

“Good Performance”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2010

	2010 FY	2009 FY	Growth %
Turnover (\$m)	5,985	5,548	8
Earnings before interest and tax (EBIT) (\$m)	586.7	486.4	21
Other income, net (\$m)	40.0	67.6	(41)
Finance costs, net (\$m)	(43.3)	(46.3)	6
Profit before tax (PBT) (\$m)	627.5	546.6	15
Profit attributable to shareholders (\$m)	491.0	443.9	11
Earnings per share (cents)	16.21	14.78	10
Economic value added (EVA) (\$m)	369.7	304.8	21
Return on equity (%)	30.3	28.3	NM
Dividend per share (cents)	14.55	13.28	10
• Final	11.55	10.28	
- Ordinary	4.00	4.00	
- Special	7.55	6.28	
• Interim (Ordinary)	3.00	3.00	

- Commercial sales constituted 59% or \$3.5 billion of turnover
- Order book of \$11.5 billion at end December 2010, of which about \$3.7 billion is expected to be delivered in 2011
- Cash and cash equivalents and short-term investments total \$1.79 billion
- Advance payments from customers total \$1.53 billion

N.B.: All currencies are in Singapore dollars

"The Group registered good growth in Turnover and Profits in FY2010 over FY2009. Turnover increased by 8% to almost \$6b while PBT and Net Profit improved by 15% and 11% to \$627.5m and \$491.0m respectively. This good performance translates to an ROE of 30.3%.

In 2010, the Group invested more than \$300m of capital expenditures in new capabilities and capacity to tap the growth opportunities across the four sectors. We ended the year with a strong order book of \$11.5b, which provides good visibility of the Group's future revenue stream and will further add to our resilience.

Barring unforeseen circumstances, the Group expects to achieve higher turnover and PBT in FY2011 compared to FY2010."

Tan Pheng Hock, President & CEO

N.B.: All currencies are in Singapore dollars

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**SINGAPORE TECHNOLOGIES ENGINEERING LTD
AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010**
1 CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		
	FY2010 \$'000	FY2009 \$'000	+/(-) %
Turnover	5,984,473	5,547,787	7.9
Cost of sales	(4,721,022)	(4,397,582)	7.4
Gross profit	1,263,451	1,150,205	9.8
Distribution and selling expenses (refer para 1.7)	(165,602)	(182,174)	(9.1)
Administrative expenses	(407,286)	(397,011)	2.6
Other operating expenses (refer para 1.8)	(103,880)	(84,607)	22.8
Profit from operations before taxation, other income and finance costs, net	586,683	486,413	20.6
Other income, net (refer para 1.9)	39,998	67,571	(40.8)
Finance income	44,091	16,322	170.1
Finance costs	(87,416)	(62,626)	39.6
Finance costs, net	(43,325)	(46,304)	(6.4)
Share of results of associates and joint ventures	44,119	38,879	13.5
Profit from operations before taxation	627,475	546,559	14.8
Taxation	(122,623)	(90,162)	36.0
Profit from operations after taxation	504,852	456,397	10.6
Attributable to:			
Shareholders of the Company	491,005	443,930	10.6
Non-controlling interests	13,847	12,467	11.1
	504,852	456,397	10.6

1(a) BREAKDOWN AND EXPLANATORY NOTES TO CONSOLIDATED INCOME STATEMENT

	GROUP		
	FY2010 \$'000	FY2009 \$'000	+ / (-) %
1.1 Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	132,030	162,758	(18.9)
The lower depreciation and amortisation was mainly due to the revision in the depreciation policy of property, plant and equipment. Please refer to paragraph 9 for further details.			
(Write-back of allowance)/allowance for doubtful debts & bad debts written off, net	(5,191)	31,606	(116.4)
The write-back of allowance for doubtful debts, net in FY2010 mainly came from Land Systems and Marine sectors, while the allowance for doubtful debts, net in FY2009 came from all sectors.			
Allowance for stock obsolescence, net	27,642	48,726	(43.3)
The lower allowance for stock obsolescence, net mainly came from Aerospace and Land Systems sectors.			
Impairment of intangible assets	8,679	397	>500
1.2 Finance costs, net comprises:			
Interest income	20,462	12,688	61.3
Foreign exchange loss, net	(8,716)	(4,841)	80.0
Gain on disposal of investments	10,849	690	>500
Impairment in value of investments	(417)	(1,060)	(60.7)
Interest expenses	(56,190)	(56,120)	0.1
Others	(9,313)	2,339	(498.2)
	<u>(43,325)</u>	<u>(46,304)</u>	(6.4)
1.3 Profit from operations after taxation as a percentage of turnover	8.4%	8.2%	
1.4 Profit attributable to shareholders as a percentage of share capital and reserves at end of the year	30.3%	28.3%	
1.5 The Group's tax charge in FY2010 included adjustments for overprovision of current tax of \$13.1 million and underprovision of deferred tax of \$9.5 million in respect of prior years (FY2009: Effect of change in tax rate on deferred tax of \$2.4 million and adjustments for overprovision of current tax of \$17.1 million and underprovision of deferred tax of \$5.0 million).			
1.6 During the year, Electronics sector disposed of a property for a gain of \$1.0 million (FY2009: Electronics sector disposed of a property for a gain of \$0.4 million).			
1.7 The FY2010 distribution and selling expenses of \$165.6 million was lower compared to \$182.2 million in FY2009. This was mainly due to write-back of allowance for doubtful debts in FY2010 vis-à-vis allowance for doubtful debts in FY2009, but partially offset by expenses incurred on the 2010 Singapore Airshow as well as higher marketing expenses.			
1.8 The higher FY2010 other operating expenses of \$103.9 million compared to \$84.6 million in FY2009 was mainly due to higher R&D expenses.			
1.9 The lower FY2010 other income of \$40.0 million compared to \$67.6 million in FY2009 was largely due to lower income received from Singapore Government's Jobs Credit Scheme, which ceased in July 2010.			

1(b) BREAKDOWN OF TURNOVER AND PROFIT AFTER TAXATION

	GROUP		+ / (-) %
	2010 \$'000	2009 \$'000	
Turnover reported for first half year	2,878,596	2,727,133	5.6
Profit from operations after taxation reported for first half year	223,910	199,754	12.1
Turnover reported for second half year	3,105,877	2,820,654	10.1
Profit from operations after taxation reported for second half year	280,942	256,643	9.5

1(c) EARNINGS PER ORDINARY SHARE (EPS)

	GROUP	
	FY2010	FY2009
EPS based on net profit attributable to shareholders:	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	16.21	14.78
(ii) On a fully diluted basis	16.13	14.74

2 BALANCE SHEETS

	GROUP		COMPANY	
	31-Dec-10 \$'000	31-Dec-09 \$'000	31-Dec-10 \$'000	31-Dec-09 \$'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,301,543	1,166,245	433	711
Subsidiaries	-	-	594,995	588,477
Associates and joint ventures	281,171	273,379	17,657	17,707
Investments	16,190	21,464	-	-
Intangible assets	580,523	644,401	-	-
Investment properties	1,666	2,009	-	-
Long-term receivables, non-current	36,375	29,487	-	-
Amounts due from related parties, non-current	7,377	7,313	-	5,488
Finance lease receivables, non-current	6,552	5,227	-	-
Derivative financial instruments	566	18,742	-	-
Deferred tax assets	118,794	127,196	-	-
	2,350,757	2,295,463	613,085	612,383
Current assets				
Inventories and work-in-progress	1,470,429	1,364,296	-	-
Trade debtors	1,019,805	1,061,972	-	-
Amounts due from related parties, current	21,872	24,103	761,214	330,022
Advances and other debtors	590,248	368,212	1,281	4,615
Long-term receivables, current	10,428	7,637	77	90
Finance lease receivables, current	14,479	14,386	-	-
Short-term investments	198,464	235,825	-	-
Bank balances and other liquid funds	1,591,727	1,513,758	336,811	241,984
	4,917,452	4,590,189	1,099,383	576,711
TOTAL ASSETS	7,268,209	6,885,652	1,712,468	1,189,094
EQUITY AND LIABILITIES				
Current liabilities				
Advance payments from customers, current	614,342	655,669	-	-
Creditors and accruals	1,589,009	1,388,350	29,053	40,002
Amounts due to related parties, current	8,294	5,079	393,996	1,648
Provisions	210,390	211,851	-	-
Progress billings in excess of work-in-progress	567,193	557,329	-	-
Provision for taxation	187,020	178,724	2,833	5,204
Short-term bank loans	63,404	83,510	-	-
Lease obligations, current	2,741	1,822	-	-
Long-term bank loans, current	307,047	-	-	-
Other loans, current	1,869	240	-	-
Bank overdrafts	-	1	-	-
	3,551,309	3,082,575	425,882	46,854
NET CURRENT ASSETS	1,366,143	1,507,614	673,501	529,857

