries:	100	100
INFA Systems Limited	100	100
ST Electronics (Software Services) Limited	100	100
ST Electronics (e-Services) Pte. Ltd.	100	100
PM-B Pte Ltd and its subsidiaries:	70	70
PMB Project Management Business Sdn Bhd	70	70
PT PM-B Indonesia	70	70
PM-B (China) Ltd	70	70
ST Electronics (Training & Simulation Systems) Pte. Ltd. and its subsidiaries:	100	100
ST Electronics (Digital Media) Pte. Ltd.	100	100
Antycip Simulation Limited and its subsidiary:	93	93
Antycip Simulation SAS	93	93
ST Education & Training Private Limited and its subsidiaries:	70	70
STET Homeland Security Services Pte. Ltd. (formerly known as STET Maritime Education Pte. Ltd.)	70	70
STET Maritime Pte. Ltd.	70	70
STET Institute Pte. Ltd. (formerly known as STET Centre Pte. Ltd.)	70	—
Brightspot Interactive Learning Pte. Ltd. and its subsidiary:	51	51
Brightspot Interactive Learning Inc.	51	51
MERITS Technologies LLP	51	51
ST Electronics (Info-Comm Systems) Pte. Ltd. and its subsidiaries:	100	100
ST Electronics (Info-Security) Pte. Ltd. and its subsidiary:	100	100
DataMark Technologies Pte Ltd	100	61.12
STELCOMMS Pte. Ltd.	51	51
Telematics Wireless Ltd. and its subsidiary:	95.04	93.93
Telematics Wireless USA Corp	95.04	93.93
ST Electronics (Satcom & Sensor Systems) Pte. Ltd. and its subsidiaries:	100	100
ST Electronics (Sichuan) Co., Ltd	100	100
iDirect Asia Pte. Ltd.	100	100
ST Electronics (Shanghai) Co., Ltd and its subsidiary:	100	100
ST Electronics-PCI Co., Ltd	51	51
iTS Technologies Pte Ltd	100	100
ST Electronics (Taiwan) Limited	100	100
Intellect Technologies, Incorporated	78.57	78.57
Ripple Systems Pty Ltd ^	—	100
STELOP Pte. Ltd.	50.05	50.05
TranSys Pte Ltd	100	100

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13. SUBSIDIARIES (continued)

	Effective equity interest held by the Group	
	2009 %	2008 %
(c) Singapore Technologies Kinetics Ltd and its subsidiaries	100	100
SDG Kinetics Pte. Ltd. (formerly known as Singapore Ordnance Engineering Pte. Ltd.)	100	100
Mobility Systems Pte Ltd and its subsidiaries:	100	100
Silvatech Global Systems Limited	100	100
Silvatech Systems Corporation Pte Ltd and its subsidiary:	100	100
Kinetics Drive Solutions Inc.	100	100
STA Inspection Pte Ltd	100	100
Singapore Commuter Private Limited	100	100
Securedge Pte. Ltd.	100	100
STA Investment Pte Ltd	100	100
ST Kinetics International Pte. Ltd. and its subsidiary:	100	100
VT Specialized Vehicles, S.A. de C.V.	100	100
STA Detroit Diesel-Allison (Singapore) Pte Ltd	100	100
ST Kinetics Integrated Engineering Pte. Ltd.	100	100
Singapore Test Services Private Limited	100	100
ST Kinetics Pte. Ltd.	100	100
Advanced Material Engineering Pte. Ltd. and its subsidiary:	100	100
Advanced Pyrotechnic Materials Private Limited	51	51
Unicorn International Pte Limited	100	100
Allied Ordnance of Singapore (Pte) Limited	100	100
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	100	100
Autonomous Technology Pte Ltd and its subsidiary:	100	100
Guizhou Jonyang Kinetics Co., Ltd.	60	60
Kinetics Systems (Shanghai) Co., Ltd.	100	100
STAR Automotive Center (Zhejiang) Co., Ltd.	100	100
STAR Automotive Center (Guangzhou) Co., Ltd.	100	100
Jiangsu Huatong Kinetics Co., Ltd.	75.3	—
Jiangsu Huaran Kinetics Co., Ltd.	75.3	—
(d) Singapore Technologies Marine Ltd and its subsidiary	100	100
STSE Engineering Services Pte Ltd and its subsidiary:	100	100
ST Environmental Services & Technologies Co. Ltd	100	100

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13. SUBSIDIARIES (continued)

	Effective equity interest held by the Group	
	2009 %	2008 %
(e) Vision Technologies Systems, Inc. and its subsidiaries	100	100
Singapore Technologies Engineering (USA) Inc. [@]	–	100
SA Supplies (USA) Inc. [@]	–	100
VT Systems, Inc.	100	100
Vision Technologies Aerospace, Incorporated and its subsidiaries:	100	100
ST Aerospace Mobile, Inc. (formerly known as ST Mobile Aerospace Engineering, Inc.)	100	100
DalFort Aerospace GP, Inc.	100	100
DalFort Aerospace, L.P.	100	100
San Antonio Aerospace GP, LLC	100	100
ST Aerospace San Antonio, L.P. (formerly known as San Antonio Aerospace LP)	100	100
Vision Technologies Electronics, Inc. and its subsidiary:	100	100
VT iDirect, Inc. and its subsidiaries:	100	100
iDirect Hong Kong Limited	100	100
iDirect UK Limited and its subsidiary:	100	100
Parallel Limited	100	–
iDirect Italy srl	100	100
iDirect International Corporation and its subsidiary:	100	100
iDirect Singapore Pte. Ltd. ^{ca}	–	100
iDirect Government Technologies, Inc.	100	100
VT iDirect Canada, Inc. (formerly known as Ximaera Technologies Canada Inc.) ^{ca}	100	49
Vision Technologies Kinetics, Inc. and its subsidiaries:	100	100
Miltope Corporation and its subsidiaries:	100	100
Miltope Business Products, Inc.	100	100
IV Phoenix Group, Inc.	95	95
MÁK Technologies, Inc.	90	80
Vision Technologies Land Systems, Inc. and its subsidiaries:	100	100
VT Dimensions, Inc.	100	100
VT LeeBoy, Inc. and its subsidiary:	100	100
Rosco Manufacturing Company [@]	–	100
VT Specialized Vehicles Corporation	100	100
Vision Technologies Marine, Inc. and its subsidiary:	100	100
VT Halter Marine, Inc.	100	100
(f) Singapore Technologies Dynamics Pte Ltd	100	100
(g) ST Synthesis Pte Ltd	100	100
(h) FusionTech Pte. Ltd.	100	100
(i) Kaz-ST Engineering Bastau Limited Liability Partnership	51	51
(j) ST Engineering Financial I Ltd.	100	–

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(Currency - Singapore dollars unless otherwise stated)

13. SUBSIDIARIES (continued)

- ** This entity ceased operations in December 2006 and was dissolved in December 2009.
- ^ This entity had completed its liquidation during the year.
- @ These entities were dissolved during the year.
- α During the year, this entity was struck off from the Registrar of the Accounting and Corporate Regulatory Authority.
- π During the year, following an additional acquisition of equity interest, VT iDirect, Canada, Inc. (formerly known as Ximaera Technologies Canada Inc.) had become a subsidiary of the Group.

Further details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Singapore Technologies Aerospace Ltd	Investment holding and provision of engineering, marketing and engineering support services	Singapore
ST Aerospace Engineering Pte Ltd	Repair, maintenance and servicing of aircraft	Singapore
ST PAE Holdings Pty Ltd	Investment holding	Australia
Pacific Flight Services Pte Ltd	Providing air transport services	Singapore
Pacific Flight Services Pty Ltd	Flight training school operation and aircraft management	Australia
ST Aerospace Training Academy Pte. Ltd. (formerly known as ST Aviation Training Academy Pte. Ltd.)	Flight training school operation and aircraft management	Singapore
Aviation Training Academy Australia Pty Ltd	Flight training school operation and aircraft management	Australia
ST Aviation Training Academy (Australia) Pty Ltd	Flight training school operation and aircraft management	Australia
ST Aerospace Engines Pte Ltd	Repair and overhaul of aircraft engines	Singapore
ST Aerospace Technologies (Xiamen) Company Limited	Repair and overhaul of aircraft engines	People's Republic of China
ST Aerospace Systems Pte Ltd	Service, repair and overhaul of aircraft components	Singapore
ST Aerospace Supplies Pte Ltd	Trading, Maintenance-By-The-Hour services for component and repair management and warehousing services for aircraft equipment, parts and components	Singapore
iShopAero Pte Ltd	Trading, e-commerce and information technology related services for the aerospace industry	Singapore
ST Aerospace Guangzhou Aero-Technologies & Engineering Co Ltd (formerly known as Guangzhou Aerospace Technologies and Engineering Company Limited)	Import/export for aircraft component leasing, repair, exchange and trading, warehousing, packaging, distribution and other related services	People's Republic of China
ST Aerospace International Structures Pte Ltd	Designing, developing and manufacturing aircraft, engines, equipment, accessories, components and such other parts	Singapore

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13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
ST Aviation Resources Pte Ltd	Investment holding	Singapore
ST Aviation Resources 1 Limited #	Investment holding and aircraft leasing business	British Virgin Islands
ST Aerospace Services Co Pte. Ltd. (formerly known as ST Aviation Services Co Pte Ltd)	Repair, maintenance, modification and servicing of commercial aircraft	Singapore
Singapore Technologies Engineering (Europe) Ltd	Providing marketing and investment services to the Group	United Kingdom
Singapore Aerospace Kabushiki Kaisha #	Providing marketing services to the Group	Japan
Visiontech Investment Pte Ltd	Investment holding and dealing	Singapore
Visiontech Engineering Pte Ltd	Provision of engineering services for the repair, maintenance and modification of aircraft, aircraft equipment and components	Singapore
ST Airport Ground Services Pte Ltd *	Dormant	Singapore
Singapore British Engineering (Pte) Ltd	Marketing and sale of a range of defence products and associated equipment and participating in the development of new products and systems	Singapore
ST Aerospace Solutions (Europe) A/S	Supply aircraft components, including purchase, maintenance and logistics services	Denmark
Airline Rotables (UK Holdings) Limited	Investment holding	United Kingdom
Airline Rotables Limited	Providing component management and support services for aircraft	United Kingdom
ST Aerospace Panama, Inc. (formerly known as Panama Aerospace Engineering Inc.)	Repair and maintenance of aircraft	Republic of Panama
Precision Products Singapore Pte Ltd	Manufacture and sale of investment castings, mould toolings and precision formings	Singapore
Singapore Technologies Electronics Limited	Design, development, supply, installation, integration and maintenance of transportation, intelligent building, defence electronic and communication systems	Singapore
SEEL Electronic & Engineering Sdn Bhd	Sales of electronic instruments and equipment, electronic engineering and systems integration services and maintenance and calibration of electronic equipment	Malaysia
ST Electronics (Info-Software Systems) Pte. Ltd.	Design, development and supply of real-time/mission critical systems and provision of related maintenance services	Singapore

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13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
INFA Systems Limited	Provision for services in consulting, designing and developing systems integration, the maintenance and support of operational and computer systems and sales and distribution of system equipment	Hong Kong
ST Electronics (Software Services) Limited	Providing IT outsourcing services, software applications development and turnkey solutions	People's Republic of China
ST Electronics (e-Services) Pte. Ltd.	Providing shared services to government ministries, agencies and enterprises	Singapore
PM-B Pte Ltd	Relate to mechanical, electrical and engineering works to design, build and provide facility management services for mission critical environments such as data centres, disaster recovery and business continuity sites	Singapore
PMB Project Management Business Sdn Bhd	Relate to mechanical, electrical and engineering works to design, build and provide facility management services for mission critical environments such as data centres, disaster recovery and business continuity sites	Malaysia
PT PM-B Indonesia	Relate to mechanical, electrical and engineering works to design, build and provide facility management services for mission critical environments such as data centres, disaster recovery and business continuity sites	Indonesia
PM-B (China) Ltd ²⁴	Dormant	People's Republic of China
ST Electronics (Training & Simulation Systems) Pte. Ltd.	Design, development, supply, integration and maintenance of training and simulation systems, distribution of games, edutainment and animation programs and the sales and licensing of related products, merchandise and rights	Singapore
ST Electronics (Digital Media) Pte. Ltd.	Design, development and manufacture of computers and data processing systems, provision of services for the processing and maintenance of data and information, and production of animation pictures	Singapore
Antycip Simulation Limited	Investment holding	United Kingdom
Antycip Simulation SAS	A value added reseller/distributor of simulation products and provision of simulation sub-system/components solutions	France
ST Education & Training Private Limited	Provision of education and training, management and consultancy services for operational and technical domains of maritime, aerospace and land services and industries	Singapore

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13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
STET Homeland Security Pte. Ltd. (formerly known as STET Maritime Education Pte. Ltd.)	Provision of security consultancy, solutions implementation and training	Singapore
STET Maritime Pte. Ltd.	Provision of marine audit, survey and consultancy services	Singapore
STET Institute Pte. Ltd. (formerly known as STET Centre Pte. Ltd.)	Operate a school to provide academic and professional education/training	Singapore
Brightspot Interactive Learning Pte. Ltd.	Investment holding	Singapore
Brightspot Interactive Learning Inc.	Provision of training services such as soft skills and management skills to corporations, and other courses to individuals	People's Republic of China
MERITS Technologies LLP #	Marketing and sale of education and simulation products and services. Installation and maintenance of solutions related to these products and services.	Kazakhstan
ST Electronics (Info-Comm Systems) Pte. Ltd.	Design and development, systems integration, manufacturing and sale of communication equipment, GPS-based fleet management system, traffic management system, info appliances and defence electronics	Singapore
ST Electronics (Info-Security) Pte. Ltd.	Design, development, sale and provision of technical support for information security products, solutions and services	Singapore
DataMark Technologies Pte Ltd	Development and provision of digital water-marking and related solutions	Singapore
STELCOMMS Pte. Ltd.	To undertake design and integration of projects in the area of communications network and systems and to market and trade in communications related products and subsystems	Singapore
Telematics Wireless Ltd.	Development, manufacture, and marketing of products for locating and directing vehicles, other mobile and stationary objects, people, equipment and merchandise, systems for managing vehicular fleets, systems for locating and thwarting car thefts, vehicular wireless equipment and communications for purposes of identification and provision of information, electronic toll-road systems, and electronic systems for reading water meters	Israel
Telematics Wireless USA Corp #	Serves as sales arm for Telematics Wireless Ltd. in the USA and a local point of contact for Telematics' customers for payments and Return Material Authorization support	USA
ST Electronics (Satcom & Sensor Systems) Pte. Ltd.	Manufacture of microwave components and sub-systems, system integration and provision of related repairs and maintenance for the telecommunications and defence electronics industries	Singapore