2 BALANCE SHEETS (cont'd)

	GROUP		COMPANY	
	31-Dec-10 \$'000	31-Dec-09 \$'000	31-Dec-10 \$'000	31-Dec-09 \$'000
Non-current liabilities				
Advance payments from customers, non-current	917,939	682,025	-	-
Deferred income	13,411	14,546	-	-
Deferred tax liabilities	58,216	58,355	426	205
Lease obligations, non-current	3,883	3,730	-	-
Long-term bank loans, non-current	327,118	648,854	-	-
Bonds	641,108	698,462	-	-
Other loans, non-current	991	2,088	-	-
Other long-term payables, non-current	2,500	1,453	-	-
Derivative financial instruments	24,698	17,368	-	-
Amounts due to related parties, non-current	202	-	54,000	54,000
	1,990,066	2,126,881	54,426	54,205
TOTAL LIABILITIES	5,541,375	5,209,456	480,308	101,059
NET ASSETS	1,726,834	1,676,196	1,232,160	1,088,035
Share capital and reserves				
Share capital	677,590	611,808	677,590	611,808
Capital reserves	116,323	116,323	-	-
Other reserves	(123,180)	(22,793)	66,586	61,790
Retained earnings	950,802	862,764	487,984	414,437
	1,621,535	1,568,102	1,232,160	1,088,035
Non-controlling interests	105,299	108,094	-	-
	1,726,834	1,676,196	1,232,160	1,088,035
TOTAL EQUITY AND LIABILITIES	7,268,209	6,885,652	1,712,468	1,189,094

2(a) ANALYSIS OF BALANCE SHEETS

Compared to 31 December 2009, the increase in property, plant and equipment was mainly due to increase in capital expenditures of \$333 million. The reduced intangible assets were mainly due to unfavourable translation impact as a result of a weakened USD.

In respect of net current assets, the decrease was mainly attributable to an increase in creditors and accruals, as well as reclassification of a long-term bank loan from non-current liabilities to current liabilities, but these were partially offset by increases in inventories and work-in-progress, advances and other debtors and a decrease in advance payments from customers.

The decrease in non-current liabilities was mainly attributable to the reclassification of \$300 million equivalent of long-term bank loan with maturity in 1Q2011 from non-current liabilities to current liabilities, but this was partially offset by an increase in advance payments from customers.

2(b) GROUP BORROWINGS

	As at 31-Dec-10 \$'000	As at 31-Dec-09 \$'000
<u>Amount repayable within one year</u>		
Secured	30,204	16,917
Unsecured	344,857	68,656
	<u>375,061</u>	<u>85,573</u>
<u>Amount repayable after one year</u>		
Secured	22,569	12,326
Unsecured	950,531	1,340,808
	<u>973,100</u>	<u>1,353,134</u>
 Total	 <u>1,348,161</u>	 <u>1,438,707</u>

2(c) NET ASSET VALUE

	GROUP	
	FY2010	FY2009
	Cents	Cents
Net asset value per ordinary share at end of the financial year	53.38	52.09

	COMPANY	
	FY2010	FY2009
	Cents	Cents
Net asset value per ordinary share at end of the financial year	40.56	36.14

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP	
	FY2010 \$'000	FY2009 \$'000
Cash flows from operating activities		
Profit before taxation including share of results of associates and joint ventures	627,475	546,559
Adjustments:		
Share of results of associates and joint ventures	(44,119)	(38,879)
Depreciation charge	120,940	150,985
Impairment in value of investments	417	1,060
Property, plant and equipment written off	7,493	10,948
Write-back of impairment of property, plant and equipment	(14)	(42)
Gain on disposal of property, plant and equipment	(2,813)	(1,255)
Gain on disposal of an investment property	-	(447)
Gain on disposal of investments	(10,849)	(690)
(Gain)/loss on disposal of subsidiaries	(429)	83
Gain on disposal of an associate	(81)	-
Loss on dilution of an associate	115	-
Negative goodwill	-	(427)
Goodwill written off	-	1,599
Impairment of goodwill	3,741	-
Share-based payment expense	12,181	17,702
Changes in fair value of financial instruments and hedged items	9,343	(812)
Interest expenses	56,190	56,120
Interest income	(20,462)	(12,688)
Dividends from investments	(30)	(181)
Amortisation of other intangible assets	11,090	11,773
Other intangible assets written off	90	-
Impairment of other intangible assets	4,938	397
Operating profit before working capital changes	<u>775,216</u>	<u>741,805</u>
<u>(Increase)/decrease in:</u>		
Inventories and work-in-progress	(137,305)	(57,866)
Progress billings in excess of work-in-progress	9,864	81,583
Trade debtors	26,564	74,312
Advance payments to suppliers	(145,649)	(21,706)
Other debtors, deposits and prepayments	3,032	38,608
Holding company and related corporations balances	(1,223)	(520)
Associates	850	1,089
Joint ventures	5,619	(11,033)
Trade creditors	88,799	(46,526)
Advance payments from customers	197,044	242,899
Other creditors, accruals and provisions	83,049	11,328
Loans to staff and third parties	(9,688)	(35,975)
Deferred income	(1,135)	1,540
Foreign currency translation of foreign operations	(17,347)	(40,730)
Cash generated from operations	<u>877,690</u>	<u>978,808</u>
Interest received	21,387	9,230
Income tax paid	(88,318)	(87,830)
Net cash from operating activities	<u>810,759</u>	<u>900,208</u>

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010 (cont'd)

	GROUP	
	FY2010	FY2009
	\$'000	\$'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	7,673	5,045
Proceeds from sale of an investment property	-	1,800
Proceeds from sale of associates	410	-
Dividends from associates and joint ventures	24,184	44,505
Dividends from investments	30	181
Proceeds from sale and maturity of investments	238,608	1,154
Purchase of property, plant and equipment	(323,508)	(276,525)
Purchase of investments	(207,273)	(195,399)
Additional investment in a joint venture	(979)	(1,000)
Acquisition of associates	(2,243)	(18,803)
Acquisition of other intangible assets	(4,707)	(6,696)
Acquisition of controlling interests in subsidiaries	(793)	(38,775)
Proceeds from disposal of a subsidiary	1,218	-
Net cash used in investing activities	(267,380)	(484,513)
Cash flows from financing activities		
Capital contribution from non-controlling interests of subsidiaries	1,042	5,092
Proceeds from issue of shares	58,402	22,208
Proceeds from issue of bonds	-	716,653
Loan from non-controlling shareholders	-	757
Loan to associates and joint ventures	(515)	(7,313)
Repayment of loan by an associate	241	493
Proceeds from other loans	1,641	-
Repayment of other loans	(221)	(234)
Repayment of lease obligations	(1,624)	(1,692)
Proceeds/(repayment) of bank loans, net	3,417	(151,442)
Acquisition of non-controlling interests in subsidiaries	(3,085)	(2,562)
Dividends paid to shareholders of the Company	(402,238)	(474,555)
Dividends paid to non-controlling interests	(13,460)	(12,982)
Interest paid	(58,723)	(42,902)
Net cash (used in)/from financing activities	(415,123)	51,521
Net increase in cash and cash equivalents	128,256	467,216
Cash and cash equivalents at beginning of the year	1,513,757	1,049,094
Exchange difference on cash and cash equivalents at beginning of the year	(50,286)	(2,553)
Cash and cash equivalents at end of the year	1,591,727	1,513,757

3(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

Compared to FY2009, net cash from operating activities of \$810 million in FY2010 was lower by \$90 million. This was mainly due to less favourable working capital movements arose mainly from the negative variances in inventories and work-in-progress, progress billings in excess of work-in-progress and advance payments to suppliers, but partially offset by the positive variances in trade creditors and other creditors, accruals and provisions.

The Group's net cash used in investing activities of \$267 million in FY2010 was lower than FY2009 by \$217 million, mainly due to higher proceeds from sale and maturity of investments, as well as lower cash outflow for the acquisition of controlling interests in subsidiaries, but these were partially offset by an increase in purchase of investments and property, plant and equipment.

3(a) **ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS** (cont'd)

The Group had a net cash used in financing activities of \$415 million in FY2010 compared to a net cash from financing activities of \$52 million in FY2009. Net cash used in financing activities in FY2010 was largely attributable to dividends paid to shareholders of the Company, while net cash from financing activities in FY2009 arose mainly from proceeds from the issuance of bonds (US\$500 million) net of partial repayment of bank loans, as well as dividends paid to shareholders of the Company.

Compared to FY2009, the cash and cash equivalents as at FY2010 was \$78 million higher at \$1,592 million.

4 **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010**

The Statement of Comprehensive Income included as part of the results announcement is in compliance with the Financial Reporting Standard (FRS).

	GROUP		
	FY2010	FY2009	+ / (-)
	\$'000	\$'000	%
Profit from operations after taxation	504,852	456,397	10.6
Other comprehensive income			
Net fair value changes on available-for-sale financial assets	(848)	8,251	(110.3)
Net fair value changes on effective portion of cash flow hedges	(12,629)	(4,214)	199.7
Foreign currency translation of foreign operations	(90,193)	(27,500)	228.0
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of a subsidiary	30	-	-
Other comprehensive income for the year, net of tax	(103,640)	(23,463)	341.7
Total comprehensive income for the year	401,212	432,934	(7.3)
Total comprehensive income attributable to:			
Shareholders of the Company	390,467	422,464	(7.6)
Non-controlling interests	10,745	10,470	2.6
	401,212	432,934	(7.3)

5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

Group	Share capital \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1.1.2009	586,614	116,323	(16,216)	893,719	1,580,440	96,676	1,677,116
Total comprehensive income for the year							
Net profit for the year	-	-	-	443,930	443,930	12,467	456,397
Other comprehensive income							
Net fair value changes on available-for-sale financial assets	-	-	8,245	-	8,245	6	8,251
Net fair value changes on effective portion of cash flow hedges	-	-	(4,218)	-	(4,218)	4	(4,214)
Foreign currency translation of foreign operations	-	-	(25,493)	-	(25,493)	(2,007)	(27,500)
<i>Other comprehensive income for the year</i>	-	-	(21,466)	-	(21,466)	(1,997)	(23,463)
Total comprehensive income for the year	-	-	(21,466)	443,930	422,464	10,470	432,934
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company							
Issue of shares	25,194	-	(2,986)	-	22,208	-	22,208
Capital contribution by non-controlling interests	-	-	-	-	-	5,092	5,092
Cost of share-based payment	-	-	17,545	-	17,545	157	17,702
Dividends paid	-	-	-	(474,555)	(474,555)	-	(474,555)
Dividends paid to non-controlling interests	-	-	-	-	-	(12,982)	(12,982)
<i>Total contributions by and distributions to owners of the Company</i>	25,194	-	14,559	(474,555)	(434,802)	(7,733)	(442,535)
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	(1,075)	(1,075)
<i>Total changes in ownership interests in subsidiaries that do not result in a loss of control</i>	-	-	-	-	-	(1,075)	(1,075)
Total transactions with owners of the Company	25,194	-	14,559	(474,555)	(434,802)	(8,808)	(443,610)
Acquisition of controlling interests in subsidiaries	-	-	-	-	-	9,756	9,756
Transfer from unappropriated profit to statutory reserve	-	-	330	(330)	-	-	-
At 31.12.2009	611,808	116,323	(22,793)	862,764	1,568,102	108,094	1,676,196

5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010 (cont'd)

Group	Share capital \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1.1.2010	611,808	116,323	(22,793)	862,764	1,568,102	108,094	1,676,196
Total comprehensive income for the year							
Net profit for the year	-	-	-	491,005	491,005	13,847	504,852
Other comprehensive income							
Net fair value changes on available-for-sale financial assets	-	-	(848)	-	(848)	-	(848)
Net fair value changes on effective portion of cash flow hedges	-	-	(12,633)	-	(12,633)	4	(12,629)
Foreign currency translation of foreign operations	-	-	(87,087)	-	(87,087)	(3,106)	(90,193)
Reclassification adjustment of foreign translation reserve to profit or loss arising from disposal of a subsidiary	-	-	30	-	30	-	30
<i>Other comprehensive income for the year</i>	-	-	(100,538)	-	(100,538)	(3,102)	(103,640)
Total comprehensive income for the year	-	-	(100,538)	491,005	390,467	10,745	401,212
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company							
Issue of shares	65,782	-	(7,328)	-	58,454	(52)	58,402
Capital contribution by non-controlling interests	-	-	-	-	-	1,042	1,042
Cost of share-based payment	-	-	12,068	-	12,068	113	12,181
Dividends paid	-	-	-	(402,238)	(402,238)	-	(402,238)
Dividends paid to non-controlling interests	-	-	-	-	-	(13,460)	(13,460)
<i>Total contributions by and distributions to owners of the Company</i>	65,782	-	4,740	(402,238)	(331,716)	(12,357)	(344,073)
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interest in subsidiaries	-	-	(5,318)	-	(5,318)	75	(5,243)
<i>Total changes in ownership interests in subsidiaries that do not result in a loss of control</i>	-	-	(5,318)	-	(5,318)	75	(5,243)
Disposal of a subsidiary	-	-	-	-	-	(1,258)	(1,258)
Total transactions with owners of the Company	65,782	-	(578)	(402,238)	(337,034)	(13,540)	(350,574)
Transfer from unappropriated profit to statutory reserve	-	-	729	(729)	-	-	-
At 31.12.2010	677,590	116,323	(123,180)	950,802	1,621,535	105,299	1,726,834

5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010 (cont'd)

Company	Share capital \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1.1.2009	586,614	46,779	510,612	1,144,005
Total comprehensive income for the year				
Net profit for the year	-	-	378,380	378,380
Total comprehensive income for the year	-	-	378,380	378,380
Transactions, with owners of the Company, recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	25,194	(2,986)	-	22,208
Cost of share-based payment	-	17,997	-	17,997
Dividends paid	-	-	(474,555)	(474,555)
<i>Total contributions by and distributions to owners</i>	25,194	15,011	(474,555)	(434,350)
At 31.12.2009	611,808	61,790	414,437	1,088,035
At 1.1.2010	611,808	61,790	414,437	1,088,035
Total comprehensive income for the year				
Net profit for the year	-	-	475,785	475,785
Total comprehensive income for the year	-	-	475,785	475,785
Transactions, with owners of the Company, recorded directly in equity				
Contributions by and distributions to owners				
Issue of shares	65,782	(7,380)	-	58,402
Cost of share-based payment	-	12,176	-	12,176
Dividends paid	-	-	(402,238)	(402,238)
<i>Total contributions by and distributions to owners</i>	65,782	4,796	(402,238)	(331,660)
At 31.12.2010	677,590	66,586	487,984	1,232,160

5(a) **CHANGES IN COMPANY'S SHARE CAPITAL**

Issued and paid up capital

As at 31 December 2010, the Company has an issued share capital of 3,037,565,745 ordinary shares (31 December 2009: 3,010,456,133 ordinary shares) and is not holding any treasury shares (31 December 2009: Nil).

Share Option Plan

During the financial year, the Company issued and allotted 27,109,612 ordinary shares comprising 5,676,343 ordinary shares upon the exercise of options granted under the terminated Singapore Technologies Engineering Executives' Share Option Scheme ("ESOS"), 18,304,920 ordinary shares upon the exercise of options granted under the Singapore Technologies Engineering Share Option Plan ("ESOP"), 555,929 ordinary shares credited as fully paid under the Singapore Technologies Engineering Performance Share Plan and 2,572,420 ordinary shares credited as fully paid under the Singapore Technologies Engineering Restricted Stock Plan. The shares were issued ranking pari passu in all respects with the existing issued ordinary shares in the capital of the Company.

As at 31 December 2010, there were 84,290,501 (31 December 2009: 104,356,044) unexercised options of unissued ordinary shares under ESOP and there were no outstanding unexercised options of unissued ordinary shares under ESOS (31 December 2009: 7,352,103).

Performance Share Plan

The total number of performance shares under the Singapore Technologies Engineering Performance Share Plan ("PSP") granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2010 were 4,093,934. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 6,696,535 ordinary shares of the Company.

Restricted Stock Plan

As at 31 December 2010, the total number of outstanding restricted shares under the Singapore Technologies Engineering Restricted Stock Plan ("RSP"), including awards achieved but not released was 18,317,469. Of this, the total number of final restricted shares not released was 2,565,843 and the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 15,751,626. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 23,542,039 ordinary shares of the Company.

6 **AUDIT**

The figures have been audited by the Company's auditors (except as indicated).

7 **AUDITORS' REPORT**

See attached auditors' report.