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13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
ST Electronics (Sichuan) Co., Ltd	Manufacturing and maintenance of communication and other related apparatus and consultant service of telecommunication technology	People's Republic of China
iDirect Asia Pte. Ltd.	Marketing and sales, design, manufacture & engineering services for electronics and communication systems	Singapore
ST Electronics (Shanghai) Co., Ltd	Development and manufacturing of computer control and management systems, microwave control systems, simulation and training systems, security systems, MRT passenger information systems, MRT autofare collection system, MRT platform screen door system and related software. Provision of related technical consultation and aftersales services and sale of in-house products.	People's Republic of China
ST Electronics-PCI Co., Ltd	Computer software and hardware R&D and manufacture, computer supervise and control management system, microwave system, simulation and training system, security management system and peripheral devices, selling in-house products, and offering relevant system integration and skill consultation and after-sales service. Electronic technologies, industry automatic equipment R&D, electronic consulting service, system integration and network engineering installation.	People's Republic of China
ITS Technologies Pte Ltd	Investment holding	Singapore
ST Electronics (Taiwan) Limited	Provide integration for large-scale system projects in rail, expressway and intelligent building management solutions	Taiwan
Intelect Technologies, Incorporated #	Development and supply of a family of multi-access optical networking equipment	USA
STELOP Pte. Ltd.	Design and development, manufacturing, maintaining and sale of electro-optical products and systems and the provision of related services	Singapore
TranSys Pte Ltd	Design, development, distribution, maintenance and marketing of railway related products	Singapore
Singapore Technologies Kinetics Ltd	Provision of design and engineering services, manufacture, sales and knowhow transfer of military and commercial vehicles, automotive subsystems, armament, weapons, weapon systems, ammunition and explosives and the provision of engineering services for assembly, upgrading/ modifications, maintenance, repair and overhaul of vehicles and weapon systems, and trading in motor vehicles, equipment, vehicle spares and related accessories	Singapore
SDG Kinetics Pte. Ltd. (formerly known as Singapore Ordnance Engineering Pte. Ltd.)	Investment holding	Singapore

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13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Mobility Systems Pte Ltd	Investment holding	Singapore
Silvatech Global Systems Limited # **	Owns the intellectual property rights to electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions technologies, and equipment powered by such drives	British Virgin Islands
Silvatech Systems Corporation Pte Ltd	Designing, manufacturing, marketing and managing licences of technologies and products using electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions, and equipment powered by such drives, globally	Singapore
Kinetics Drive Solutions Inc. # **	Research and development, manufacturing and sales of electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions technologies, and equipment powered by such drives	Canada
STA Inspection Pte Ltd	Inspection of heavy goods vehicles, light vehicles, motor cars, buses and motorcycles, provision of vehicle inspection project management as well as provision of independent damage assessment services	Singapore
Singapore Commuter Private Limited	Investment holding	Singapore
Securedge Pte. Ltd.	Provision of design and engineering services, manufacture and sales of security related products, and the provision of equipment maintenance services	Singapore
STA Investment Pte Ltd	Investment dealing	Singapore
ST Kinetics International Pte. Ltd.	Investment holding	Singapore
VT Specialized Vehicles, S.A. de C.V. # **	Manufacture and marketing of specialised aluminium drop-frame truck bodies and trailers	Mexico
STA Detroit Diesel-Allison (Singapore) Pte Ltd	Assembling and marketing of diesel engines and related products and the provision of technical services, field services, repair and maintenance services	Singapore
ST Kinetics Integrated Engineering Pte. Ltd.	Provision of customised solutions, products for defence and commercial markets	Singapore
Singapore Test Services Private Limited	Provision of professional engineering consultancy, tests, inspection, certification and related services	Singapore
ST Kinetics Pte. Ltd.	Trading and marketing	Singapore

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13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Advanced Material Engineering Pte. Ltd.	Provision of design and engineering services, manufacture, sales, disposal and knowhow transfer of precision munitions, ammunition, armament, weapon systems, military equipment, explosives, hand-grenades, thunder-flashes, pyrotechnic products and gunpowder and the provision of engineering services for assembly, upgrading/ modifications, maintenance, repair and overhaul of ammunition and weapon systems, and related services	Singapore
Advanced Pyrotechnic Materials Private Limited	Manufacture and sale of pyrotechnic products	Singapore
Unicorn International Pte Limited	Trading and marketing	Singapore
Allied Ordnance of Singapore (Pte) Limited	Provision of design and engineering services, manufacture, sales and knowhow transfer of armament, weapons, weapon systems, ammunition, explosives, weapon magazines, military equipment, machines, tools, spares and components and the provision of engineering services for assembly, upgrading/ modification, maintenance, repair and overhaul of guns and weapons systems, and related services	Singapore
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	Provision of design and engineering services, manufacture, sales and knowhow transfer of armament, weapons, weapon systems, ammunition, explosives, weapon magazines, military equipment, machines, tools, spares and components and the provision of engineering services for assembly, upgrading/ modification, maintenance, repair and overhaul of guns and weapons systems, and related services	Singapore
Autonomous Technology Pte Ltd	Investment holding	Singapore
Guizhou Jonyang Kinetics Co., Ltd. ^{**}	Design, manufacture, sale and service support of construction, engineering and industrial-related machinery and accessories, provide engineering consultancy services to engineering and manufacturing companies, provide rental of own-manufactured machinery and accessories	People's Republic of China
Kinetics Systems (Shanghai) Co., Ltd. ^{**}	Manufacture and sale of vehicle drive systems, industrial drive motors and small external combustion engines	People's Republic of China
STAR Automotive Center (Zhejiang) Co., Ltd. ^{**}	Provide automotive services, including automotive repair, maintenance, examination and beautifying and decorating, import, export and trading of automotive spare parts, training, technical consultancy and after sales support	People's Republic of China
STAR Automotive Center (Guangzhou) Co., Ltd. ^{**}	Provide automotive services, including automotive repair, maintenance, examination and beautifying and decorating, import, export and trading of automotive spare parts, technical consultancy and after sales support	People's Republic of China

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13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Jiangsu Huatong Kinetics Co., Ltd. **	Manufacture and sale of paving, mixing, road maintenance and compaction equipment and other road construction machineries	People's Republic of China
Jiangsu Huaran Kinetics Co., Ltd. **	Manufacture and sale of engineering machinery and equipment	People's Republic of China
Singapore Technologies Marine Ltd	Construction and repair of naval and commercial vessels, design, integration, fabrication, installation of military and commercial engineering equipment and the provision of engineering consultancy and technical management services	Singapore
STSE Engineering Services Pte Ltd	Design, manufacture, maintain and operate environmental infrastructures and provide planning, consultancy services in environmental and renewable energy management solutions	Singapore
ST Environmental Services & Technologies Co. Ltd	Design, development, manufacturing, sales, after-sales services and consulting services of equipments for environmental protection projects; wholesale, import and export and related business of similar products; consulting services for environmental projects information, consulting services for commercial information	People's Republic of China
Vision Technologies Systems, Inc. #	Investment holding	USA
VT Systems, Inc. #	Investment holding and providing investment services to the Group	USA
Vision Technologies Aerospace, Incorporated #	Investment holding and providing investment services	USA
ST Aerospace Mobile, Inc. (formerly known as ST Mobile Aerospace Engineering, Inc.) #**	Repair and maintenance of aircraft	USA
DalFort Aerospace GP, Inc. #	Dormant	USA
DalFort Aerospace, L.P. ++ #	Dormant	USA
San Antonio Aerospace GP, LLC #	Investment holding	USA
ST Aerospace San Antonio, L.P. (formerly known as San Antonio Aerospace LP) #**	Repair and maintenance of aircraft	USA
Vision Technologies Electronics, Inc. #	Investment holding	USA
VT iDirect, Inc. #**	Design, develop and market two-way internet protocol- (IP) based broadband satellite networking solutions that deliver voice, data and video services to enterprise and government customer locations worldwide	USA

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13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
iDirect Hong Kong Limited	Markets two-way internet protocol – (IP) based broadband satellite networking solutions	Hong Kong
iDirect UK Limited	Markets two-way internet protocol – (IP) based broadband satellite networking solutions	United Kingdom
Parallel Limited # **	Software development and associated services; installation, configuration, consultancy and support	United Kingdom
iDirect Italy srl #	Markets two-way internet protocol – (IP) based broadband satellite networking solutions	Italy
iDirect International Corporation # **	Markets two-way internet protocol – (IP) based broadband satellite networking solutions	USA
iDirect Government Technologies, Inc. # **	Design, develop and market two-way internet protocol – (IP) based broadband satellite networking solutions that deliver voice, data and video services to government customers	USA
VT iDirect Canada, Inc. (formerly known as Ximaera Technologies Canada Inc.) # **	Research and development	Canada
Vision Technologies Kinetics, Inc. #	Investment holding	USA
Miltope Corporation # **	Development of computers and peripheral equipment for rugged and other specialized applications for military and commercial customers, both domestic and international	USA
Miltope Business Products, Inc. #	Dormant	USA
IV Phoenix Group, Inc. #	Dormant	USA
MÄK Technologies, Inc. # **	Develop and supply software products and services for Networked Synthetic Environments	USA
Vision Technologies Land Systems, Inc. #	Investment holding	USA
VT Dimensions, Inc. #	Investment holding and licensing of intellectual properties	USA
VT LeeBoy, Inc. # **	Manufacture of asphalt paving and road maintenance equipment including LeeBoy branded asphalt pavers, motor graders, compactors, force feed loaders, asphalt maintainers/patchers, tack distributors, and Rosco branded asphalt distributors, street flushers, brooms and asphalt spray patchers	USA
VT Specialized Vehicles Corporation # **	Manufacture and marketing of specialised aluminium drop-frame truck bodies, trailers, refrigerated truck bodies and trailers and specialty vehicle cabs	USA

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13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Vision Technologies Marine, Inc. #	Investment holding and providing investment services to the Marine sector	USA
VT Halter Marine, Inc. #**	Construction and repair of naval and commercial vessels, design, integration, fabrication, installation of engineering equipment and provision of engineering services	USA
Singapore Technologies Dynamics Pte Ltd	Technology development, advanced concept design and development and technology acquisition	Singapore
ST Synthesis Pte Ltd	Provision of one-stop total integrated logistic support services	Singapore
FusionTech Pte. Ltd.	Investment holding	Singapore
Kaz-ST Engineering Bastau Limited Liability Partnership #	Provision of IT, engineering defence and related services	Kazakhstan
ST Engineering Financial I Ltd.	Provision of financial and treasury services to related parties	Singapore

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

* This entity was struck off from the Registrar of the Accounting and Corporate Regulatory Authority in February 2010.

** This entity has commenced members' voluntary liquidation in December 2009.

** Audited by member firms of Ernst & Young International for consolidation purposes.

++ This entity ceased operations in October 2003.

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

Name of subsidiary	Name of accounting firm
Airline Rotables (UK Holdings) Limited	Ernst & Young, Cambridge
Airline Rotables Limited	Ernst & Young, Cambridge
Aviation Training Academy Australia Pty Ltd	KPMG, Melbourne
ST Aerospace Guangzhou Aero-Technologies & Engineering Co Ltd (formerly known as Guangzhou Aerospace Technologies and Engineering Company Limited)	Ernst & Young, Guangzhou
Pacific Flight Services Pty Ltd	Ernst & Young, Sydney
Precision Products Singapore Pte Ltd	KPMG LLP, Singapore
ST PAE Holdings Pty Ltd	Ernst & Young, Perth
ST Aviation Training Academy (Australia) Pty Ltd	KPMG, Melbourne
ST Aerospace Panama, Inc. (formerly known as Panama Aerospace Engineering, Inc.)	Ernst & Young, Panama
ST Aerospace Solutions (Europe) A/S	Ernst & Young, Copenhagen
ST Aerospace Technologies (Xiamen) Company Limited	Ernst & Young, Xiamen
Singapore Technologies Engineering (Europe) Ltd	Ernst & Young, Cambridge
Antycip Simulation Limited	Ernst & Young, Reading
Antycip Simulation SAS	Ernst & Young, Paris
Brightspot Interactive Learning Inc.	Ernst & Young, Beijing

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13. SUBSIDIARIES (continued)

Name of subsidiary	Name of accounting firm
iDirect Hong Kong Limited	Baker Tilly HK Ltd
iDirect UK Limited	PKB Chartered Accountants
INFA Systems Limited	Ernst & Young, Hong Kong
PMB Project Management Business Sdn Bhd	Ernst & Young, Kuala Lumpur
PT PM-B Indonesia	Ernst & Young, Jakarta
SEEL Electronic & Engineering Sdn Bhd	Ernst & Young, Kuala Lumpur
ST Electronics-PCI Co., Ltd	Ernst & Young, Guangzhou
ST Electronics (Sichuan) Co., Ltd	Ernst & Young, Chengdu
ST Electronics (Shanghai) Co., Ltd	Ernst & Young, Shanghai
ST Electronics (Software Services) Limited	Ernst & Young, Shenzhen
ST Electronics (Taiwan) Limited	Ernst & Young, Taipei
Telematics Wireless Ltd.	Ernst & Young, Tel Aviv
ST Environmental Services & Technologies Co. Ltd	Ernst & Young, Shanghai
Guizhou Jonyang Kinetics Co., Ltd.	Ernst & Young, Guangzhou
STAR Automotive Center (Zhejiang) Co., Ltd	Zhejiang Zhejiang Tiance Certified Public Accountants Co., Ltd
STAR Automotive Center (Guangzhou) Co., Ltd	Guangzhou Yuansheng Certified Public Accountants
Kinetics Systems (Shanghai) Co., Ltd.	Shanghai Jinrui Certified Public Accountants
Jiangsu Huatong Kinetics Co., Ltd	Jiangsu Suya Jincheng Certified Public Accountants
Jiangsu Huaran Kinetics Co., Ltd	Jiangsu Suya Jincheng Certified Public Accountants

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

Name of company	Country of incorporation/ place of business	Equity interest held %	Date of incorporation
STET Institute Pte. Ltd. (formerly known as STET Centre Pte. Ltd.)	Singapore	70	3 February 2009
ST Engineering Financial I Ltd.	Singapore	100	28 May 2009

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

Name of company	Interest acquired %	Consideration \$'000	Net tangible assets acquired \$'000	Date of acquisition
Precision Products Singapore Pte Ltd	100	8,281	4,683	18 May 2009
Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd	75.3	36,313	29,512	30 April 2009
Parallel Limited	100	9,027	4,582	31 December 2009

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13. SUBSIDIARIES (continued)

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

Name of company	Interest acquired %	Interest after acquisition %	Consideration \$'000	Net tangible assets acquired \$'000
ST Aerospace Training Academy Pte. Ltd. (formerly known as ST Aviation Training Academy Pte. Ltd.) and its subsidiaries	4	70	320	120
DataMark Technologies Pte Ltd	38.88	100	148	123
MÄK Technologies, Inc.	10	90	302	580
Telematics Wireless Ltd.	1.11	95.04	1,276	262
VT iDirect Canada, Inc. (formerly known as Xamera Technologies Canada Inc.)	51	100	1,285	1,285

(d) During the year, the Group made additional capital contributions of \$18,462,000 in ST Aerospace Technologies (Xiamen) Company Limited. The effective equity interest held by the Group remains the same at 80%.