8 ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2009 except for the adoption of FRS and INT FRS that are mandatory for financial year beginning on or after 1 January 2010 and changes in accounting policies as per paragraph 9. The adoption of these FRS and INT FRS has no significant impact on the financial statements, 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 non-controlling interests.

9 CHANGES IN ACCOUNTING POLICIES

FRS 16 requires the Group to review the estimated useful lives of property, plant and equipment periodically such that it best reflects the pattern in which the assets' future economic benefits are expected to be consumed. During the year, the Group engaged independent consultants to perform industry and benchmarking study of the depreciation rates of its property, plant and equipment. The industry and benchmarking study considered the industry practices of the four sectors and studied the economic useful lives of its property, plant and equipment. Based on the results obtained, the Group revised the estimated useful lives of the property, plant and equipment to align them to industry practices with effect from the financial year ended 2010. The revised estimated useful lives are as follows:

	Existing estimated <u>useful lives</u>	Revised estimated <u>useful lives</u>
Buildings	15 to 30 years	15 to 50 years
Plant and Machinery	2 to 20 years	5 to 25 years
Production tools and equipment	3 to 10 years	3 to 15 years
Aircraft and aircraft engines	5 to 20 years	15 to 30 years
Wharves and slipways	10 to 16 years	20 years
Syncrolift and floating docks	5 to 10 years	15 years
Boats and barges	5 years	10 years

The effect of these changes on the income statement in current and future years is as follows:

<u>\$m</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Decrease in depreciation charge	39.5	32.2	22.9

10 REVIEW OF GROUP PERFORMANCE

10(a) Turnover

FY2010 vs FY2009

\$m	FY2010	FY2009	Growth	
Aerospace	1,871	1,872	(1)	-
Electronics	1,389	1,371	18	1%
Land Systems	1,506	1,167	339	29%
Marine	1,044	949	95	10%
Others	175	189	(14)	(7%)
Total	5,985	5,548	437	8%

Group's turnover of \$5,985 million for FY2010 was higher than that achieved in FY2009 by 8% or \$437 million. Both Land Systems and Marine sectors reported higher turnover, while Aerospace and Electronics sectors had comparable turnover.

Aerospace sector's FY2010 turnover of \$1,871 million was comparable to that of FY2009. The higher turnover in the **Aircraft Maintenance & Modification (AMM)** and the **Engineering & Materials Services (EMS)** business groups were largely offset by the lower turnover in the **Component/Engine Repair & Overhaul (CERO)** business group. **AMM** business group's higher turnover was mainly due to more aircraft redeliveries, whilst more project milestone completions and higher Maintenance-by-the-Hour (MBH) sales contributed to the higher turnover in the **EMS** business group. Lower sales in the components business accounted for the lower turnover in **CERO** business group.

FY2010 turnover of \$1,389 million for the Electronics sector was comparable to that of FY2009. The higher turnover in the **Communication & Sensor Systems Group (CSG)** was offset by the lower turnover in the **Large-Scale Systems Group (LSG)**. Higher turnover recorded by **CSG** was mainly due to delivery of telematics systems and milestone completions of communication projects and a VSAT network project. Lower turnover in **LSG** was mainly due to lower value project milestone completions.

Land Systems sector's FY2010 turnover of \$1,506 million was higher than FY2009 by 29% or \$339 million. The higher turnover was contributed mainly by higher project deliveries and specialty vehicle sales of the **Automotive (Auto)** business group as well as higher turnover of the **Services, Trading & Others (S&T)** business group, but these were partially offset by the **Munitions & Weapon (M&W)** business group's lower project deliveries.

Turnover of Marine sector in FY2010 of \$1,044 million was higher than FY2009 by 10% or \$95 million. All the three business groups contributed to the higher turnover. Higher **Shipbuilding** turnover was due mainly to favourable sales mix, while higher repair activities from naval customers contributed to higher **Shiprepair** turnover. **Engineering's** higher turnover was mainly attributable to higher engine repair activities and naval logistics management sales.

10 REVIEW OF GROUP PERFORMANCE (cont'd)
10(a) Turnover (cont'd)
4Q2010 vs 3Q2010 (unaudited)

\$m	4Q2010	3Q2010	Growth	
Aerospace	440	486	(46)	(10%)
Electronics	378	338	40	12%
Land Systems	466	368	98	27%
Marine	286	254	32	13%
Others	49	41	8	18%
Total	1,619	1,487	132	9%

Group's turnover for 4Q2010 of \$1,619 million was higher than that achieved in 3Q2010 by 9% or \$132 million. Except for the Aerospace sector, all sectors recorded higher turnover compared to 3Q2010.

Aerospace sector's turnover of \$440 million for 4Q2010 was lower than 3Q2010 by 10% or \$46 million. All the three business groups registered lower turnover. **AMM** business group's lower turnover was impacted by the timing of aircraft redeliveries, while **CERO** business group's lower turnover was mainly due to lower components sales. Fewer project milestone completions accounted for the lower turnover in **EMS** business group.

4Q2010 turnover of \$378 million for the Electronics sector was higher than that achieved in 3Q2010 by 12% or \$40 million as all the three business groups recorded higher turnover. The increase in **LSG's** turnover was mainly due to milestone completions of the Taiwan MRT projects, the Land Transport Authority's Circle Line project and the half height platform screen doors project. Increase in sales of satellite communication products contributed to **CSG's** higher turnover, while milestone completions of simulator projects and a software system project accounted for **Software Systems Group's** higher turnover.

Compared to 3Q2010, Land Systems sector's 4Q2010 turnover of \$466 million was higher by 27% or \$98 million. Higher project deliveries and specialty vehicle sales of the **Auto** business group, as well as higher munitions deliveries of the **M&W** business group were partially offset by lower turnover of **S&T** business group.

4Q2010 turnover of \$286 million for the Marine sector was higher than that achieved in 3Q2010 by 13% or \$32 million, mainly due to higher **Shipbuilding** and **Shiprepair** turnover.

10 REVIEW OF GROUP PERFORMANCE (cont'd)
10(b) Profitability
FY2010 vs FY2009

\$m	FY2010	FY2009	Growth	
Aerospace	262.2	228.3	33.9	15%
Electronics	127.6	115.3	12.3	11%
Land Systems	113.9	95.4	18.5	19%
Marine	118.0	102.3	15.7	15%
Others	5.8	5.3	0.5	8%
Total	627.5	546.6	80.9	15%

Group's profit before tax (PBT) for FY2010 of \$627.5 million was higher than that achieved in FY2009 by 15% or \$80.9 million. All sectors recorded higher PBT compared to FY2009.

The revision in the depreciation policy of property, plant and equipment had a positive impact of \$39.5m on the Group's PBT. This was, however, largely offset by the lower other income (by \$31.2m) due to the discontinuation of the Singapore Government's Jobs Credit Scheme.

PBT of the Aerospace sector in FY2010 of \$262.2 million was higher than FY2009 by 15% or \$33.9 million. Notwithstanding the impact of a weakened US dollar, higher PBT was achieved as a result of lower depreciation and finance costs. However, these were partially offset by lower contributions from associates.

PBT of the Electronics sector in FY2010 of \$127.6 million was higher than FY2009 by 11% or \$12.3 million. The higher PBT was mainly due to higher turnover and favourable sales mix.

Compared to FY2009, Land Systems sector's PBT of \$113.9 million for FY2010 was higher by 19% or \$18.5 million. The higher PBT was mainly due to higher turnover, but this was partially offset by unfavourable product mix and higher other operating expenses.

PBT of the Marine sector in FY2010 of \$118.0 million was higher than that achieved in FY2009 by 15% or \$15.7 million. The higher PBT was mainly attributable to higher turnover, share of higher profits from joint ventures and lower distribution and selling expenses, but these were partially offset by higher finance cost.

10 REVIEW OF GROUP PERFORMANCE (cont'd)
10(b) Profitability (cont'd)
4Q2010 vs 3Q2010 (unaudited)

\$m	4Q2010	3Q2010	Growth	
Aerospace	86.9	68.7	18.2	26%
Electronics	33.2	31.6	1.6	5%
Land Systems	29.0	28.1	0.9	3%
Marine	37.6	29.2	8.4	29%
Others	6.9	2.2	4.7	216%
Total	193.6	159.8	33.8	21%

Group's PBT for 4Q2010 of \$193.6 million was higher than that achieved in 3Q2010 by 21% or \$33.8 million as all sectors reported higher PBT. The improved performance was aided by the revision of the depreciation policy of property, plant and equipment.