14. ASSOCIATED COMPANIES AND JOINT VENTURES

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Unquoted shares, at cost	195,703	175,831	17,707	50
Goodwill on acquisition written off, net	(110)	(234)		
Share of net assets acquired	195,593	175,597		
Impairment in associated companies and joint ventures	(1,218)	(1,218)		
Share of post-acquisition:				
Profits	95,394	101,315		
Reserves	(16,390)	(12,616)		
	273,379	263,078		

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(Currency - Singapore dollars unless otherwise stated)

14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Impairment in associated companies and joint ventures

Movements in impairment in associated companies and joint ventures during the year are as follows:

	Group	
	2009	2008
	\$'000	\$'000
At beginning of the year	1,218	5,441
Provision utilised	-	(4,113)
Disposal of an associated company	-	(110)
At end of the year	<u>1,218</u>	<u>1,218</u>

	Group	
	2009	2008
	\$'000	\$'000
At beginning of the year	1,218	5,441
Provision utilised	-	(4,113)
Disposal of an associated company	-	(110)
At end of the year	<u>1,218</u>	<u>1,218</u>

The summarised financial information of the associated companies is as follows:

Results

Turnover	<u>792,662</u>	752,115
Net profit for the year	<u>81,615</u>	83,687

Assets and liabilities

Non-current assets	385,802	311,918
Current assets	601,769	550,381
Current liabilities	(261,600)	(257,363)
Non-current liabilities	(41,310)	(26,409)
	<u>684,661</u>	<u>578,527</u>

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

Income and expenses

Income	<u>33,327</u>	25,644
Expenses	<u>(32,080)</u>	(26,025)

Assets and liabilities

Non-current assets	51,693	3,202
Current assets	36,420	43,919
Current liabilities	(29,908)	(37,640)
Non-current liabilities	(47,544)	(843)
	<u>10,661</u>	<u>8,638</u>

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14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

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

Name of associated company	Principal activities	Country of incorporation/place of business	Effective equity interest held by the Group	
			2009 %	2008 %
Aerospace Engineering Services Pty Ltd	Maintenance and servicing of aircraft	Australia	50	50
Aerospace Engineering Services Pty Ltd Unit Trust	Trustee of unit trust fund	Australia	50	50
1988 JV Pte. Ltd. **	Dormant	Singapore	50	50
Composite Technology International Pte Ltd	Repairing and rebuilding helicopter rotor blades	Singapore	33.33	33.33
Eurocopter South East Asia Private Limited	Selling, maintaining and overhauling of helicopters	Singapore	25	25
Madrid Aerospace Services S.L.	Repair and overhaul of aircraft landing gears and its related components	Spain	50	50
Shanghai Technologies Aerospace Company Limited	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	49	49
Singapore Precision Repair and Overhaul Pte Ltd	Repair and overhaul of aircraft and helicopter landing gears and its related components	Singapore	50	50
Turbine Coating Services Pte Ltd	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes	Singapore	24.5	24.5
Turbine Overhaul Services Pte Ltd	Repair and service of gas and steam turbine components	Singapore	49	49
COMAT Training Services Pte Ltd	Operating of a computer training school, providing training in computer software and applications	Singapore	45.47	45.47
iWOW Technology Pte Ltd	To carry out research and development, consultancy services in telecommunication, electrical and related fields	Singapore	21.74	21.74
Knowledge Alive Pte. Ltd.	Offer technologically-driven learning and knowledge solutions, products and services to corporate, tertiary and workforce markets	Singapore	45.47	45.47

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14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Name of associated company	Principal activities	Country of incorporation/place of business	Effective equity interest held by the Group	
			2009 %	2008 %
PM-B Project Management Business (Thailand) Ltd	Relate to mechanical, electrical and engineering works to design, build and provide facility management services for mission critical environments such as data centres, disaster recovery and business continuity sites	Thailand	34.3	34.3
Prescient Systems & Technologies Pte. Ltd.	Business of developing, producing and marketing non-real time and real time instrumentation systems for defence and commercial applications; design and development of training centres and provision of managed services	Singapore	47.84	47.84
Trusted Hub Ltd	Provision of an integrated trusted environment for secured transactions and e-commerce	Singapore	21.14	21.8
WizVision Pte. Ltd.	Providing information technology services and trading of computer accessories	Singapore	22.8	22.8
CityCab Pte Ltd	Rental of taxis and provision of premier bus service, charge card facilities and travel related services	Singapore	46.5	46.5
Defence Electronics of Singapore Pte Ltd	Manufacture of fuses	Singapore	49	49
GFM Maquinaria, S.A.P.I. de C.V. ^a	Sale of construction and mining machinery and equipment	Mexico	40	—
Hualun International Trading Co., Ltd	Import and export of commercial products, patents, licences and government-approved technologies	People's Republic of China	40	—
Nusantara Technologies Sdn. Bhd.	Provision of non-destructive testing services, ultrasonic flaw detection and gauging survey and pressure gauge calibration	Malaysia	49	49
Timoney Holdings Limited	Design and prototyping services and component supply for the automotive and aerospace engineering sectors	Republic of Ireland	25	25

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14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Name of associated company	Principal activities	Country of incorporation/place of business	Effective equity interest held by the Group	
			2009 %	2008 %
2006 JV Pte. Ltd. ^β	Dormant	Singapore	50	50
NanoScience Innovation Pte Ltd	Research and development of ultra fine structure, especially nano-scale, materials, devices, equipment and intellectual properties	Singapore	27.06	27.06
Singapore Airshow & Events Pte. Ltd.	Organising and management of conferences, exhibitions and other related activities, includes the biennial Singapore Airshow event	Singapore	33	—

(b) Details of joint ventures are as follows:

Name of joint venture	Principal activities	Country of incorporation/place of business	Effective equity interest held by the Group	
			2009 %	2008 %
GFM Electronics S.A. de C.V.	Distribution and sales of high technology systems, services and products, in the communications area, as well as electronics systems, principally closed circuits and alarms for airports, malls, stadiums and highways	Mexico	50	50
ATREC Pte. Ltd.	Research and technology development in advanced materials for both defence and commercial applications	Singapore	50	50
Beijing Zhonghuan Kinetics Heavy Vehicles Co. Ltd. ^{*#}	Develop, manufacture and sale of specialised heavy vehicles and sale of related spare parts and provision of relevant technical consultancy and after sale technical support services	People's Republic of China	50	50
SMART Systems Pte Ltd	Life systems integration of weapon system	Singapore	50	50
Takata CPI Singapore Pte Ltd	Manufacture of pyrotechnic components for seatbelts and air bags used in motor vehicles	Singapore	49	49

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14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Name of joint venture	Principal activities	Country of incorporation/place of business	Effective equity interest held by the Group	
			2009 %	2008 %
First Response Marine Pte. Ltd.	Ship and boat leasing with operator (including chartering)	Singapore	50	50
Halter-Bollinger Joint Venture LLC [§]	To bid and secure US boat fabrication contracts for its shareholders	USA	50	50
Joint Shipyard Management Services Pte Ltd	Construction and managing workers' dormitories	Singapore	30	30

⁺⁺ This entity is under members' voluntary liquidation.

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

[±] This entity was newly incorporated during the year and was not required to be audited as at the date of this report.

^β This entity was dissolved in January 2010.

^{*} Audited by member firms of Ernst & Young International for consolidation purposes.

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

Name of associated company/joint venture	Name of accounting firm
Aerospace Engineering Services Pty Ltd	Ernst & Young, Australia
Aerospace Engineering Services Pty Ltd Unit Trust	Ernst & Young, Australia
Composite Technology International Pte Ltd	Deloitte and Touche LLP, Singapore
Eurocopter South East Asia Private Limited	KPMG LLP, Singapore
Madrid Aerospace Services S.L.	Deloitte S.L.
Shanghai Technologies Aerospace Company Limited	Ernst & Young, Shanghai
Turbine Coating Services Pte Ltd	PricewaterhouseCoopers LLP, Singapore
Turbine Overhaul Services Pte Ltd	PricewaterhouseCoopers LLP, Singapore
COMAT Training Services Pte Ltd	BDO Raffles
GFM Electronics S.A. de C.V.	PricewaterhouseCoopers, Mexico
iWOW Technology Pte Ltd	LW Ong & Co
Knowledge Alive Pte. Ltd.	BDO Raffles
PM-B Project Management Business (Thailand) Ltd	Mazars Limited
Trusted Hub Ltd	KPMG LLP, Singapore
WizVision Pte. Ltd.	BF Teo Associates
Beijing Zhonghuan Kinetics Heavy Vehicles Co. Ltd.	Guofu Haohua Certified Public Accountants Co., Ltd

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14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

Name of associated company/joint venture	Name of accounting firm
CityCab Pte Ltd	Deloitte and Touche LLP, Singapore
Hualun International Trading Co., Ltd	Jiangsu Suya Jincheng Certified Public Accountants
Nusantara Technologies Sdn. Bhd.	Deloitte Kassimchan, Malaysia
Timoney Holdings Limited	KPMG, Ireland
Joint Shipyard Management Services Pte Ltd	KPMG LLP, Singapore
NanoScience Innovation Pte Ltd	NSC & Associates
Singapore Airshow & Events Pte. Ltd.	KPMG LLP, Singapore

15. INVESTMENTS

	Group	
	2009	2008
	\$'000	\$'000
Quoted investments		
Equity shares, at fair value (Available-for-sale)		
Non-related corporations	46,001	37,955
Impairment in value of quoted investments	(28,900)	(28,587)
	17,101	9,368
Unquoted investments		
Equity shares (Available-for-sale)		
Related corporations, at cost	629	630
Non-related corporations, at cost	23,339	23,379
Non-related corporations, at fair value	-	181
	23,968	24,190
Bonds, at amortised cost (Held-to-maturity)		
from 2.02% to 3.10% per annum due from 30.9.2010 to 1.11.2010	-	38,352
Venture capital funds and limited partnership, at fair value	1,745	2,167
Convertible loan, at amortised cost *	486	462
Convertible loan to non-related corporations #	700	700
Loan to a related corporation	4,387	4,392
	7,318	7,721
Total unquoted investments	31,286	70,263
Impairment in value of unquoted investments	(26,923)	(26,215)
	4,363	44,048
Total investments	21,464	53,416

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15. INVESTMENTS (continued)

* A subsidiary extended an interest-free convertible loan to an investee company at a nominal value of US\$300,000. The subsidiary is entitled to convert it within 5 years from the date of disbursement of the loan to share equity of the investee company.

Included in the convertible loan is an amount of \$700,000 (2008: \$700,000) extended by a subsidiary to an investee company at an interest rate of 1% (2008: 1%) above bank prime rate per annum. The subsidiary was granted an option by the investee company to be able to convert the loan into convertible redeemable preference shares in the investee company.

For those unquoted investments where it is not practicable to determine the fair value, the Group has no intention to dispose such investments at the balance sheet date.

Impairment in value of quoted investments

During the financial year, the Group recognised an impairment loss of \$313,000 (2008: \$25,580,000) pertaining to quoted investments reflecting the write-down in the carrying value of the investments with a significant and prolonged decline in the market price.

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

	Note	2009 \$'000	Group 2008 \$'000
At beginning of the year		28,587	3,007
Charge to income statement	4	313	25,580
At end of the year		28,900	28,587

Impairment in value of unquoted investments

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

	Note	2009 \$'000	Group 2008 \$'000
At beginning of the year		26,215	25,861
Charge to income statement	4	747	363
Translation difference		(39)	(9)
At end of the year		26,923	26,215

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16. INTANGIBLE ASSETS

(a) Goodwill

	Group	
	2009	2008
	\$'000	\$'000
Cost		
At beginning of the year	503,692	504,808
Acquisition of subsidiaries	14,844	3,128
Acquisition of additional interest in subsidiaries	1,239	2,336
Finalisation of purchase price allocation [@]	60	–
Goodwill written off	(1,599)	(2,415)
Translation difference	(11,510)	(4,165)
	<hr/>	<hr/>
At end of the year	506,726	503,692
Impairment		
At beginning of the year	15,544	18,637
Impairment written off	–	(2,415)
Translation difference	(54)	(678)
	<hr/>	<hr/>
At end of the year	15,490	15,544
	<hr/>	<hr/>
Net book value	491,236	488,148

[@] During the year, the purchase price allocation to goodwill and other net assets relating to the acquisition of ST Aviation Training Academy (Australia) Pty Ltd has been finalised and the effect of \$60,000 has been adjusted in the current year.

During the year, the Group wrote-off goodwill amounting to \$1,599,000 for a subsidiary due to closure of a plant.

In the prior year, the Group wrote-off goodwill amounting to \$2,415,000 for a subsidiary, which had ceased business activities in October 2008 and had commenced members' voluntary liquidation.

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16. INTANGIBLE ASSETS (continued)

(b) Other intangible assets

	Note	Dealer network \$'000	Deferred expenditure \$'000	Commercial and intellectual property rights \$'000	Film cost inventory \$'000	Brands \$'000	Others \$'000	Total \$'000
The Group								
Cost								
At 1.1.2008		9,395	2,941	67,659	9,202	83,110	1,345	173,652
Additions		–	3,332	–	1,048	–	176	4,556
Acquisition of subsidiaries		–	–	1,315	–	2,702	–	4,017
Write-off		–	–	(608)	–	–	(25)	(633)
Translation difference		(51)	68	(626)	–	(968)	(38)	(1,615)
At 31.12.2008 and at 1.1.2009		9,344	6,341	67,740	10,250	84,844	1,458	179,977
Additions		–	4,629	–	1,333	–	2,126	8,088
Acquisition of subsidiaries		–	2,032	1,669	–	143	1,400	5,244
Translation difference		(212)	(27)	(1,359)	–	(1,748)	37	(3,309)
At 31.12.2009		9,132	12,975	68,050	11,583	83,239	5,021	190,000
Accumulated amortisation								
At 1.1.2008		2,129	1,318	11,714	–	1,187	1,039	17,387
Amortisation for the year	5	1,311	273	6,805	524	1,265	25	10,203
Impairment loss	5	–	–	–	–	–	2	2
Write-off		–	–	(608)	–	–	(25)	(633)
Translation difference		14	7	54	–	1	–	76
At 31.12.2008 and 1.1.2009		3,454	1,598	17,965	524	2,453	1,041	27,035
Amortisation for the year	5	1,352	350	7,101	220	1,323	1,427	11,773
Impairment loss	5	–	397	–	–	–	–	397
Translation difference		(123)	(19)	(522)	–	(89)	–	(753)
At 31.12.2009		4,683	2,326	24,544	744	3,687	2,468	38,452
Net book value								
At 31.12.2009		4,449	10,649	43,506	10,839	79,552	2,553	151,548
At 31.12.2008		5,890	4,743	49,775	9,726	82,391	417	152,942

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16. INTANGIBLE ASSETS (continued)

(c) Total intangible assets

	Group	
	2009	2008
	\$'000	\$'000
Net book value	642,784	641,090

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the Group's cash-generating units ("CGU") identified according to each individual business unit, for impairment testing. Goodwill in relation to Precision Products Singapore Pte Ltd and Parallel Limited has been determined provisionally and has not been allocated for impairment testing.

Carrying amount of goodwill allocated to each of the CGU:

ST Aerospace Solutions (Europe) A/S	2,194	2,204
ST Aerospace Training Academy Pte Ltd and its subsidiaries	200	–
ST Aviation Training Academy (Australia) Pty Ltd	207	147
Pacific Flight Services Pty Ltd	701	701
Precision Products Singapore Pte Ltd *	3,598	–
Antycip Simulation Limited and its subsidiary	3,158	2,902
Brightspot Interactive Learning Pte. Ltd. and its subsidiary	2,245	2,222
DataMark Technologies Pte Ltd	149	124
VT iDirect, Inc.	167,882	171,766
MÄK Technologies, Inc.	24,271	25,189
Parallel Limited *	4,445	–
PM-B Pte Ltd and its subsidiaries	11,665	11,696
STELCOMMS Pte. Ltd.	5	5
STELOP Pte. Ltd.	1,732	1,732
Telematics Wireless Ltd. and its subsidiary	84,383	85,353
Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd	6,002	–
STAR Automotive Center (Zhejiang) Co., Ltd.	982	1,004
STAR Automotive Center (Guangzhou) Co., Ltd.	498	510
VT LeeBoy, Inc.	102,945	105,327
VT Specialized Vehicles Corporation	37,714	40,167
Miltope Corporation	36,260	37,099
	491,236	488,148

* The purchase price allocation to goodwill, intangible assets (excluding goodwill) and other assets and liabilities is currently being assessed and is expected to be finalised within 12 months from the date of acquisition (as disclosed in Note 13).