Aerospace sector's 4Q2010 PBT of \$86.9 million was higher than that achieved in 3Q2010 by 26% or \$18.2 million. The higher PBT was mainly due to lower finance costs and higher contribution from associates.

Electronics sector's PBT of \$33.2 million for 4Q2010 was higher than that achieved in 3Q2010 by 5% or \$1.6 million. The increase in PBT was mainly due to higher turnover and favourable sales mix, but these were partially offset by higher operating expenses.

Land Systems sector's 4Q2010 PBT of \$29.0 million was comparable to that of 3Q2010. Contribution from higher turnover was offset by higher operating expenses.

PBT of the Marine sector of \$37.6 million in 4Q2010 was higher than that achieved in 3Q2010 by 29% or \$8.4 million, in line with the higher turnover.

11 VARIANCE FROM PROSPECTS STATEMENT

No variance from the previous prospects statement.

12 PROSPECTS**Group**

Barring unforeseen circumstances, the Group expects to achieve higher turnover and PBT in FY2011 compared to that of FY2010.

Sectors

For the Aerospace sector, FY2011 turnover is expected to be comparable, whilst PBT is expected to be higher than that of FY2010.

For the Electronics, Land Systems and Marine sectors, FY2011 turnover and PBT are expected to be higher than that of FY2010.

This release may contain forward-looking statements that involve risks and uncertainties. These forward-looking statements reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes, as well as natural disasters which may negatively impact business activities of the ST Engineering group. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

13 DIVIDENDS

The Directors are pleased to announce that a final dividend of 11.55 cents per share has been recommended for the year ended 31 December 2010. The recommended final dividend consists of an Ordinary Dividend of 4.00 cents per share and a Special Dividend of 7.55 cents per share. Together with the interim ordinary dividend of 3.00 cents per share paid on 9 September 2010, the total dividend for the year ended 31 December 2010 will be 14.55 cents per share and amounts to \$441.9 million. The recommended dividends take into consideration the Group's FY2010 profit after tax, present cash position, positive cash flow generated from operations and projected capital requirements. Payment of the final dividends is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim Ordinary tax exempt (one-tier)	Final Ordinary tax exempt (one-tier)	Special Dividend tax exempt (one-tier)	Total
Dividend Type	Cash	Cash	Cash	Cash
Dividend Per Share	3.00 cents per ordinary share	4.00 cents per ordinary share	7.55 cents per ordinary share	14.55 cents per ordinary share
Annual Dividend	\$91.0m	\$121.5m	\$229.4m	\$441.9m

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim Ordinary tax exempt (one-tier)	Final Ordinary tax exempt (one-tier)	Special Dividend tax exempt (one-tier)	Total
Dividend Type	Cash	Cash	Cash	Cash
Dividend Per Share	3.00 cents per ordinary share	4.00 cents per ordinary share	6.28 cents per ordinary share	13.28 cents per ordinary share
Annual Dividend	\$90.1m	\$121.1m	\$190.2m	\$401.4m

(c) Books Closure and Dividend Payment Dates

NOTICE IS HEREBY GIVEN THAT the Register of Members and Share Transfer Books will be closed on 28 April 2011 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company together with all relevant documents of title received by the Company's share registrar, M & C Services Private Limited, 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906 up to 5.00 p.m. on 27 April 2011 will be registered to determine members' entitlements to the proposed dividends, subject to approval of members to the proposed dividends at the Fourteenth Annual General Meeting to be convened on 20 April 2011. Subject as aforesaid, members whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 27 April 2011 will be entitled to the proposed dividends. The proposed dividends, if so approved by members, will be paid on 19 May 2011.

14 BUSINESS SEGMENTAL INFORMATION
By Business Activity

	FY2010						
	Aerospace	Electronics	Land Systems	Marine	Others	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover							
External sales	1,870,497	1,389,084	1,505,459	1,044,278	175,155		5,984,473
Inter-segment sales	4,498	39,383	12,947	572	26,847	(84,247)	-
	<u>1,874,995</u>	<u>1,428,467</u>	<u>1,518,406</u>	<u>1,044,850</u>	<u>202,002</u>	<u>(84,247)</u>	<u>5,984,473</u>
Reportable segment profit before taxation, other income and finance costs, net	233,829	130,322	111,341	109,389	(44,795)	46,597	586,683
Other income, net	9,350	5,915	17,113	7,296	41,622	(41,298)	39,998
Finance income	15,194	1,359	5,603	11,356	543,392	(532,813)	44,091
Finance costs	(25,391)	(9,916)	(27,981)	(11,957)	(58,973)	46,802	(87,416)
Share of results of associates and joint ventures	29,237	(117)	7,873	1,910	-	5,216	44,119
Profit from operations before taxation	262,219	127,563	113,949	117,994	481,246	(475,496)	627,475
Taxation	(46,848)	(24,555)	(17,357)	(29,346)	(3,384)	(1,133)	(122,623)
Non-controlling interests	(5,604)	(2,300)	(6,337)	409	-	(15)	(13,847)
Profit attributable to shareholders	<u>209,767</u>	<u>100,708</u>	<u>90,255</u>	<u>89,057</u>	<u>477,862</u>	<u>(476,644)</u>	<u>491,005</u>
Other assets	2,360,809	1,422,289	1,757,156	731,374	3,863,429	(3,148,019)	6,987,038
Associates and joint ventures	128,078	11,349	116,633	2,089	18,924	4,098	281,171
Segment assets	<u>2,488,887</u>	<u>1,433,638</u>	<u>1,873,789</u>	<u>733,463</u>	<u>3,882,353</u>	<u>(3,143,921)</u>	<u>7,268,209</u>
Segment liabilities	<u>2,066,800</u>	<u>1,311,985</u>	<u>1,732,982</u>	<u>641,017</u>	<u>2,283,627</u>	<u>(2,495,036)</u>	<u>5,541,375</u>
Capital expenditure ⁺	185,863	25,252	92,971	23,786	8,733	(1,009)	335,596
Depreciation and amortisation	66,035	22,626	29,409	10,557	3,418	(15)	132,030
Impairment loss/(write-back of impairment)	162	7,467	1,453	-	118	(118)	9,082
Other non-cash expenses	7,394	113	62	-	14	-	7,583

⁺ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

14 BUSINESS SEGMENTAL INFORMATION (cont'd)
By Business Activity

	FY2009						Group \$'000
	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	
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>
Reportable segment profit before taxation, other income and finance costs, net	199,849	107,178	73,701	87,960	(22,783)	40,508	486,413
Other income, net	20,434	14,428	22,258	9,767	40,477	(39,793)	67,571
Finance income	7,971	1,693	7,272	7,358	393,111	(401,083)	16,322
Finance costs	(34,071)	(8,934)	(12,310)	(3,613)	(39,159)	35,461	(62,626)
Share of results of associates 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)
Non-controlling interests	(8,900)	(1,477)	(2,111)	-	-	21	(12,467)
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>
Other assets	1,977,189	1,467,393	1,675,386	722,728	2,960,721	(2,191,144)	6,612,273
Associates and joint ventures	125,601	11,560	115,504	1,914	19,092	(292)	273,379
Segment assets	<u>2,102,790</u>	<u>1,478,953</u>	<u>1,790,890</u>	<u>724,642</u>	<u>2,979,813</u>	<u>(2,191,436)</u>	<u>6,885,652</u>
Segment liabilities	<u>1,645,392</u>	<u>1,351,017</u>	<u>1,616,055</u>	<u>622,141</u>	<u>1,519,116</u>	<u>(1,544,265)</u>	<u>5,209,456</u>
Capital expenditure *	141,805	29,412	108,827	20,590	5,218	(3,505)	302,347
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

* Capital expenditure consists of additions of property, plant and equipment and intangible assets.

14 BUSINESS SEGMENTAL INFORMATION (cont'd)
By Business Activity (unaudited)

For Turnover and Profit Before Tax of 4Q2010 vis-à-vis 3Q2010, please refer to paragraph 10.