The recoverable amounts of the CGUs are determined based on value-in-use calculations, except for Precision Products Singapore Pte Ltd and Parallel Limited as described above.

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16. INTANGIBLE ASSETS (continued)

The value-in-use calculations use cash flow projections based on financial budgets approved by Management. Management have considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performance and its expectation of market development. Average growth rates used are consistent with forecasts included in industry reports. The discount rate applied is assumed at 6.1% (2008: 6.2%) for value-in-use calculations, which is also the Group's weighted average cost of capital.

17. INVESTMENT PROPERTIES

	Note	Group 2009 \$'000	Group 2008 \$'000
At cost			
At beginning of the year		33,722	33,490
Disposal		(2,178)	–
Translation difference		(83)	232
Transfer to property, plant and equipment	12	(28,217)	–
At end of the year		<u>3,244</u>	<u>33,722</u>
Accumulated depreciation			
At beginning of the year		16,351	15,111
Depreciation charge for the year	5	368	1,153
Translation difference		(42)	87
Disposal		(825)	–
Transfer to property, plant and equipment	12	(14,617)	–
At end of the year		<u>1,235</u>	<u>16,351</u>
Net book value		<u>2,009</u>	<u>17,371</u>

The property rental income of the Group for the year ended 31 December 2009 from its investment properties, which are leased out under operating leases, amounted to \$330,000 (2008: \$1,529,000). Direct operating expenses (including repairs and maintenance) arising from the rental-earning investment properties amounted to \$60,000 (2008: \$174,000).

The fair value of the investment properties as at 31 December 2009 of \$7,867,000 (2008: \$18,912,000) are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

During the year, the Group

- (a) transferred one property that was held as investment property to property, plant and equipment following part of the building having been retained for the Group's internal use; and
- (b) disposed of an investment property for a cash consideration of \$1,800,000. In the prior year, the said property with a carrying amount of \$1,389,000 was pledged as security for long-term loan.

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17. INVESTMENT PROPERTIES (continued)

The investment property held by the Group as at end of the year is as follows:

Location	Existing Use	Tenure	Land area (sq. m.)
People's Republic of China			
No. 555 Kanghua Road, Kangqiao Industrial Zone, Shanghai	Industrial building	50 years from 12.6.2003 to 27.2.2052	15,898

18. LONG-TERM RECEIVABLES

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Housing and car loans and advances to staff	998	1,147	90	180
Other receivables *1	1,987	4	–	–
Loans to:				
Associated company *2	3,022	–	–	–
Joint ventures *3	5,874	1,620	–	–
Allowance for doubtful debts	(1,583)	(1,620)	–	–
	4,291	–	–	–
Third parties *4	43,154	9,031	–	–
Allowance for doubtful loans	(9,015)	(9,031)	–	–
	34,139	–	–	–
	44,437	1,151	90	180
Receivable:				
Within 1 year	7,637	700	90	180
After 1 year	36,800	451	–	–
	44,437	1,151	90	180

Loans and receivables are carried at amortised cost and are subject to impairment.

*1 Other receivables relate to government grants that would be received upon compliance with the conditions indicated in a non-cancellable lease agreement entered into by a subsidiary. Under the agreement, the future rental payable is to be paid from the eleventh year onwards, when the subsidiary had invested a total of US\$10,000,000 for the first 10 years. The government grant is recognised on the account that there is reasonable assurance that the subsidiary will comply with the conditions. As at 31 December 2009, the subsidiary has invested US\$8,949,000.

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18. LONG-TERM RECEIVABLES (continued)

*2 The loan to an associated company is unsecured and repayable in 2019. The interest on this loan is EURIBOR +1.0% per annum. In 2009, the interest rates range from 1.76% to 2.58% per annum, which are also the effective interest rates.

*3 Included in loans to joint ventures are:

- (a) a loan amounting to \$1,583,000 (2008: \$1,620,000) and bears interest at 4% (2008: 4%) per annum. The loan is unsecured and has been fully impaired during the year; and
- (b) loans amounting to \$4,291,000 (2008: \$nil) and bear interest at rates ranging from 4.57% to 5.07% per annum. The loans are unsecured and repayable within 20 years.

Movements in allowance for doubtful loans to joint ventures are as follows:

	Note	2009 \$'000	Group 2008 \$'000
At beginning of the year		1,620	–
Charge to income statement	5	–	1,556
Translation difference		(37)	64
At end of the year		<u>1,583</u>	<u>1,620</u>

*4 Included in the loans to third parties are:

- (a) an amount of approximately \$8,312,000 (2008: \$8,312,000) secured by intellectual property rights is not expected to be repaid within the next 12 months. Interest is repriced every month and chargeable at the US dollar prime rate plus 2% (2008: 2%) per annum, which is also the effective interest rate. The loan is convertible to shares of that entity, subject to certain terms and conditions. In the prior year, a notice was given to that entity to convert the loan to shares of that entity but the conversion has not been effected as at the end of the year. The loan is fully impaired at the balance sheet date.

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

- (b) a bridging loan of \$702,500 (US\$500,000) (2008: \$718,750 (US\$500,000)) extended to a third party. The bridging loan is secured by way of a Deed of Debenture, which creates a floating charge over the assets of the third party. This loan is treated as a net investment in the third party and is not expected to be repaid. The loan is stated at cost and has been fully provided for since financial year 2004 due to uncertainty of collectibility. Therefore, it is not practicable to determine its fair value.
- (c) an amount of \$34,139,000 (2008: \$nil) relating to instalment payment plans granted to customers. These loans are repayable over a period of 3.5 years to 6.5 years from 2009. The interest rates on these loans are LIBOR with margins ranging from 0.5% to 0.63% per annum. In 2009, the interest rates range from 1.11% to 1.86% per annum, which are also the effective interest rates.

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18. LONG-TERM RECEIVABLES (continued)

Movements in allowance for doubtful loans to third parties are as follows:

	Note	2009 \$'000	Group 2008 \$'000
At beginning of the year		9,031	10,156
Write-back to income statement	5	–	(1,121)
Translation difference		(16)	(4)
At end of the year		9,015	9,031

19. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements with customers with terms ranging from 1 year to 10 years (2008: 1 year to 10 years) and effective interest rate of 1.42% to 19.96% (2008: 2.2% to 29.8%) per annum. In the prior year, lease receivables of \$149,000 were secured by standby letters of credit.

	2009 \$'000	Group 2008 \$'000
Gross investment in finance lease		
Not later than 1 year	17,779	13,424
1 year through 5 years	4,360	3,330
Later than 5 years	1,639	2,509
	23,778	19,263
Unearned interest		
Not later than 1 year	577	606
1 year through 5 years	615	746
Later than 5 years	157	300
	1,349	1,652
Present value of minimum lease receivables		
Not later than 1 year	17,202	12,818
1 year through 5 years	3,745	2,584
Later than 5 years	1,482	2,209
	22,429	17,611

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19. FINANCE LEASE RECEIVABLES (continued)

	Note	2009 \$'000	Group 2008 \$'000
Allowance for doubtful lease receivables			
Not later than 1 year		(2,816)	(1,761)
Net investment in finance lease			
Not later than 1 year		14,386	11,057
1 year through 5 years		3,745	2,584
Later than 5 years		1,482	2,209
		19,613	15,850
Not past due and not impaired		15,535	11,657
Past due and not impaired		4,078	4,193
		19,613	15,850
Individually assessed			
Doubtful lease receivables		2,816	1,761
Allowance for doubtful lease receivables		(2,816)	(1,761)
		-	-
		19,613	15,850
Movements in allowance for doubtful lease receivables are as follows:			
At beginning of the year		1,761	810
Charge to income statement	5	1,138	877
Provision utilised		(8)	(6)
Translation difference		(75)	80
At end of the year		2,816	1,761
Finance leases that are individually assessed to be impaired relate to customers who have defaulted on payments.			
Ageing of net investment in minimum lease receivables that are past due but not impaired:			
1 - 90 days		1,260	868
91 - 180 days		964	1,314
181 - 360 days		888	1,285
>360 days		966	726
		4,078	4,193

Notes to the Financial Statements

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20. DEFERRED TAX ASSETS

	2009	Group 2008
	\$'000	\$'000
At beginning of the year	138,128	112,718
Recognised in income statement	1,442	30,619
Effect of reduction in tax rate	(2,236)	–
Acquisition of subsidiaries	251	–
Disposal of a subsidiary	(6)	–
Translation difference	(954)	(938)
Transfer to provision for taxation	(7,465)	(11,680)
Changes in fair value of available-for-sale financial assets	(243)	1,096
Changes in fair value of derivative financial instruments designated in cash flow hedges	(1,721)	6,313
	<hr/>	<hr/>
At end of the year	127,196	138,128
The deferred tax assets arise as a result of:		
Unabsorbed capital allowances and unutilised tax losses	41,277	37,886
Allowance for doubtful debts and stock obsolescence	15,788	21,115
Provision for warranties	38,721	36,524
Provision for liquidated damages	1,568	1,101
Provision for foreseeable losses	5,469	6,307
Intangible assets	(54)	(652)
Other temporary differences	19,048	28,349
Changes in fair value of available-for-sale financial assets	51	294
Changes in fair value of derivative financial instruments designated in cash flow hedges	5,328	7,204
	<hr/>	<hr/>
	127,196	138,128

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(Currency - Singapore dollars unless otherwise stated)

21. STOCKS AND WORK-IN-PROGRESS

	2009 \$'000	Group 2008 \$'000
Stocks of equipment and spares	509,342	508,152
Work-in-progress in excess of progress billings		
Work-in-progress, including profits recognised	2,600,296	2,279,093
Progress billings	(1,745,342)	(1,500,914)
	854,954	778,179
Total stocks and work-in-progress at lower of cost and net realisable value	1,364,296	1,286,331
Progress billings in excess of work-in-progress		
Work-in-progress, including profits recognised	2,304,408	1,948,251
Progress billings	(2,861,737)	(2,423,997)
	(557,329)	(475,746)

Stocks are stated after allowance for stock obsolescence of \$191,860,000 (2008: \$158,112,000) and work-in-progress in excess of progress billings are stated after provision for foreseeable losses of \$14,517,000 (2008: \$23,073,000).

22. TRADE DEBTORS

	2009 \$'000	Group 2008 \$'000
Not past due and not impaired	527,214	485,007
Past due and not impaired	360,236	457,281
	887,450	942,288
Collectively assessed		
Impaired receivable (Gross)	34,667	41,448
Allowance for doubtful debts	(7,786)	(21,075)
	26,881	20,373
Individually assessed		
Impaired receivable (Gross)	111,183	66,771
Allowance for doubtful debts	(98,542)	(60,757)
	12,641	6,014
Unbilled receivables	137,109	139,554
Allowance for unbilled receivables	(1,854)	-
Trade debtors, net	1,062,227	1,108,229

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31 December 2009

(Currency - Singapore dollars unless otherwise stated)

22. TRADE DEBTORS (continued)

Trade debtors denominated in currencies other than the functional currencies as at 31 December 2009 are as follows:

- \$189,707,000 (2008: \$260,615,000) denominated in US dollars
- \$11,060,000 (2008: \$11,505,000) denominated in Euro

	Note	2009 \$'000	Group 2008 \$'000
Movements in allowance for doubtful debts are as follows:			
At beginning of the year		81,832	55,608
Charge to income statement	5	28,084	28,775
Bad debts written off against allowance		(10,430)	(1,265)
Acquisition of subsidiaries		8,384	–
Translation difference		(1,542)	(1,286)
At end of the year		106,328	81,832

Movements in allowance for unbilled receivables are as follows:

At beginning of the year		–	–
Charge to income statement	5	1,854	–
At end of the year		1,854	–

Ageing of receivables that are past due but not impaired:

1 - 90 days		243,766	259,211
91 - 180 days		47,278	88,524
181 - 360 days		36,338	54,521
>360 days		32,854	55,025
		360,236	457,281

Trade debtors that are individually determined to be impaired at the balance sheet date relates to debtors that are insolvent or in financial difficulties or who have significant delay or defaulted in payments.

At the balance sheet date, trade debtors with balances amounting to approximately \$8,097,000 (2008: \$nil) are partially secured by shares held in moratorium of the guarantor company amounting to \$978,000.

Trade debtors amounting to \$20,050,000 (2008: \$20,907,000) are arranged to settle via letters of credit issued by reputable banks.

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23. DUE FROM RELATED CORPORATIONS

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Due from related corporations	4,082	234,078	29	139,198

Included in the amount due from related corporations in the prior year were loans amounting to \$230,188,000 and \$139,169,000 extended from the Group and the Company respectively. These loans guaranteed by Fullerton Management Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited were repaid during the year. The loans matured on varying periods within 2 months from 2008 and bore interest rates ranging from 0.50% to 5.33% per annum, which were also the effective interest rates.

24. ADVANCES AND OTHER DEBTORS

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Advance payments to suppliers		259,231	234,736	–	–
Other debtors, deposits and prepayments	27	98,435	123,519	4,615	909
Due from:					
Subsidiaries		–	–	335,481	339,287
Associated companies	28	6,792	7,338	–	–
Joint ventures		13,229	3,355	–	–
Derivative financial instruments	51	10,539	10,138	–	–
		388,226	379,086	340,096	340,196

Notes to the Financial Statements

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25. SHORT-TERM INVESTMENTS

	Group	
	2009	2008
	\$'000	\$'000
Quoted investments		
Equity shares, at fair value		
Non-related corporation (Fair value through profit or loss)	1,710	369
Non-related corporation (Available-for-sale)	–	211
	<u>1,710</u>	<u>580</u>
Unquoted investments		
Bonds, at fair value (Available-for-sale)		
from 4.25% to 5.875% per annum due from 4.11.2013 to 18.11.2019	195,541	–
Bonds, at amortised cost value (Held-to-maturity)		
from 2.02% to 3.10% per annum due from 30.09.2010 to 1.11.2010	38,574	–
	<u>234,115</u>	<u>–</u>
	<u>235,825</u>	<u>580</u>

26. BANK BALANCES AND OTHER LIQUID FUNDS

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Fixed deposits with financial institutions	1,006,528	601,382	194,073	226,569
Cash and bank balances	507,082	217,543	47,911	4,626
	<u>1,513,610</u>	<u>818,925</u>	<u>241,984</u>	<u>231,195</u>

Fixed deposits with financial institutions mature at varying periods within 8 months (2008: 3 months) from the financial year end. Interest rates range from 0.03% to 5.12% (2008: 0.06% to 8.1%) per annum, which are also the effective interest rates.

Cash and bank balances of \$1,681,000 (2008: \$265,000) have been placed with banks as security for letters of credit issued to third parties.

Notes to the Financial Statements

31 December 2009

(Currency - Singapore dollars unless otherwise stated)

27. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deposits	15,542	13,346	501	492
Prepayments	25,765	26,755	439	93
Interest receivables	4,301	1,434	220	95
Other recoverables	19,259	17,504	3,352	92
Non-trade debtors	33,568	64,480	103	137
	98,435	123,519	4,615	909

28. DUE FROM ASSOCIATED COMPANIES

	Group	
	2009 \$'000	2008 \$'000
Trade balances	6,785	6,828
Non-trade balances	248	751
Allowance for doubtful debts – trade	(241)	(241)
	6,792	7,338

29. CREDITORS AND ACCRUALS

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade creditors		599,313	616,940	–	–
Other creditors and accruals	33	780,978	775,404	40,002	55,328
Other long-term payables, current	39	2,904	–	–	–
Due to:					
Subsidiaries		–	–	1,648	1,527
Related corporations		1,348	1,606	–	–
Associated companies		3,175	2,139	–	–
Joint ventures		556	1,712	–	–
Derivative financial instruments	51	4,118	8,368	–	–
		1,392,392	1,406,169	41,650	56,855

Trade creditors denominated in currencies other than the functional currencies as at 31 December 2009 are as follows:

- \$65,293,000 (2008: \$65,056,000) denominated in US dollars
- \$26,578,000 (2008: \$18,134,000) denominated in Euro

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30. PROVISIONS

	Note	2009 \$'000	Group 2008 \$'000
Provision for:			
Warranties		189,740	170,313
Liquidated damages		8,643	5,983
Foreseeable losses		13,468	9,119
		211,851	185,415
(a) Movements in provision for warranties are as follows:			
At beginning of the year		170,313	179,962
Charge to income statement	5	34,903	5,164
Provision utilised		(14,546)	(15,062)
Translation difference		(1,156)	249
Acquisition of subsidiaries		226	–
At end of the year		189,740	170,313
(b) Movements in provision for liquidated damages are as follows:			
At beginning of the year		5,983	11,257
Charge/(write-back) to income statement	5	2,901	(5,257)
Provision utilised		(160)	(16)
Translation difference		(81)	(1)
At end of the year		8,643	5,983
(c) Movements in provision for foreseeable losses are as follows:			
At beginning of the year		9,119	541
Charge to income statement		4,392	9,009
Provision utilised		–	(352)
Translation difference		(43)	(79)
At end of the year		13,468	9,119

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31. SHORT-TERM BANK LOANS

	Effective interest rate %	Maturity	Group		Company	
			2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Bank loans	1.78% to 5.84%	Within 1 year	83,510	322,773	–	25,300

The bank loans are denominated in Singapore dollars, US dollars and Chinese Yuan (2008: Singapore dollars, US dollars, Euro and Chinese Yuan).

Included in short-term bank loans are:

- (a) loans amounting to \$68,478,000 (2008: \$270,208,000) which are unsecured;
- (b) loan amounting to \$1,030,000 (2008 \$7,890,000) which is guaranteed by a standby letter of credit;
- (c) loans amounting to \$4,736,000 (2008: \$nil) which are guaranteed by Zhenjiang State-owned Assets Investment Management Co., Ltd. and secured by a subsidiary's buildings; and
- (d) loans amounting to \$9,266,000 which are secured by a subsidiary's land and buildings.

In the prior year, a loan amounting to \$44,675,000 secured by a floating charge over a subsidiary's plant and machinery was repaid during the year.

32. LEASE OBLIGATIONS

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

In connection with the bond issue, the subsidiary entered into a letter of credit agreement for approximately US\$10,969,000, which is used to guarantee payments on the bonds in the event that the subsidiary is unable to make required lease payments. The letter of credit expires on 3 April 2012.

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

- (b) During the year, a subsidiary entered into finance leases for transportation equipment and vehicles with term ranging from 2 to 4 years and effective interest rates ranging from 6.88% to 16.52% per annum.

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32. LEASE OBLIGATIONS (continued)

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

	Minimum lease payment \$'000	Interest \$'000	Present value of payments \$'000
2009			
1 to 5 years	6,211	(659)	5,552
Repayable:			
Within 1 year			1,822
After 1 year			3,730
			5,552
2008			
1 to 5 years	8,098	(953)	7,145
Repayable:			
Within 1 year			1,726
After 1 year			5,419
			7,145

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

33. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-trade creditors	41,987	68,701	1,521	5,321
Purchase of property, plant and equipment	2,699	118	-	-
Accrued operating expenses	714,408	697,365	38,481	49,978
Accrued interest payable	19,388	6,704	-	29
Employee benefit liabilities	2,496	2,516	-	-
	780,978	775,404	40,002	55,328

Notes to the Financial Statements

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34. DEFERRED INCOME

	Note	Group 2009 \$'000	Group 2008 \$'000
At beginning of the year		21,656	13,455
Additions		4,082	8,002
Acquisition of subsidiaries		1,510	–
Translation difference		(275)	199
		26,973	21,656
Deferred income recognised to-date		(12,427)	(10,160)
At end of the year		14,546	11,496
Movements in deferred income recognised to-date are as follows:			
At beginning of the year		10,160	6,376
Recognised in income statement	5	2,259	3,784
Translation difference		8	–
At end of the year		12,427	10,160

35. DEFERRED TAX LIABILITIES

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At beginning of the year	62,602	45,818	201	372
Recognised in income statement	(878)	(4,260)	15	(171)
Effect of reduction in tax rate	175	–	(11)	–
Translation difference	(1,101)	(575)	–	–
Transfer to provision for taxation	(2,637)	18,048	–	–
Acquisition of subsidiaries	1,849	1,205	–	–
Changes in fair value of derivative financial instruments designated in cash flow hedges	(1,713)	2,366	–	–
At end of the year	58,297	62,602	205	201

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35. DEFERRED TAX LIABILITIES (continued)

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The deferred tax liabilities arise as a result of:				
Excess of net book value over tax written down value of property, plant and equipment	19,828	5,961	69	118
Allowance for doubtful debts and stock obsolescence	(9,227)	(5,456)	–	–
Other temporary differences	2,417	19,520	136	83
Changes in fair value of derivative financial instruments designated in cash flow hedges	1,387	3,100	–	–
Intangible assets	43,892	39,477	–	–
	58,297	62,602	205	201

36. LONG-TERM BANK LOANS

	Effective interest rate %	Maturity	Group	
			2009 \$'000	2008 \$'000
Bank loans	0.58% to 5.76%	Up to 2013	648,854	549,631
Repayable:				
Within 1 year			–	261,989
After 1 year			648,854	287,642
			648,854	549,631

The bank loans are denominated in US dollars, Euro and Chinese Yuan. (2008: Singapore dollars, US dollars and Euro).

Included in the long-term bank loans is a loan amounting to \$7,412,000 (RMB36,000,000) (2008: \$nil) at 5.76% per annum and secured by a subsidiary's land and guaranteed by a standby letter of credit.

In the prior year, a loan amounting to \$261,870,000 at EURIBOR with margin ranging from 0.5% to 1.1% per annum was secured by a floating charge over a subsidiary's plant and machinery. The Group had since re-structured the bank loans in 2009 and the bank loans had been fully repaid.

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37. OTHER LOANS

- (a) Included in other loans are:
- (i) US dollar denominated term notes of \$1.1 million (US\$0.8 million) (2008: \$1.2 million (US\$0.9 million)) and \$0.2 million (US\$0.2 million) (2008: \$0.3 million (US\$0.2 million)) owing to the Pennsylvania Industrial Development Authority and the Industrial Properties Corporation, respectively, by a US entity of the Group. These notes are secured by land and buildings of the entity and bear interest, respectively, at 2.75% and 4.0% (2008: 2.75% and 4.0%) per annum, which are also the effective interest rates, and are payable through 1 July 2019 and 28 June 2019, respectively.
 - (ii) Another US dollar denominated term note of \$0.2 million (US\$0.2 million) (2008: \$0.3 million (US\$0.2 million)) is owed by the same entity to the Pennsylvania Department of Community and Economic Development. This note is unsecured, bears interest of 2.75% (2008: 2.75%) per annum, which is also the effective interest rate, and is payable through 1 February 2012.
- (b) an amount of \$0.8 million (2008: \$nil) relating to long-term loans from a minority shareholder of a subsidiary. The loans are unsecured with interest rates ranging from 3.85% to 4.36% per annum, which are also the effective interest rates, and are payable in 2014.

38. BONDS

	Group 2009 \$'000
Principal	702,500
Unamortised discount	(4,038)
	<u>698,462</u>
Unamortised discount:	
Additions	4,297
Amortisation for the year	(150)
Translation difference	(109)
	<u>4,038</u>

The Group issued US\$500,000,000 4.80% Notes due 2019 under its US\$1.2 billion Multicurrency Medium Term Note Programme on 16 July 2009. The bonds bear interest at a fixed rate of 4.80% per annum and interest is payable every 6 months from the date of issue. The bonds are unconditionally and irrevocably guaranteed by the Company.

39. OTHER LONG-TERM PAYABLES

During the year, a subsidiary entered into an arrangement with an external supplier for deferment of payment relating to purchase of equipment. The amount payable is unsecured, bears interest of 1.45% per annum, and is not expected to be repaid within the next 12 months.

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40. DUE TO A SUBSIDIARY

Amount due to a subsidiary of the Company is unsecured, interest-free and is not repayable in the foreseeable future.

41. SHARE CAPITAL

	Group and Company	
	2009 \$'000	2008 \$'000
Issued and fully paid		
At beginning of the year		
2,998,603,162 (2008: 2,983,550,387) ordinary shares	586,614	554,888
Issued during the year		
11,852,971 (2008: 15,052,775) ordinary shares	25,194	31,726
At end of the year		
3,010,456,133 (2008: 2,998,603,162) ordinary shares	611,808	586,614

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

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

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") of the Company were approved by its members at an Extraordinary General Meeting held on 23 November 2000. The ESOP, PSP and RSP are administered by the Executive Resource and Compensation Committee ("ERCC") comprising three directors, Mr Peter Seah Lim Huat, Mr Venkatachalam Krishnakumar and Dr Stanley Lai Tze Chang. Following approval of the new Share Plans by shareholders at the Extraordinary General Meeting held on 23 November 2000, the Singapore Technologies Engineering Executive's Share Option Scheme ("ESOS"), the predecessor to the ESOP, was terminated.

Singapore Technologies Engineering Share Option Plan ("ESOP")

Information regarding ESOP is as follows:

- The exercise price of the options is equal to volume-weighted average price for the shares on the Singapore Exchange over the three consecutive trading days immediately preceding the date of grant.
- The options are exercisable at the end of the first year after date of grant, in accordance with a vesting schedule to be determined by ERCC and are settled in cash.
- The options granted expire after five years for non-executive directors, and 10 years for the employees of the Company and its subsidiaries.

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41. SHARE CAPITAL (continued)

During the financial year, the Company issued 10,215,827 (2008: 14,075,736) ordinary shares for cash at the respective price per share upon the exercise of options granted by the Company under ESOS and ESOP.

Grant no.	No. of ordinary shares issued	Price per ordinary share \$
99R1	1,066,460	1.418
9902	258,000	2.000
2001	2,914,978	2.260
2002	55,500	1.808
2003	45,000	2.390
0102N	149,380	2.720
0108N	157,265	2.680
0202N	319,631	2.290
0208N	213,977	1.920
0302N	243,873	1.790
0308N	349,356	1.860
0402N	745,111	2.090
0402ND	228,875	2.090
0408N	982,764	2.120
0408ND	190,875	2.120
0502N	980,651	2.370
0502ND	54,625	2.370
0508N	872,465	2.570
0508ND	25,250	2.570
0602N	80,797	3.010
0608N	276,509	2.840
0703N	4,485	3.230

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41. SHARE CAPITAL (continued)

At the end of the financial year, unissued ordinary shares of the Company under options granted to eligible employees and directors of the Company are as follows:

(i) Options outstanding under the ESOS/ESOP

	Number of shares	
	2009	2008
ESOS		
At beginning of the year	12,196,551	16,289,332
Exercised	(4,339,938)	(3,752,621)
Lapsed	(504,510)	(340,160)
At end of the year	7,352,103	12,196,551
Exercisable at end of the year	7,352,103	12,196,551
ESOP		
At beginning of the year	112,205,701	125,291,506
Exercised	(5,875,889)	(10,323,115)
Lapsed	(1,973,768)	(2,762,690)
At end of the year	104,356,044	112,205,701
Exercisable at end of the year	87,883,347	67,141,259

(ii) Details of share options

2009

Details of share options to subscribe for ordinary shares pursuant to ESOS are as follows:

Date of grant	Balance as at 1.1.2009	Options lapsed	Options exercised	Balance as at 31.12.2009	No. of holders at 31.12.2009	Exercise price \$	Exercisable period
9.2.1999	1,334,060	267,600	1,066,460	—	—	1.418	10.2.2001 to 9.2.2009
10.8.1999	464,910	206,910	258,000	—	—	2.000	11.8.2001 to 10.8.2009
9.2.2000	9,244,291	30,000	2,914,978	6,299,313	135 *	2.260	10.2.2002 to 9.2.2010
9.2.2000	711,625	—	55,500	656,125	22	1.808	10.2.2002 to 9.2.2010
6.9.2000	441,665	—	45,000	396,665	18	2.390	7.9.2002 to 6.9.2010
Total	12,196,551	504,510	4,339,938	7,352,103			

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41. SHARE CAPITAL (continued)

(ii) Details of share options (continued)

2009

Details of share options to subscribe for ordinary shares pursuant to ESOP are as follows:

Date of grant	Balance as at 1.1.2009	Options lapsed	Options exercised	Balance as at 31.12.2009	No. of holders at 31.12.2009	Exercise price \$	Exercisable period
19.2.2001	4,571,626	31,537	149,380	4,390,709	374 *	2.720	20.2.2002 to 19.2.2011
10.8.2001	6,045,717	71,556	157,265	5,816,896	398 *	2.680	11.8.2002 to 10.8.2011
7.2.2002	4,435,553	35,339	319,631	4,080,583	308 *	2.290	8.2.2003 to 7.2.2012
12.8.2002	2,406,349	14,866	213,977	2,177,506	221 *	1.920	13.8.2003 to 12.8.2012
6.2.2003	2,522,817	—	243,873	2,278,944	244 *	1.790	7.2.2004 to 6.2.2013
6.2.2003	4,972	—	—	4,972	1	1.790	7.2.2004 to 6.2.2013
11.8.2003	3,518,273	1,981	349,356	3,166,936	384 *	1.860	12.8.2004 to 11.8.2013
11.8.2003	8,754	—	—	8,754	1	1.860	12.8.2004 to 11.8.2013
9.2.2004	5,183,441	16,482	745,111	4,421,848	528 *	2.090	10.2.2005 to 9.2.2014
9.2.2004	228,875	—	228,875	—	—	2.090	10.2.2005 to 9.2.2009
9.2.2004	11,426	—	—	11,426	1	2.090	10.2.2005 to 9.2.2014
10.8.2004	7,112,644	30,980	982,764	6,098,900	729 *	2.120	11.8.2005 to 10.8.2014
10.8.2004	202,375	11,500	190,875	—	—	2.120	11.8.2005 to 10.8.2009
10.8.2004	16,426	—	—	16,426	2	2.120	11.8.2005 to 10.8.2014
7.2.2005	8,807,062	92,002	980,651	7,734,409	839 *	2.370	8.2.2006 to 7.2.2015
7.2.2005	309,750	—	54,625	255,125	13 #	2.370	8.2.2006 to 7.2.2010
7.2.2005	16,426	—	—	16,426	2	2.370	8.2.2006 to 7.2.2015
10.8.2005	10,987,644	197,205	872,465	9,917,974	995 *	2.570	11.8.2006 to 10.8.2015
10.8.2005	299,043	—	25,250	273,793	16 #	2.570	11.8.2006 to 10.8.2010
10.8.2005	21,426	—	—	21,426	2	2.570	11.8.2006 to 10.8.2015
9.2.2006	11,771,022	278,424	80,797	11,411,801	1,201 *	3.010	10.2.2007 to 9.2.2016
9.2.2006	359,750	—	—	359,750	18 #	3.010	10.2.2007 to 9.2.2011
10.8.2006	13,458,052	346,221	276,509	12,835,322	1,308 *	2.840	11.8.2007 to 10.8.2016
10.8.2006	355,625	—	—	355,625	18 #	2.840	11.8.2007 to 10.8.2011
15.3.2007	14,821,331	388,697	4,485	14,428,149	1,408 *	3.230	16.3.2008 to 15.3.2017
15.3.2007	360,000	—	—	360,000	18 #	3.230	16.3.2008 to 15.3.2012
10.8.2007	14,042,322	456,978	—	13,585,344	1,509 *	3.610	11.8.2008 to 10.8.2017
10.8.2007	327,000	—	—	327,000	16 #	3.610	11.8.2008 to 10.8.2012
Total	112,205,701	1,973,768	5,875,889	104,356,044			