	Profit Attributable to Shareholders		
	4Q2010	3Q2010	+ / (-)
	\$'000	\$'000	%
Aerospace	65,695	59,406	10.6
Electronics	24,667	27,338	(9.8)
Land Systems	21,928	22,749	(3.6)
Marine	27,427	21,799	25.8
Others	4,291	(1,068)	>500
Group	<u>144,008</u>	<u>130,224</u>	10.6

By Geographical Areas

	Turnover			
	FY2010		FY2009	
	\$'000	%	\$'000	%
Asia	3,328,265	55.6	3,093,411	55.8
USA	1,552,782	26.0	1,430,243	25.8
Europe	754,802	12.6	710,974	12.8
Others	348,624	5.8	313,159	5.6
Total	<u>5,984,473</u>	<u>100</u>	<u>5,547,787</u>	<u>100</u>

By Country of Incorporation

	Turnover				Non-Current Assets *			
	FY2010		FY2009		FY2010		FY2009	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Asia	4,188,454	70.0	3,790,209	68.3	1,184,597	53.1	1,001,044	46.6
USA	1,447,716	24.2	1,361,119	24.5	596,400	26.7	617,791	28.7
Europe	286,115	4.8	345,877	6.3	341,582	15.3	414,640	19.3
Others	62,188	1.0	50,582	0.9	108,818	4.9	116,050	5.4
Total	<u>5,984,473</u>	<u>100</u>	<u>5,547,787</u>	<u>100</u>	<u>2,231,397</u>	<u>100</u>	<u>2,149,525</u>	<u>100</u>

* Non-current assets for the purpose of FRS 108 *Operating Segments* excludes derivative financial instruments and deferred tax assets.

15 ECONOMIC VALUE ADDED (EVA)

EVA for FY2010 was \$369.7 million, an increase of 21% or \$64.9 million over FY2009. The weighted average cost of capital for 2010 was 5.7% (2009: 6.1%).

16 INTERESTED PERSON TRANSACTIONS (unaudited)

Aggregate value of all transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual

	FY2010	FY2009
	\$'000	\$'000
Transactions for the Sale of Goods and Services		
Keppel Corporation Ltd and its Associates	198	-
Neptune Orient Lines Limited and its Associates	454	-
SembCorp Industries Ltd and its Associates	-	160
Singapore Airport Terminal Services Limited and its Associates	101,443	2,512
Singapore Telecommunications Limited and its Associates	183	272
SMRT Corporation Ltd and its Associates	2,336	1,625
StarHub Ltd and its Associates	1,800	-
Temasek Holdings (Private) Limited and its Associates	7,782	6,210
	114,196	10,779
Transactions for the Purchase of Goods and Services		
CapitaLand Limited and its Associates	1,361	1,733
Singapore Airport Terminal Services Limited and its Associates	2,431	2,434
SembCorp Industries Ltd and its Associates	-	190
Singapore Telecommunications Limited and its Associates	4,404	2,395
SMRT Corporation Ltd and its Associates	1,263	1,057
StarHub Ltd and its Associates	-	433
Temasek Holdings (Private) Limited and its Associates	5,209	15,170
	14,668	23,412
Treasury Transactions		
Temasek Holdings (Private) Limited and its Associates	-	652,130
	128,864	686,321

17 **COMPARATIVE INFORMATION**

During the year,

- (a) the income statement presentation for interest income, fair value changes on financial instruments and foreign exchange differences were revised to better reflect the nature of these items; and
- (b) the balance sheet has been changed from the previous year due to the finalisation of the purchase price allocation.

BY ORDER OF THE BOARD

CHUA SU LI
Company Secretary
15 February 2011

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For more details on how the business of each Sector is managed and its related performance, please see the attached sections. The information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not made pursuant to any laws or regulations.

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by laws or regulations.

Aerospace

“Higher Profits”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2010			
	2010 FY	2009 FY	Growth %
Turnover (\$m)	1,875	1,875	-
Earnings before interest and tax (EBIT) (\$m)	233.8	199.8	17
Other income, net (\$m)	9.4	20.4	(54)
Finance costs, net (\$m)	(10.2)	(26.0)	61
Profit before tax (PBT) (\$m)	262.2	228.3	15
Profit attributable to shareholders (\$m)	209.8	185.7	13
Economic value added (EVA) (\$m)	163.9	146.1	12

“Despite the lower income from Jobs Credit Scheme and the unfavourable impact of the lower US dollar, the Sector improved its profits in 2010.”

Chang Cheow Teck, President

N.B.: All currencies are in Singapore dollars.

Aerospace

Aerospace sector audited results for the year ended 31 December 2010:

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
1. (a) Turnover	1,874,995	1,875,225	(0.0)
(b) Cost of sales	(1,529,338)	(1,556,683)	(1.8)
(c) Gross Profit	<u>345,657</u>	<u>318,542</u>	8.5
(d) Distribution and selling expenses	(7,442)	(11,929)	(37.6)
(e) Administrative expenses	(89,239)	(91,258)	(2.2)
(f) Other operating expenses	(15,147)	(15,506)	(2.3)
(g) Profit from operations before taxation, other income and finance costs	<u>233,829</u>	<u>199,849</u>	17.0
(h) Other income, net	9,350	20,434	(54.2)
(i) Finance income	15,194	7,971	90.6
(j) Finance costs	<u>(25,391)</u>	<u>(34,071)</u>	(25.5)
(k) Finance income/(costs), net	(10,197)	(26,100)	(60.9)
(l) Share of results of associates and joint ventures	29,237	34,105	(14.3)
(m) Profit from operations before taxation	<u>262,219</u>	<u>228,288</u>	14.9
(n) Taxation	(46,848)	(33,688)	39.1
(o) Profit from operations after taxation	<u>215,371</u>	<u>194,600</u>	10.7
Attributable to:			
(p) Shareholders of the Company	209,767	185,700	13.0
(q) Non-controlling interests	5,604	8,900	(37.0)
	<u>215,371</u>	<u>194,600</u>	10.7
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	66,035	89,089	(25.9)
(Write-back of allowance)/allowance for doubtful debts & bad debts written off, net	(191)	5,906	(103.2)
Allowance for stock obsolescence, net	11,711	15,753	(25.7)
(b) Finance costs, net comprises			
Interest income	2,818	2,029	38.9
Foreign exchange gain/(loss), net	(1,854)	(3,526)	(47.4)
Impairment in value of investments, net	(176)	(40)	340.0
Interest expenses	(12,146)	(24,640)	(50.7)
Others	1,161	77	>500.0
	<u>(10,197)</u>	<u>(26,100)</u>	(60.9)

Aerospace

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
3. (a) Profit from operations after taxation [1(o) above] as a percentage of turnover	11.5%	10.4%	
(b) Profit attributable to shareholders [1(p) above] as a percentage of share capital and reserves at end of the year	48.7%	39.9%	
4. (a) Turnover reported for first half year	946,489	957,875	(1.2)
(b) Profit from operations after taxation reported for first half year	87,162	80,836	7.8
(c) Turnover reported for second half year	928,506	917,350	1.2
(d) Profit from operations after taxation reported for second half year	128,209	113,764	12.7
5. (a) There was an adjustment of \$10,659,000 for overprovision of current tax and underprovision of \$9,558,000 for deferred tax in respect of prior years (FY2009: There was an adjustment of \$4,830,000 for overprovision of current tax and underprovision of \$899,000 for deferred tax in respect of prior years.			
(b) During the year, the Sector performed a benchmarking study of the depreciation rates of its property, plant and equipment with external consultants and revised the estimated useful lives of the property, plant and equipment. The effect of these changes resulted in a decrease in depreciation charge of \$21,600,000 on the income statement.			
(c) There was no disposal of property during the year.			

6. Business Group Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)

	Turnover			Profit before Taxation		
	4Q2010 \$'000	3Q2010 \$'000	+ / (-) %	4Q2010 \$'000	3Q2010 \$'000	+ / (-) %
Aircraft Maintenance & Modification	214,855	243,883	(11.9)	40,804	38,010	7.4
Component/Engine Repair & Overhaul	168,108	173,231	(3.0)	28,730	10,075	185.2
Engineering & Material Services	58,592	69,837	(16.1)	17,336	20,653	(16.1)
Total	<u>441,555</u>	<u>486,951</u>	(9.3)	<u>86,870</u>	<u>68,738</u>	26.4

Full Year Ended 31 December

	Turnover			Profit before Taxation		
	FY2010 \$'000	FY2009 \$'000	+ / (-) %	FY2010 \$'000	FY2009 \$'000	+ / (-) %
Aircraft Maintenance & Modification	944,728	881,368	7.2	148,536	128,690	15.4
Component/Engine Repair & Overhaul	671,440	746,044	(10.0)	49,360	37,035	33.3
Engineering & Material Services	258,827	247,813	4.4	64,323	62,563	2.8
Total	<u>1,874,995</u>	<u>1,875,225</u>	(0.0)	<u>262,219</u>	<u>228,288</u>	14.9

	Turnover		
	FY2010 \$'000	FY2009 \$'000	

By Geographical Areas

Asia	957,431	937,085	2.2
USA	577,596	532,285	8.5
Europe	274,922	336,448	(18.3)
Others	65,046	69,407	(6.3)
Total	<u>1,874,995</u>	<u>1,875,225</u>	(0.0)

By Country of Incorporation

Asia	1,201,955	1,189,111	1.1
USA	388,893	339,270	14.6
Europe	270,344	329,463	(17.9)
Others	13,803	17,381	(20.6)
Total	<u>1,874,995</u>	<u>1,875,225</u>	(0.0)

Aerospace

7. Review of Performance

(a) Turnover

FY2010 vs FY2009

FY2010	FY2009	Growth	
\$1,875m	\$1,875m	-	-

Turnover for FY2010 was at the same level as that of FY2009. This was due to higher turnover in the **Aircraft Maintenance & Modification (AMM)** and **Engineering & Material Services (EMS)** business groups, reduced by lower sales in the components business in the **Component/Engine Repair & Overhaul (CERO)** business group. The higher turnover in the AMM business group was due to more aircraft redeliveries, whilst more project milestone completions and higher Maintenance-By-the-Hour (MBH) sales accounted for the higher turnover in the EMS business group.