* Includes 1 executive Director of the Company

Includes Directors of the Company and its subsidiaries

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(Currency - Singapore dollars unless otherwise stated)

41. SHARE CAPITAL (continued)

(ii) Details of share options (continued)

2008

Details of share options to subscribe for ordinary shares pursuant to ESOS are as follows:

Date of grant	Balance as at 1.1.2008	Options lapsed	Options exercised	Balance as at 31.12.2008	No. of holders at 31.12.2008	Exercise price \$	Exercisable period
29.4.1998	1,021,500	59,000	962,500	–	–	1.390	30.4.2000 to 29.4.2008
7.8.1998	75,000	15,000	60,000	–	–	1.290	8.8.2000 to 7.8.2008
9.2.1999	2,029,740	–	695,680	1,334,060	29	1.418	10.2.2001 to 9.2.2009
10.8.1999	567,910	10,000	93,000	464,910	78 *	2.000	11.8.2001 to 10.8.2009
9.2.2000	11,291,850	226,160	1,821,399	9,244,291	191 **	2.260	10.2.2002 to 9.2.2010
9.2.2000	829,125	30,000	87,500	711,625	26	1.808	10.2.2002 to 9.2.2010
6.9.2000	474,207	–	32,542	441,665	20	2.390	7.9.2002 to 6.9.2010
Total	16,289,332	340,160	3,752,621	12,196,551			

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(Currency - Singapore dollars unless otherwise stated)

41. SHARE CAPITAL (continued)

(ii) Details of share options (continued)

2008

Details of share options to subscribe for ordinary shares pursuant to ESOP are as follows:

Date of grant	Balance as at 1.1.2008	Options lapsed	Options exercised	Balance as at 31.12.2008	No. of holders at 31.12.2008	Exercise price \$	Exercisable period
19.2.2001	5,099,273	52,812	474,835	4,571,626	395 **	2.720	20.2.2002 to 19.2.2011
10.8.2001	6,833,358	61,304	726,337	6,045,717	416 **	2.680	11.8.2002 to 10.8.2011
7.2.2002	4,919,653	31,438	452,662	4,435,553	343 **	2.290	8.2.2003 to 7.2.2012
12.8.2002	3,062,714	10,000	646,365	2,406,349	250 **	1.920	13.8.2003 to 12.8.2012
6.2.2003	3,161,835	—	639,018	2,522,817	280 **	1.790	7.2.2004 to 6.2.2013
6.2.2003	227,750	33,375	194,375	—	—	1.790	7.2.2004 to 6.2.2008
6.2.2003	4,972	—	—	4,972	1	1.790	7.2.2004 to 6.2.2013
11.8.2003	4,783,284	1,228	1,263,783	3,518,273	445 **	1.860	12.8.2004 to 11.8.2013
11.8.2003	247,125	58,000	189,125	—	—	1.860	12.8.2004 to 11.8.2008
11.8.2003	8,754	—	—	8,754	1	1.860	12.8.2004 to 11.8.2013
9.2.2004	6,751,941	26,356	1,542,144	5,183,441	653 **	2.090	10.2.2005 to 9.2.2014
9.2.2004	271,300	—	42,425	228,875	11 #	2.090	10.2.2005 to 9.2.2009
9.2.2004	16,426	—	5,000	11,426	1	2.090	10.2.2005 to 9.2.2014
10.8.2004	8,227,271	91,952	1,022,675	7,112,644	953 **	2.120	11.8.2005 to 10.8.2014
10.8.2004	239,425	—	37,050	202,375	13 #	2.120	11.8.2005 to 10.8.2009
10.8.2004	16,426	—	—	16,426	2	2.120	11.8.2005 to 10.8.2014
7.2.2005	10,039,234	92,132	1,140,040	8,807,062	1,041 **	2.370	8.2.2006 to 7.2.2015
7.2.2005	321,625	—	11,875	309,750	17 #	2.370	8.2.2006 to 7.2.2010
7.2.2005	31,426	—	15,000	16,426	2	2.370	8.2.2006 to 7.2.2015
10.8.2005	11,824,329	186,029	650,656	10,987,644	1,157 **	2.570	11.8.2006 to 10.8.2015
10.8.2005	309,166	—	10,123	299,043	17 #	2.570	11.8.2006 to 10.8.2010
10.8.2005	31,426	—	10,000	21,426	2	2.570	11.8.2006 to 10.8.2015
9.2.2006	12,708,952	294,108	643,822	11,771,022	1,245 **	3.010	10.2.2007 to 9.2.2016
9.2.2006	361,625	—	1,875	359,750	18 #	3.010	10.2.2007 to 9.2.2011
10.8.2006	14,219,586	436,727	324,807	13,458,052	1,355 **	2.840	11.8.2007 to 10.8.2016
10.8.2006	355,625	—	—	355,625	18 #	2.840	11.8.2007 to 10.8.2011
15.3.2007	15,683,232	583,655	278,246	14,821,331	1,460 **	3.230	16.3.2008 to 15.3.2017
15.3.2007	360,000	—	—	360,000	18 #	3.230	16.3.2008 to 15.3.2012
10.8.2007	14,846,773	803,574	877	14,042,322	1,574 **	3.610	11.8.2008 to 10.8.2017
10.8.2007	327,000	—	—	327,000	16 #	3.610	11.8.2008 to 10.8.2012
Total	125,291,506	2,762,690	10,323,115	112,205,701			

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

** Includes 1 executive Director of the Company

Includes Directors of the Company and its subsidiaries

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41. SHARE CAPITAL (continued)

(iii) Details of share options exercised

	No. of shares	Exercise price \$	Proceeds from share issue \$'000	Share price \$
2009				
January to March	1,921,090	1.418 – 2.840	3,295	2.19 – 2.62
April to June	1,393,746	1.790 – 3.230	3,002	2.29 – 2.58
July to September	1,668,147	1.790 – 2.720	3,677	2.43 – 2.78
October to December	5,232,844	1.790 – 3.230	12,234	2.72 – 3.33
	<u>10,215,827</u>			
2008				
January to March	8,183,482	1.290 – 3.230	17,681	3.17 – 3.74
April to June	3,978,667	1.290 – 3.230	9,128	2.72 – 3.52
July to September	973,564	1.290 – 3.610	2,058	2.54 – 2.88
October to December	940,023	1.418 – 2.840	1,610	2.04 – 2.67
	<u>14,075,736</u>			

The weighted average share price for options exercised during the year was \$2.812 (2008: \$3.285). The weighted average remaining contractual life for these options is 4.97 years (2008: 5.74 years).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model, taking into account the terms and conditions upon which the options were granted. No options were granted for the year ended 31 December 2009 and 31 December 2008.

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(Currency - Singapore dollars unless otherwise stated)

41. SHARE CAPITAL (continued)

Singapore Technologies Engineering Performance Share Plan ("PSP")

Performance shares are granted on an annual basis with key performance indicator 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 if the targets are met. The final number of performance shares awarded will depend on the level of achievement of those targets and can range from 0% to 170% of the conditional award of performance shares. In addition, the final award for performance shares is conditional upon the performance targets for restricted shares that has the same end of performance period being met.

	2009	Year of grant 2008	2007	Total
Number of performance shares				
At grant date	1,687,000	1,632,000	1,513,000	4,832,000
Lapsed	(169,484)	(210,091)	(241,603)	(621,178)
Outstanding as at 31.12.2009	1,517,516	1,421,909	1,271,397	4,210,822

During the year, performance shares amounting to 1,158,500 ordinary shares were awarded in respect of grant made in 2006.

The fair value of the performance shares is determined on conditional grant date using the Monte Carlo simulation model.

The significant inputs to the model used for the conditional grants in 2007 to 2009 are as follows:

	2009	Year of grant 2008	2007
Market conditions			
Volatility of MSCI Index (%)	33.10	20.93	13.66
Volatility of the Company's shares (%)	18.88	15.51	14.59
Correlation of volatility of MSCI vs the Company (%)	67.50	45.30	26.83
Risk-free rate (%)	1.03	1.11	2.43
Share price (\$)	2.26	3.36	3.62
Cost of equity (%)	7.86	9.60	8.27
Dividend yield	(-- Management's forecast in line with dividend policy --)		

Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

41. SHARE CAPITAL (continued)

Singapore Technologies Engineering Restricted Stock Plan ("RSP")

Restricted shares are granted on an annual basis with key performance indicator targets set for a performance period, currently prescribed to be a two-year performance period. The restricted shares will only be released to the recipient at the end of the performance qualifying period if the targets are met. The final number of restricted shares awarded will depend on the level of achievement of those targets and range between 0% and 150% of the conditional award of the restricted shares and will be delivered to recipients over a three-year vesting period; half at the end of the performance qualifying period and the balance will vest equally over the subsequent two years.

For non-executive directors, depending on the achievement of pre-determined targets over a one-year performance period, the final number of restricted shares awarded can range from zero to a maximum capped at 150% of the conditional award and will be released over a three-year vesting period at 33 $\frac{1}{3}$ % per year.

Date of grant	Number of restricted shares as at grant date	Number of restricted shares lapsed	Number of restricted shares released	Balance outstanding as at 31.12.2009
26 July 2007	897,000	237,367	374,732	284,901
12 November 2007	300,000	–	60,000	240,000
24 March 2008	7,603,183	607,627	–	6,995,556
24 March 2008	217,000	107,379	43,912	65,709
18 March 2009	8,286,892	310,785	–	7,976,107
18 March 2009	210,500	5,293	–	205,207
Total	17,514,575	1,268,451	478,644	15,767,480

The fair value of the restricted shares is determined at conditional grant date using the Monte Carlo simulation model.

The significant inputs to the model used for the conditional grant in 2008 and 2009 are as follows:

	Year of grant	
	2009	2008
Volatility of the Company's shares (%)	18.88	15.51
Risk-free rate (%)	0.72 – 1.29	0.94 – 1.32
Share price (\$)	2.26	3.36
Dividend yield	(--Management's forecast in line with dividend policy--)	

42. CAPITAL RESERVES

Included in capital reserves are:

- an amount relating to share premium of the respective pooled enterprises, namely Singapore Technologies Aerospace Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Kinetics Ltd and Singapore Technologies Marine Ltd classified as capital reserve upon the pooling of interests during the financial year ended 31 December 1997; and
- an amount relating to an excess capital contribution from minority shareholders of a subsidiary in China following the additional capital injection in prior year.

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43. OTHER RESERVES

	Foreign currency translation reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Total \$'000
The Group					
At 1.1.2008	(60,464)	394	25,987	39,502	5,419
Other comprehensive income:					
Net fair value changes on available-for-sale financial assets	–	–	(26,324)	–	(26,324)
Net fair value changes on cash flow hedges	–	–	(2,642)	–	(2,642)
Foreign currency translation differences	(11,093)	–	2	–	(11,091)
Total comprehensive income for the year	(11,093)	–	(28,964)	–	(40,057)
Cost of share-based payment	–	–	–	17,940	17,940
Transfer from unappropriated profit to statutory reserve	–	482	–	–	482
At 31.12.2008	(71,557)	876	(2,977)	57,442	(16,216)
At 1.1.2009	(71,557)	876	(2,977)	57,442	(16,216)
Other comprehensive income:					
Net fair value changes on available-for-sale financial assets	–	–	8,245	–	8,245
Net fair value changes on cash flow hedges	–	–	(4,218)	–	(4,218)
Foreign currency translation differences	(25,808)	–	315	–	(25,493)
Total comprehensive income for the year	(25,808)	–	4,342	–	(21,466)
Cost of share-based payment	–	–	–	14,559	14,559
Transfer from unappropriated profit to statutory reserve	–	330	–	–	330
At 31.12.2009	(97,365)	1,206	1,365	72,001	(22,793)

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43. OTHER RESERVES (continued)

	Group	
	2009	2008
	\$'000	\$'000
Net fair value changes on available-for-sale financial assets:		
- Net gain/(loss) on fair value changes during the year	8,043	(16,459)
- Recognised in income statement, in other operating income	202	(9,865)
	<u>8,245</u>	<u>(26,324)</u>
Net fair value changes on cash flow hedges:		
- Net loss on fair value changes during the year	(12,413)	(5,302)
- Recognised in income statement, in other operating income	8,195	2,660
	<u>(4,218)</u>	<u>(2,642)</u>

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

As at 31 December 2009, bonds amounting to \$68.7 million (US\$48.9 million) have been designated as a hedge of the net investment in Vision Technologies Systems, Inc. and its subsidiaries and are being used to hedge the Group's exposure to foreign exchange risk on this investment. Gains or losses on the retranslation of these bonds are transferred to equity to offset any gains or losses on translation on the net investment in the US subsidiaries. There is no ineffectiveness in the hedge during the year.

Statutory reserve

In accordance with foreign Enterprise Law application to the wholly-owned subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for standard distribution to shareholders.

In accordance with the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment, appropriations from the net profits are made to the Reserve Fund and the Enterprise Expansion Fund, after offsetting accumulated losses from prior years (if any), and before profit distributions to the investors. The percentage to be appropriated to the Reserve Fund and the Enterprise Expansion Fund is to be determined by the Board of Directors of the China entities.

Fair value reserve

Fair value reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired as well as the portion of the fair value changes on the derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

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43. OTHER RESERVES (continued)

Share-based payment reserve

Share-based payment reserve represents the equity-settled share options, performance shares and restricted shares granted to employees and non-executive directors. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and restricted shares. The expense for services received will be recognised over the vesting period.

44. RETAINED EARNINGS

	Group	
	2009	2008
	\$'000	\$'000
Retained by:		
The Company	414,437	510,612
Subsidiaries	352,933	281,792
Associated companies and joint ventures	95,394	101,315
	862,764	893,719

45. DIVIDENDS

	Group and Company	
	2009	2008
	\$'000	\$'000
Final dividend paid in respect of the previous financial year of 4.0 cents (2008: 4.0 cents) per share	119,944	119,342
Special dividend paid in respect of the previous financial year of 8.8 cents (2008: 10.88 cents) per share	263,877	324,610
Interim dividend paid in respect of the current financial year of 3.0 cents (2008: 3.0 cents) per share	90,130	89,922
	473,951	533,874
Additional final dividend paid in respect of the previous financial year due to issue of shares under ESOS/ESOP before books closure date	604	1,816
	474,555	535,690

The Directors propose a final dividend of 4.0 cents (2008: 4.0 cents) per share amounting to \$120.4 million (2008: \$119.9 million) and a special dividend of 6.28 cents (2008: 8.8 cents) per share amounting to \$188.9 million (2008: \$263.9 million), in respect of the financial year ended 31 December 2009. The dividends have not been recognised as a liability as at year end as it is subject to approval at the Annual General Meeting of the Company.

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46. RELATED PARTY INFORMATION

In addition to related party information disclosed elsewhere in the financial statements, the Group has significant transactions with fellow subsidiaries within Temasek Group on terms agreed between the parties as follows:

	2009	Group	2008
	\$'000		\$'000
Sales and services rendered	23,636		13,401
Purchases and services received	24,524		34,578
Property, plant and equipment purchases	461		123
Interest income	1,823		10,731
Dividend income	192		213
Rental income	3,102		380
Rental expenses	4,102		4,156

47. CASH AND CASH EQUIVALENTS

	Note	2009	Group	2008
		\$'000		\$'000
Fixed deposits with financial institutions	26	1,006,528		601,382
Cash and bank balances	26	507,082		217,543
Short-term loans to a related corporation	23	-		230,188
Bank overdrafts		(1)		(19)
		1,513,609		1,049,094

Cash and cash equivalents denominated in currencies other than the functional currencies as at 31 December are as follows:

US dollars	463,553	98,746
Euro	158,060	118,023
GBP	21,377	3,298

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48. COMMITMENTS

(a) Capital commitments

	2009 \$'000	Group 2008 \$'000
Capital expenditure contracted but not provided for in the financial statements	<u>180,940</u>	<u>260,995</u>

(b) Leases

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

	2009 \$'000	Group 2008 \$'000
Within 1 year	28,321	19,787
Within 2 to 5 years	86,479	71,504
After 5 years	133,884	131,638
	<u>248,684</u>	<u>222,929</u>

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

(c) Operating lease commitments – As lessor

- (i) The Group has entered into commercial leases on four of its aircraft engines. The non-cancellable leases have an average lease term of about 1 month to 5 years.

Future lease payment receivables under non-cancellable operating leases are as follows:

	2009 \$'000	Group 2008 \$'000
Within 1 year	1,358	2,023
Within 2 to 5 years	981	3,606
	<u>2,339</u>	<u>5,629</u>

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(Currency - Singapore dollars unless otherwise stated)

48. COMMITMENTS (continued)

(c) Operating lease commitments – As lessor (continued)

- (ii) The Group has entered into commercial leases on its aircraft. These non-cancellable leases have remaining lease terms of 17 years. The leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases at the balance sheet date are as follows:

	Group	
	2009 \$'000	2008 \$'000
Within 1 year	611	587
Within 2 to 5 years	2,442	2,348
After 5 years	7,276	7,584
	10,329	10,519

(d) Investments

- (i) As at 31 December 2009, the Group has outstanding commitments in respect of uncalled capital to the extent of \$0.2 million (2008: \$20.3 million) in subsidiaries.
- (ii) As at 31 December 2009, in respect of investments in unquoted equity shares of venture capital fund companies, there is uncalled capital contribution amounting to \$0.2 million (2008: \$0.6 million) for the Group.
- (iii) On 3 September 2007, ST Aerospace Engineering Pte Ltd ("STA Engineering") signed an agreement with Aviation Training Academy (Singapore) Pte Ltd ("ATAS") to set up a commercial pilot training academy in Singapore known as ST Aerospace Training Academy Pte Ltd ("STATA") (formerly known as ST Aviation Training Academy Pte. Ltd.) with a 70% and 30% shareholding respectively.

Pursuant to the agreement, if STATA and its subsidiaries are able to achieve the agreed profit before tax excluding minority interests for the second and fifth financial years, STA Engineering will grant two independent options which will entitle ATAS to purchase STA Engineering's shareholdings of STATA, amounting to 5% of the total share capital of STATA for each option on the date of the exercise of the option ("First Option" and "Second Option"). If ATAS does not exercise the First Option by the expiry date, the First Option shall lapse and will not be carried forward to the Second Option.

The First Option may be exercised at any time during a six-month period from the date of the audited financial statements of STATA for the second financial year, while the Second Option may be exercised at any time during a six-month period from the date of the audited financial statements of STATA for the fifth financial year.

The price for the shares of the First Option and Second Option shall be at fair values as determined by an appraiser to be jointly appointed by shareholders and the appraiser shall determine the fair value in accordance with the principles set out in the agreement.

As at 31 December 2009, STATA and its subsidiaries have not achieved the agreed profit before tax excluding minority interests for the second financial year.

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48. COMMITMENTS (continued)

(d) Investments (continued)

- (iv) As at 31 December 2009, the Group has outstanding commitments in respect of production for digital media intellectual properties to the extent of \$0.2 million (2008: \$1.4 million).
- (v) As at 31 December 2009, the Group has outstanding commitment in respect of uncalled capital to the extent of \$2.3 million (2008: \$nil) in an associated company, GFM Maquinaria, S.A.P.I. de C.V. and \$2.2 million (2008: \$2.4 million) in a joint venture.

Joint Venture Agreement

On 2 November 2006, an agreement was signed between Singapore Technologies Kinetics Ltd and BF Utilities Limited to form an Equity Joint Venture Company in Pune, India. The joint venture company will have a registered capital of US\$6 million to be contributed by each party in the proportion of 26% and 74% respectively, which is to be contributed over three years. To-date, the joint venture company has not been set up.

49. SEGMENT INFORMATION

(a) Analysis by business segments

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

(i) *Aerospace*

Provides a spectrum of maintenance and engineering services that include airframe, engine and component maintenance, repair and overhaul; engineering design and technical services; and aviation materials and management services, including Total Aviation Support.

(ii) *Electronics*

Delivers innovative system solutions to government, commercial, defence, and industrial customers worldwide. It specialises in the design, development and integration of advanced electronics and communications systems, such as broadband radio frequency and satellite communication, e-Government solutions, information communications technologies and IT, rail and traffic management, real-time command and control, modelling and simulation, interactive digital media, intelligent building management and information security.

(iii) *Land Systems*

Delivers integrated land systems, specialty vehicles and their related through life support for defence, homeland security and commercial applications.

(iv) *Marine*

Provides turnkey building, repair and conversion services for a wide spectrum of naval and commercial vessels. In shipbuilding, it has the proven capabilities to provide turnkey solutions from concept definition to detailed design, construction, on-board system installation and integration, testing, commissioning to through-life support. It has also established a track record in providing high engineering content shiprepair and ship conversion services for a worldwide clientele.

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49. SEGMENT INFORMATION (continued)

(a) Analysis by business segments (continued)

Other operations include research and development, treasury, investment holding and provision of management, consultancy, integrated logistics management, integrated facilities management, warehousing and other support services. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2009 or 2008.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

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

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	Group \$'000
2009							
Turnover							
External sales	1,872,124	1,370,781	1,167,450	948,917	188,515	–	5,547,787
Inter-segment sales	3,101	22,575	34,601	7,035	25,670	(92,982)	–
	<u>1,875,225</u>	<u>1,393,356</u>	<u>1,202,051</u>	<u>955,952</u>	<u>214,185</u>	<u>(92,982)</u>	<u>5,547,787</u>
Segment results	216,607	120,376	98,929	97,816	381,927	(364,692)	550,963
Investment income, net	187	(970)	362	653	413	(496)	149
Interest income	2,029	1,636	1,693	4,580	26,342	(23,592)	12,688
Operating profit	218,823	121,042	100,984	103,049	408,682	(388,780)	563,800
Financial expenses	(24,640)	(6,677)	(10,063)	(1,577)	(37,036)	23,873	(56,120)
Share of results of associated companies and joint ventures	34,105	911	4,469	807	–	(1,413)	38,879
Profit from operations before taxation	228,288	115,276	95,390	102,279	371,646	(366,320)	546,559
Taxation	(33,688)	(22,996)	(10,981)	(20,516)	(2,352)	371	(90,162)
Minority interests	(8,900)	(1,477)	(2,111)	–	–	21	(12,467)
Net profit attributable to shareholders	<u>185,700</u>	<u>90,803</u>	<u>82,298</u>	<u>81,763</u>	<u>369,294</u>	<u>(365,928)</u>	<u>443,930</u>

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49. SEGMENT INFORMATION (continued)

(a) Analysis by business segments (continued)

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	Group \$'000
2009							
Other assets	1,977,189	1,466,308	1,675,386	722,728	2,960,721	(2,191,144)	6,611,188
Associated companies and joint ventures	125,601	11,560	115,504	1,914	19,092	(292)	273,379
Segment assets	2,102,790	1,477,868	1,790,890	724,642	2,979,813	(2,191,436)	6,884,567
Segment liabilities	1,645,392	1,349,932	1,616,055	622,141	1,519,116	(1,544,265)	5,208,371
Capital expenditure	141,805	27,821	108,827	20,590	5,218	(3,505)	300,756
Depreciation and amortisation	89,089	25,847	28,383	16,654	2,785	–	162,758
Impairment loss/(write-back of impairment)	(44)	1,417	42	–	93	(93)	1,415
Other non-cash expenses	10,525	271	1,751	–	–	–	12,547
	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	Group \$'000
2008							
Turnover							
External sales	1,938,411	1,142,728	1,274,093	821,681	167,602	–	5,344,515
Inter-segment sales	2,543	14,976	6,786	73	24,406	(48,784)	–
	1,940,954	1,157,704	1,280,879	821,754	192,008	(48,784)	5,344,515
Segment results	235,310	117,481	90,528	72,276	498,131	(485,734)	527,992
Investment income, net	21,001	(18,627)	(6,690)	(375)	–	–	(4,691)
Interest income	4,374	3,680	4,424	5,506	26,610	(23,443)	21,151
Operating profit	260,685	102,534	88,262	77,407	524,741	(509,177)	544,452
Financial expenses	(21,434)	(10,282)	(8,003)	(2,244)	(22,800)	22,076	(42,687)
Share of results of associated companies and joint ventures	32,869	1,688	4,469	40	–	(129)	38,937
Profit from operations before taxation	272,120	93,940	84,728	75,203	501,941	(487,230)	540,702
Taxation	(37,403)	(22,817)	(1,629)	(703)	12,668	(2,055)	(51,939)
Minority interests	(9,026)	(3,012)	(3,152)	–	–	63	(15,127)
Net profit attributable to shareholders	225,691	68,111	79,947	74,500	514,609	(489,222)	473,636

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49. SEGMENT INFORMATION (continued)

(a) Analysis by business segments (continued)

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	Group \$'000
2008							
Other assets	1,965,947	1,408,125	1,375,831	702,727	2,417,084	(2,140,021)	5,729,693
Associated companies and joint ventures	137,386	11,305	112,111	241	1,528	507	263,078
Total assets	2,103,333	1,419,430	1,487,942	702,968	2,418,612	(2,139,514)	5,992,771
Segment liabilities	1,687,352	1,317,479	1,317,131	607,695	892,814	(1,506,816)	4,315,655
Capital expenditure	104,343	39,835	32,412	21,711	2,754	–	201,055
Depreciation and amortisation	97,717	22,335	20,418	16,218	2,105	–	158,793
Impairment loss	263	18,688	6,892	–	118	(118)	25,843
Other non-cash expenses	11,934	90	92	–	1	–	12,117

(b) Analysis by country of incorporation

Turnover is based on the country of incorporation regardless of where the goods are produced or services rendered. Non-current assets, excluding derivative financial instruments and deferred tax assets, are based on the location of those assets.

	Turnover		Non-Current Assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Asia	3,790,209	3,490,238	1,001,044	815,877
USA	1,361,119	1,379,309	617,791	632,636
Europe	345,877	416,804	413,455	434,657
Others	50,582	58,164	116,050	116,113
	5,547,787	5,344,515	2,148,340	1,999,283

(c) Analysis by geographical areas

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

	Turnover	
	2009 \$'000	2008 \$'000
Asia	3,093,411	2,538,725
USA	1,430,243	1,522,881
Europe	710,974	743,130
Others	313,159	539,779
	5,547,787	5,344,515

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks, namely, interest rate, foreign exchange, market, liquidity and credit risks, arising from its operations and the use of financial instruments. The Group's principal financial instruments, other than foreign exchange contracts and derivatives, comprise bankers' guarantees, performance bonds, bank loans and overdrafts, finance leases and hire purchase contracts, investments, cash and short-term deposits. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments and facilities limits. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation. The purpose of engaging in treasury transactions is solely for hedging. The Group's treasury mandates allow only foreign exchange spot, forward or non-deliverable forward, foreign exchange swap, cross currency swap, purchase of foreign exchange call, put or collar option, forward rate agreement, interest rate swap, purchase of interest rate cap, floor or collar option ("Permitted Transactions"). These instruments are generic in nature with no embedded or leverage features and any deviation from these instruments would require specific approval from the Board of Directors. The Group's accounting policies in relation to derivatives are set out in Note 2.

The policies for managing each of these risks are broadly summarised below.

Interest rate risk

The Group has cash balances placed with reputable banks, financial institutions and a related corporation. The Group manages its interest rate risk on its interest income by placing the cash balances in varying maturities and interest rate terms with due consideration to operating cash flow requirements and optimising yield.

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

Movements in interest rates will therefore have an impact on the Group. A change of 200 basis points in interest rate at the reporting date would increase/decrease income statement by the amounts shown below. This analysis assumes that all other variables remain constant.

	Income statement	
	200bp increase \$'000	200bp decrease \$'000
The Group		
2009		
Bank loans and loans payable	(1,224)	1,224
Loans receivable	829	(829)
2008		
Bank loans	(3,532)	3,532

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

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange risk

The Group's foreign exchange risk arises both from its subsidiaries operating in foreign countries, generating revenue and incurring costs denominated in foreign currencies, and from operations of its local subsidiaries which are transacted in foreign currencies. The Group's foreign exchange exposures are primarily from US dollars and Euro and the Group enters mainly into forward currency contracts to hedge against its foreign exchange risk resulting from anticipated sale and purchase transactions denominated in foreign currencies in accordance with the Group's hedging policy.

The Company's centralised Treasury Unit facilitates intra-group foreign exchange transactions within the Group to net-off the foreign exchange exposures before proceeding to transact the hedge with banks.

The Company's centralised Treasury Unit executes the Group's material foreign exchange transactions. Foreign exchange transactions are executed with segregation of duties between authorised dealers and back office. Only authorised dealers can transact with the banks on behalf of the Group, with back office confirming the deals. The dealers' limits and permitted treasury instruments in the form of an authorisation matrix and mandates are communicated to the banks for compliance.

Market risk

The Group has strategic investments in quoted equity shares. The market value of these investments will fluctuate with market conditions.

The table below summarises the impact to the Group's fair value reserve in equity and income statement arising as a result of a 10% increase/decrease in the fair value of the quoted investments. This analysis assumes that all other variables remain constant.

	Equity		Income statement	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
The Group				
2009				
Quoted investments	1,710	(1,710)	171	(171)
2008				
Quoted investments	958	(958)	37	(37)

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

The table below analyses the Group's financial liabilities that will be settled on a net basis and certain derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Total \$'000	Within 1 year \$'000	2 to 5 years \$'000	More than 5 years \$'000
The Group				
2009				
Bank loans	732,364	83,510	648,854	–
Bonds	702,500	–	–	702,500
Other loans	2,328	240	1,461	627
Lease obligations	6,211	2,050	4,161	–
Bank overdrafts	1	1	–	–
Other long-term payables	4,357	2,904	1,453	–
Trade and other payables	1,382,874	1,382,874	–	–
Derivative financial instruments:				
• Forward currency contracts - gross payments	44,336	42,106	2,230	–
• Forward currency contracts - gross receipts	434,134	423,675	10,459	–
• Cross currency swap - gross receipts	300,000	–	300,000	–
• Interest rate swaps - settled net	3,321	3,321	–	–
2008				
Bank loans	872,404	584,762	287,642	–
Other loans	1,847	240	811	796
Lease obligations	8,098	2,025	6,073	–
Bank overdrafts	19	19	–	–
Trade and other payables	1,395,285	1,395,285	–	–
Derivative financial instruments:				
• Forward currency contracts - gross payments	80,403	80,403	–	–
• Forward currency contracts - gross receipts	451,810	363,447	88,363	–
• Interest rate swaps - settled net	6,252	6,252	–	–

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Total \$'000	Within 1 year \$'000	2 to 5 years \$'000	More than 5 years \$'000	No specific terms \$'000
The Company					
2009					
Creditors and accruals	41,650	41,650	–	–	–
Due to a subsidiary	54,000	–	–	–	54,000
2008					
Creditors and accruals	56,855	56,855	–	–	–
Due to a subsidiary	54,000	–	–	–	54,000

Credit risk

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Company or its subsidiaries obtain collaterals from customers or arrange master netting agreements. Cash terms, advance payments, and letters of credit or bank guarantees are required for customers of lower credit standing.