4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$442m	\$487m	(\$45m)	(9%)

Turnover for 4Q2010 was \$45 million lower compared to that of 3Q2010. Timing of aircraft redeliveries, lower components sales and fewer project milestone completions accounted for the lower turnover in the AMM, CERO and EMS business groups respectively.

(b) Profitability

FY2010 vs FY2009

FY2010	FY2009	Growth	
\$262.2m	\$228.3m	\$33.9m	15%

The current year's profit before tax (PBT) of \$262.2 million was higher compared to FY2009 PBT of \$228.3 million. Despite the lower US dollar exchange rate, higher EBIT was achieved (due to lower cost of sales and lower operating expenses) and lower finance costs, reduced partially by the lower income from Jobs Credit Scheme and lower contributions from associates.

4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$86.9m	\$68.7m	\$18.2m	26%

The current quarter's PBT of \$86.9 million was higher than 3Q2010 PBT of \$68.7 million by 26% or \$18.2 million. This was due to higher EBIT, lower finance costs and higher contributions from associates.

8. Prospects

FY2011

Barring unforeseen circumstances, turnover for FY2011 is expected to be comparable, whilst profit before tax for FY2011 is expected to be higher compared to FY2010.

Aerospace

9. Balance Sheet

	31-Dec-10 \$'000	31-Dec-09 \$'000
Property, plant and equipment	825,248	770,076
Associates and joint ventures	128,078	125,601
Investments	1	1,342
Intangible assets	8,648	9,311
Long-term receivables, non-current	34,368	32,064
Derivative financial instruments	523	6,405
Deferred tax assets	27,808	44,551
Non-current assets	1,024,674	989,350
Current assets	1,464,213	1,113,440
Total assets	2,488,887	2,102,790
Current liabilities	1,464,573	924,222
Non-current liabilities	602,227	721,170
Total liabilities	2,066,800	1,645,392
Share capital and reserves	377,977	412,210
Non-controlling interests	44,110	45,188
Total equity and liabilities	2,488,887	2,102,790
Net Current (Liabilities)/Assets	(360)	189,218

10. Statement of Cash Flows for the year ended 31 December 2010

	FY2010 \$'000	(Restated) FY2009 \$'000
Net cash from operating activities	358,596	461,921
Net cash used in investing activities	(155,583)	(90,404)
Proceeds from sale of property, plant and equipment	4,599	4,322
Dividends from associates	17,763	42,495
Dividends from investments	-	104
Proceeds from sale and maturity of investments	1,209	128
Purchase of property, plant and equipment	(177,170)	(130,148)
Purchase of investments	(104)	(57)
Additional investment in associate	(1,880)	-
Acquisition of a subsidiary	-	(7,248)
Net cash used in financing activities	(142,606)	(247,653)
Capital contribution from non-controlling interests	-	5,092
Loan to an associate	-	(3,022)
Proceeds from/(Repayment of) short-term loans with related corporations, net	54,226	(117,166)
Proceeds from long-term loans with related corporations	9,023	-
Proceeds from long-term bank loans	17,892	358,815
Proceeds from short-term bank loans	20	-
Repayment of bank loans	-	(313,742)
Repayment of lease obligations, net	(1,510)	(1,578)
Acquisition of non-controlling interests	(743)	(320)
Dividend paid to shareholder of the Company	(202,563)	(142,629)
Dividend paid to non-controlling interests	(6,859)	(8,514)
Interest paid	(12,092)	(24,589)
Net increase in cash and cash equivalents	60,407	123,864
Cash and cash equivalents at beginning of the year	266,743	143,194
Exchange difference on cash and cash equivalents at beginning of the year	(3,380)	(315)
Cash and cash equivalents at end of the year	323,770	266,743



Aerospace

11. Economic Value Added (EVA)

EVA for FY2010 was \$163.9 million, an increase \$17.8 million or 12% over FY2009. The weighted average cost of capital was 5.7% for 2010 (2009: 6.1%).

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Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by laws or regulations.

Electronics

“Strong EBIT Performance”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2010			
	2010 FY	2009 FY	Growth %
Turnover (\$m)	1,428	1,393	3
Earnings before interest and tax (EBIT) (\$m)	130.3	107.2	22
Other income, net (\$m)	5.9	14.4	(59)
Finance costs, net (\$m)	(8.5)	(7.2)	(18)
Profit before tax (PBT) (\$m)	127.6	115.3	11
Profit attributable to shareholders (\$m)	100.7	90.8	11
Economic value added (EVA) (\$m)	80.9	66.3	22

“The Electronics sector achieved several significant milestones in 2010. We secured the Intelligent Energy System pilot project for the Singapore Energy Market Authority with Accenture, and commissioned the initial phase of the integrated security system for the Resorts World Sentosa in Singapore. In Thailand, we secured the Automatic Fare Collection Systems for the Bangkok Mass Transit System and Bus Rapid Transit System and delivered the first F16A Networked Mission Simulator to the Royal Thai Air Force. We were also awarded two airport projects; an Air Traffic Tower Simulator in Vietnam and a VSAT Network System in Ecuador.

For 2011, we will continue to pursue growth in new capabilities and market segments to expand our business.”

Lee Fook Sun, President

N.B.: All currencies are in Singapore dollars.

Electronics

Electronics sector audited results for the year ended 31 December 2010:

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
1. (a) Turnover	1,428,467	1,393,356	2.5
(b) Cost of sales	(1,013,473)	(1,002,368)	1.1
(c) Gross Profit	414,994	390,988	6.1
(d) Distribution and selling expenses	(88,901)	(97,701)	(9.0)
(e) Administrative expenses	(127,434)	(132,228)	(3.6)
(f) Other operating expenses	(68,337)	(53,881)	26.8
(g) Profit from operations before taxation, other income and finance costs	130,322	107,178	21.6
(h) Other income, net	5,915	14,428	(59.0)
(i) Finance income	1,359	1,693	(19.7)
(j) Finance costs	(9,916)	(8,934)	11.0
(k) Finance costs, net	(8,557)	(7,241)	18.2
(l) Share of results of associates and joint venture	(117)	911	(112.8)
(m) Profit from operations before taxation	127,563	115,276	10.7
(n) Taxation	(24,555)	(22,996)	6.8
(o) Profit from operations after taxation	103,008	92,280	11.6
Attributable to:			
(p) Shareholders of the Company	100,708	90,803	10.9
(q) Non-controlling interests	2,300	1,477	55.7
	103,008	92,280	11.6
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	22,626	25,847	(12.5)
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	3,555	18,115	(80.4)
Allowance/(write-back of allowance) for stock obsolescence, net	3,437	2,230	54.1
(b) Finance costs, net comprises:			
Interest income	1,129	1,636	(31.0)
Foreign exchange gain/(loss), net	(2,434)	(1,207)	101.7
Gain on disposal of investments	66	44	50.0
Impairment/(write-back of impairment) in value of investments, net	(241)	(1,020)	(76.4)
Interest expenses	(7,241)	(6,677)	8.4
Others	164	(17)	> (500)
	(8,557)	(7,241)	18.2

Electronics

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
3. (a) Profit from operations after taxation [1(o) above] as a percentage of turnover	7.2%	6.6%	
(b) Profit attributable to shareholders [1(p) above] as a percentage of share capital and reserves at end of the year	42.5%	37.8%	
4. (a) Turnover reported for first half year	693,719	692,458	0.2
(b) Profit from operations after taxation reported for first half year	50,199	42,665	17.7
(c) Turnover reported for second half year	734,748	700,898	4.8
(d) Profit from operations after taxation reported for second half year	52,809	49,615	6.4
5. (a) There was an overprovision of current tax of \$1,285,000 and underprovision of deferred tax of \$194,000 in respect of prior years (FY2009: There was an overprovision of current tax of \$1,499,000 and underprovision of deferred tax of \$1,255,000 in respect of prior years).			
(b) During the year, the Sector performed a benchmarking study of the depreciation rates of its property, plant and equipment with external consultants and revised the estimated useful lives of the property, plant and equipment. The effect of these changes resulted in a decrease in depreciation charge of \$3,535,000 on the income statement.			
(c) There was a disposal of property for a gain of \$1,048,000 during the year.			