Counterparties to financial instruments consist of prime financial institutions and related corporations, as disclosed in Notes 15 and 23.

As at 31 December 2009, there were no significant concentrations of credit risk, except for 37% (2008: 26%) of trade debts relating to three major customers of the respective subsidiaries. The table below analyses the trade debtors by the Group's four main operating segments.

	Group	
	2009 \$'000	2008 \$'000
Aerospace	280,300	412,235
Electronics	291,367	278,628
Land Systems	245,733	147,932
Marine	81,802	106,619
Others	27,770	23,261
	926,972	968,675

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy.

	Note	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
The Group					
2009					
Financial Assets					
Available-for-sale					
- Equity investments (quoted)	15	17,101	–	–	17,101
- Venture capital funds and limited partnership	15	–	–	1,342	1,342
- Bonds (unquoted)	25	–	195,541	–	195,541
Fair value through profit and loss					
- Equity investments (quoted)	25	1,710	–	–	1,710
Derivatives					
- Forward currency contracts		–	6,958	–	6,958
- Cross currency swap		–	6,405	–	6,405
- Embedded derivatives		–	15,918	–	15,918
		18,811	224,822	1,342	244,975
Financial Liabilities					
Derivatives					
- Forward currency contracts		–	3,820	–	3,820
- Interest rate swaps		–	16,539	–	16,539
- Embedded derivatives		–	1,127	–	1,127
		–	21,486	–	21,486

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- (a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- (c) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Bank balances, other liquid funds and short-term receivables

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

Quoted and unquoted investments

The fair values of quoted investments are determined directly by reference to their quoted market prices for these investments as at balance sheet date. For unquoted investments, it is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined. For unquoted bonds, the investments are valued using valuation models which uses observable data.

For unquoted investments in venture capital funds and limited partnerships as stated in Note 15, the fair value is determined by reference to valuation provided by non-related fund managers based on non-observable data. Changing one or more of the inputs to reasonable alternative assumptions is not expected to have a material impact on the changes in fair value.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quoted and unquoted investments (continued)

Movements in level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	Equity instruments (unquoted) \$'000
2009	
Opening balance	1,804
Total gains or losses:	
- recognised in income statement, other operating income	103
- recognised in other comprehensive income	(471)
Purchases	57
Sales	(151)
Closing balance	1,342
Total gains or losses for the year included in income statement (presented in other operating income) for assets held at 31 December 2009	103

Long-term receivables

The fair values of long-term receivables are estimated based on the expected cash flows discounted to present value.

Short-term borrowings and other current payables

The carrying amounts approximate fair values because of the short period to maturity of these instruments.

Derivatives

Forward currency contracts, interest rate swaps, cross currency swap and embedded derivatives are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Bonds

The fair value of the US\$500 million bonds as at 31 December 2009 approximates \$704.1 million and is determined by reference to market value.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Set out below is a comparison by category of carrying amounts of all the Group's financial instruments that are carried in the financial statements.

Classification of financial instruments

	Loans and receivables \$'000	Fair value through profit or loss \$'000	Derivatives used for hedging \$'000	Available- for-sale \$'000	Held-to- maturity \$'000	Liabilities at amortised cost \$'000	Non- financial assets/ liabilities \$'000	Total \$'000
The Group								
2009								
Assets								
Property, plant and equipment	—	—	—	—	—	—	1,166,677	1,166,677
Associated companies and joint ventures	—	—	—	—	—	—	273,379	273,379
Investments	1,186	—	—	20,278	—	—	—	21,464
Intangible assets	—	—	—	—	—	—	642,784	642,784
Investment properties	—	—	—	—	—	—	2,009	2,009
Long-term receivables	44,437	—	—	—	—	—	—	44,437
Finance lease receivables	19,613	—	—	—	—	—	—	19,613
Derivative financial instruments	—	4,234	14,508	—	—	—	—	18,742
Deferred tax assets	—	—	—	—	—	—	127,196	127,196
Stocks and work-in-progress	—	—	—	—	—	—	1,364,296	1,364,296
Trade debtors	926,972	—	—	—	—	—	135,255	1,062,227
Due from related corporations	4,082	—	—	—	—	—	—	4,082
Advances and other debtors	92,691	742	9,797	—	—	—	284,996	388,226
Short-term investments	—	1,710	—	195,541	38,574	—	—	235,825
Bank balances and other liquid funds	1,513,610	—	—	—	—	—	—	1,513,610
	2,602,591	6,686	24,305	215,819	38,574	—	3,996,592	6,884,567
Liabilities								
Advance payments from customers	—	—	—	—	—	—	1,337,694	1,337,694
Creditors and accruals	—	485	3,633	—	—	1,385,778	2,496	1,392,392
Provisions	—	—	—	—	—	—	211,851	211,851
Progress billings in excess of work-in-progress	—	—	—	—	—	—	557,329	557,329
Provision for taxation	—	—	—	—	—	—	178,734	178,734
Short-term bank loans	—	—	—	—	—	83,510	—	83,510
Lease obligations	—	—	—	—	—	5,552	—	5,552
Long-term bank loans	—	—	—	—	—	648,854	—	648,854
Other loans	—	—	—	—	—	2,328	—	2,328
Other payables	—	—	—	—	—	1,453	—	1,453
Bonds	—	—	—	—	—	698,462	—	698,462
Bank overdrafts	—	—	—	—	—	1	—	1
Deferred income	—	—	—	—	—	—	14,546	14,546
Deferred tax liabilities	—	—	—	—	—	—	58,297	58,297
Derivative financial instruments	—	309	17,059	—	—	—	—	17,368
	—	794	20,692	—	—	2,825,938	2,360,947	5,208,371

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Loans and receivables \$'000	Fair value through profit or loss \$'000	Derivatives used for hedging \$'000	Available- for-sale \$'000	Held-to- maturity \$'000	Liabilities at amortised cost \$'000	Non- financial assets/ liabilities \$'000	Total \$'000
The Group								
2008								
Assets								
Property, plant and equipment	–	–	–	–	–	–	1,019,084	1,019,084
Associated companies and joint ventures	–	–	–	–	–	–	263,078	263,078
Investments	1,162	–	–	13,902	38,352	–	–	53,416
Intangible assets	–	–	–	–	–	–	641,090	641,090
Investment properties	–	–	–	–	–	–	17,371	17,371
Long-term receivables	1,151	–	–	–	–	–	–	1,151
Finance lease receivables	15,850	–	–	–	–	–	–	15,850
Derivative financial instruments	–	2,950	13,424	–	–	–	–	16,374
Deferred tax assets	–	–	–	–	–	–	138,128	138,128
Stocks and work-in-progress	–	–	–	–	–	–	1,286,331	1,286,331
Trade debtors	968,675	–	–	–	–	–	139,554	1,108,229
Due from related corporations	234,078	–	–	–	–	–	–	234,078
Advances and other debtors	107,457	253	9,885	–	–	–	261,491	379,086
Short-term investments	–	369	–	211	–	–	–	580
Bank balances and other liquid funds	818,925	–	–	–	–	–	–	818,925
	2,147,298	3,572	23,309	14,113	38,352	–	3,766,127	5,992,771
Liabilities								
Advance payments from customers	–	–	–	–	–	–	1,091,640	1,091,640
Creditors and accruals	–	866	7,502	–	–	1,395,285	2,516	1,406,169
Provisions	–	–	–	–	–	–	185,415	185,415
Progress billings in excess of work-in-progress	–	–	–	–	–	–	475,746	475,746
Provision for taxation	–	–	–	–	–	–	177,647	177,647
Short-term bank loans	–	–	–	–	–	322,773	–	322,773
Lease obligations	–	–	–	–	–	7,145	–	7,145
Long-term bank loans	–	–	–	–	–	549,631	–	549,631
Other loans	–	–	–	–	–	1,847	–	1,847
Bank overdrafts	–	–	–	–	–	19	–	19
Deferred income	–	–	–	–	–	–	11,496	11,496
Deferred tax liabilities	–	–	–	–	–	–	62,602	62,602
Derivative financial instruments	–	–	23,525	–	–	–	–	23,525
	–	866	31,027	–	–	2,276,700	2,007,062	4,315,655

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Loans and receivables \$'000	Liabilities at amortised cost \$'000	Non-financial assets/ liabilities \$'000	Total \$'000
The Company				
2009				
Assets				
Property, plant and equipment	–	–	711	711
Subsidiaries	–	–	588,477	588,477
Associated companies and joint ventures	–	–	17,707	17,707
Due from related corporations	29	–	–	29
Advances and other debtors	339,657	–	439	340,096
Long-term receivables, current	90	–	–	90
Bank balances and other liquid funds	241,984	–	–	241,984
	581,760	–	607,334	1,189,094
Liabilities				
Creditors and accruals	–	41,650	–	41,650
Provision for taxation	–	–	5,204	5,204
Deferred tax liabilities	–	–	205	205
Due to a subsidiary	–	54,000	–	54,000
	–	95,650	5,409	101,059
2008				
Assets				
Property, plant and equipment	–	–	1,016	1,016
Subsidiaries	–	–	574,453	574,453
Associated companies and joint ventures	–	–	50	50
Due from related corporations	139,198	–	–	139,198
Advances and other debtors	340,103	–	93	340,196
Long-term receivables, current	180	–	–	180
Bank balances and other liquid funds	231,195	–	–	231,195
	710,676	–	575,612	1,286,288
Liabilities				
Creditors and accruals	–	56,855	–	56,855
Provision for taxation	–	–	5,927	5,927
Short-term bank loans	–	25,300	–	25,300
Deferred tax liabilities	–	–	201	201
Due to a subsidiary	–	54,000	–	54,000
	–	136,155	6,128	142,283

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments

	Note	2009			2008		
		Contractual/ notional amount \$'000	Estimated fair value		Contractual/ notional amount \$'000	Estimated fair value	
			Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000
Cash flow hedges							
Forward currency contracts:							
- to hedge confirmed sales in foreign currencies	(a)(i)	186,931	2,497	(2,386)	282,136	10,555	(1,252)
- to hedge firm purchase commitments in foreign currencies	(a)(i)	39,930	414	(533)	72,175	1,681	(2,684)
- to hedge accounts receivable commitments in foreign currencies	(a)(i)	2,184	76	-	-	-	-
- to hedge accounts payable commitments in foreign currencies	(a)(i)	381	56	-	-	-	-
Interest rate swaps	(b)	581,000	-	(16,539)	417,465	-	(23,525)
Cross currency swap	(c)	300,000	6,405	-	-	-	-
Other derivatives							
- embedded derivatives	(a)(i)	173,113	11,498	(818)	167,787	9,002	-
Fair value hedges							
Forward currency contracts:							
- to hedge confirmed sales in foreign currencies	(a)(i)	118,241	1,774	(222)	122,232	498	(3,566)
- to hedge accounts receivable in foreign currencies	(a)(i)	62,387	1,585	(194)	31,824	1,573	-
Non-hedging instruments							
Forward currency contracts:							
- sales	(a)(ii)	64,391	556	(383)	15,618	-	(170)
- purchases	(a)(ii)	4,025	-	(102)	8,228	253	(251)
Other derivatives							
- embedded derivatives	(a)(ii)	66,996	4,420	(309)	109,853	2,950	(445)
Total			29,281	(21,486)		26,512	(31,893)
Less: Current portion			(10,539)	4,118		(10,138)	8,368
Non-current portion			18,742	(17,368)		16,374	(23,525)

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Forward currency contracts

- (i) As at 31 December 2009, the Group has forward currency contracts and embedded derivative separated from the foreign currency portion of a sales contract amounting to \$583,167,000 (2008: \$676,154,000) designated as hedges of confirmed sales in foreign currencies, firm purchase commitments in foreign currencies, accounts receivable in foreign currencies and accounts payable in foreign currencies.

The maturity dates of the forward currency contracts and embedded derivative separated from the foreign currency portion of a sales contract approximate the timing of the expected cash flows of their respective hedged items, which are on varying periods up to 5 years from the financial year end.

- (ii) As at 31 December 2009, the Group has outstanding forward currency contracts and embedded derivatives separated from the foreign currency portion of sales contracts amounting to \$135,412,000 (2008: \$133,699,000), which are not designated as hedges of confirmed sales in foreign currencies and firm purchase commitments in foreign currencies.

(b) Interest rate swaps

As at 31 December 2009, the Group has outstanding interest rate swaps amounting to \$581,000,000 (2008: \$417,465,000), which are designated as cash flow hedges.

The USD interest rate swaps are being used to hedge the exposure to changes in the fair value of the 100% unsecured USD long-term loans. Under the USD interest rate swaps, the Group pays fixed rates of interest of 3.68% to 3.86% (2008: 3.68% to 3.86%) per annum and receives variable rates of interest equal to the LIBOR on the notional amount. The USD interest rate swaps have the same maturity terms as the unsecured USD long-term loans.

The Euro interest rate swap is being used to hedge the exposure to changes in the fair value of the same unsecured long-term loan. Under the Euro interest rate swap, the Group pays a fixed rate of interest of 2.95% per annum and receives a variable rate of interest equal to the EURIBOR + 1.2% on the notional amount. The Euro interest rate swap has the same maturity terms as the unsecured long-term loan.

In 2008, the Euro interest rate swap is being used to hedge the exposure to changes in the fair value of the 50% secured Euro long-term loan. Under the Euro interest rate swap, the Group pays a fixed rate of interest of 3.96% per annum and receives a variable rate of interest equal to the EURIBOR on the notional amount. The Euro interest rate swap has the same maturity terms as the secured Euro long-term loan. Subsequent to 31 December 2008, the Euro interest rate swap was terminated at the prevailing market rate.

(c) Cross currency swap

As at 31 December 2009, the Group has an outstanding cross currency swap amounting to \$300,000,000 (2008: \$nil), which is designated as cash flow hedge.

The SGD cross currency swap converts the SGD bank loan with floating SGD interest rate at SIBOR + 1.325% to an equivalent Euro bank loan (approximately Euro 145,300,000) with floating Euro interest at EURIBOR + 1.2%.

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52. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

The Group is currently in a net cash position. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

	Group	
	2009	2008
	\$'000	\$'000
Gross debt		
Bank loans	732,364	872,404
Bonds	698,462	–
Capitalised lease obligations	5,552	7,145
Other loans	2,328	1,847
	1,438,706	881,396
Bank overdrafts	1	19
	1,438,707	881,415
Shareholders' funds		
Share capital	611,808	586,614
Other reserves	93,530	100,107
Retained earnings	862,764	893,719
	1,568,102	1,580,440
Minority interests	108,094	96,676
	1,676,196	1,677,116
Gross debt equity ratio	85.8%	52.6%
Cash and cash equivalents	1,513,609	1,049,094
Short-term investments	235,825	580
	1,749,434	1,049,674
Gross debt (excluding bank overdrafts)	(1,438,706)	(881,396)
Net cash position	310,728	168,278

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53. SUBSEQUENT EVENTS

A subsidiary in the Group had entered into an agreement on 20 January 2010 to sell its 51% owned subsidiary, ST Electronics-PCI Co., Ltd for a cash consideration of \$1.47 million (RMB7.14 million).