6. Business Group Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	4Q2010 \$'000	3Q2010 \$'000		4Q2010 \$'000	3Q2010 \$'000	
Large-Scale Systems Group	77,724	55,649	39.7	323	3,618	(91.1)
Communication & Sensor Systems Group	182,660	176,444	3.5	22,274	19,069	16.8
Software Systems Group	128,897	113,374	13.7	10,620	8,875	19.7
Total	<u>389,281</u>	<u>345,467</u>	12.7	<u>33,217</u>	<u>31,562</u>	5.2

Full Year Ended 31 December

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	FY2010 \$'000	FY2009 \$'000		FY2010 \$'000	FY2009 \$'000	
Large-Scale Systems Group	279,700	300,104	(6.8)	21,146	21,703	(2.6)
Communication & Sensor Systems Group	714,414	669,502	6.7	72,344	49,598	45.9
Software Systems Group	434,353	423,750	2.5	34,073	43,975	(22.5)
Total	<u>1,428,467</u>	<u>1,393,356</u>	2.5	<u>127,563</u>	<u>115,276</u>	10.7

By Geographical Areas

	Turnover		
	FY2010 \$'000	FY2009 \$'000	
Asia	1,095,235	1,067,374	2.6
USA	125,292	129,280	(3.1)
Europe	69,111	75,214	(8.1)
Others	138,829	121,488	14.3
Total	<u>1,428,467</u>	<u>1,393,356</u>	2.5

By Country of Incorporation

Asia	1,157,326	1,118,409	3.5
USA	216,352	230,747	(6.2)
Europe	17,710	18,001	(1.6)
Others	37,079	26,199	41.5
Total	<u>1,428,467</u>	<u>1,393,356</u>	2.5

Electronics

7. Review of Performance

(a) Turnover

FY2010 vs FY2009

FY2010	FY2009	Growth	
\$1,428m	\$1,393m	\$35m	3%

The turnover of \$1,428 million recorded in FY2010 was comparable to that in FY2009. **Communication & Sensor Systems Group (CSG)** recorded higher sales mainly due to delivery of telematics systems and milestone completions of communication projects and a VSAT network project. **Software Systems Group's (SSG)** sales were comparable to FY2009. Sales for **Large-Scale Systems Group (LSG)** were lower mainly due to lower value project milestone completions.

4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$389m	\$345m	\$44m	13%

The turnover of \$389 million recorded in 4Q2010 was higher than that in 3Q2010 by 13% or \$44 million. All three business groups recorded higher sales. **LSG's** sales were higher mainly due to milestone completions of the Taiwan MRT projects, the Land Transport Authority's Circle Line project and the half height platform screen doors project. **SSG** recorded higher sales mainly due to milestone completions of simulator projects and a software system project. Sales for **CSG** were higher mainly due to sales of satellite communication products.

(b) Profitability

FY2010 vs FY2009

FY2010	FY2009	Growth	
\$127.6m	\$115.3m	\$12.3m	11%

The profit before tax of \$127.6 million for FY2010 was higher than that in FY2009 by 11% or \$12.3 million. At the business group level, the increase in profit was contributed by **CSG** mainly due to higher sales and favourable sales mix, partially offset by lower other income from the Jobs Credit Scheme. The decrease in **LSG's** profit was mainly due to reduction in sales and lower other income from the Jobs Credit Scheme, partially offset by lower operating expenses. **SSG's** profit was lower mainly due to less favourable sales mix, higher operating expenses and lower other income from the Jobs Credit Scheme.

4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$33.2m	\$31.6m	\$1.6m	5%

The profit before tax of \$33.2 million for 4Q2010 was higher than that in 3Q2010 by 5% or \$1.6 million. At the business group level, the increase in profit was recorded by **SSG** and **CSG**. **SSG** recorded higher profit mainly due to higher sales and better contribution from an associated company, partially offset by higher operating expenses. **CSG's** profit was higher mainly due to increased sales, favourable sales mix and better contribution from satellite communication product sales, partially offset by higher operating expenses. The lower profit from **LSG** was mainly due to higher operating expenses.

8. Prospects

FY2011

Barring unforeseen circumstances, FY2011 turnover and profit before tax are expected to be higher compared to FY2010.

Electronics

9. Balance Sheet

	31-Dec-10 \$'000	31-Dec-09 \$'000 (Restated)
Property, plant and equipment	60,862	56,652
Associates and joint venture	11,349	11,560
Investments	10,888	16,792
Intangible assets	327,463	365,610
Deferred tax assets	30,917	25,790
Non-current assets	441,479	476,404
Current assets	992,159	1,002,549
Total assets	1,433,638	1,478,953
Current liabilities	856,156	849,772
Non-current liabilities	455,829	501,245
Total liabilities	1,311,985	1,351,017
Share capital and reserves	105,637	111,253
Non-controlling interests	16,016	16,683
Total equity and liabilities	1,433,638	1,478,953
Net current assets	136,003	152,777

10. Statement of Cash Flows for the year ended 31 December 2010

	FY2010 \$'000	FY2009 \$'000 (Restated)
Net cash from operating activities	189,387	237,188
Net cash used in investing activities	(21,886)	(28,900)
Proceeds from sale of property, plant and equipment	2,260	53
Proceed from sale of an investment property	-	1,800
Proceeds from sale of subsidiaries	1,218	-
Proceed from transfer of a subsidiary	1,623	-
Proceed from sale of a quoted investment	-	368
Proceeds from sale of unquoted investments	686	-
Dividends from associates	132	175
Dividend from other investment	-	6
Purchase of property, plant and equipment	(21,355)	(16,375)
Additional investment in a joint venture	(206)	-
Acquisition of other intangible assets	(3,451)	(4,570)
Acquisition of controlling interests in subsidiaries	(793)	(8,115)
Acquisition of non-controlling interests in subsidiaries	(2,000)	(2,242)
Net cash used in financing activities	(155,142)	(186,227)
Repayment of inter-company loans, net	(77,014)	(110,051)
Proceeds from bank loans, net	1,824	748
Repayment of loan by an associate	241	493
Repayment of lease obligations	(13)	(36)
Dividends paid to shareholder	(76,000)	(67,704)
Dividends paid to non-controlling interests	(949)	(600)
Interest paid	(3,231)	(9,077)
Net increase in cash and cash equivalents	12,359	22,061
Cash and cash equivalents at beginning of the year	245,093	223,667
Exchange difference on cash and cash equivalents at beginning of the year	(7,272)	(635)
Cash and cash equivalents at end of the year	250,180	245,093



Electronics

11. Economic Value Added (EVA)

EVA for FY2010 was \$80.9 million, an increase of \$14.6 million or 22% over FY2009. The weighted average cost of capital was 5.7% for 2010 (2009: 6.1%).

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Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by laws or regulations.

Land Systems

“Higher Profits”

FINANCIAL HIGHLIGHTS			
For the year ended			
31 December 2010			
	2010 FY	2009 FY	Growth %
Turnover (\$m)	1,518	1,202	26
Earnings before interest and tax (EBIT) (\$m)	111.3	73.7	51
Other income, net (\$m)	17.1	22.3	(23)
Finance costs, net (\$m)	(22.4)	(5.0)	(344)
Profit before tax (PBT) (\$m)	113.9	95.4	19
Profit attributable to shareholders (\$m)	90.3	82.3	10
Economic value added (EVA) (\$m)	63.7	40.3	58

“In 2010, we achieved higher sales and profits despite the continued weakness in our US operations.

In 2011, we will continue streamlining our US operations, expanding our specialty vehicles’ market reach and pursuing key defence programmes.”

Sew Chee Jhuen, President

N.B.: All currencies are in Singapore dollars.

Land Systems

Land Systems sector audited results for the year ended 31 December 2010:

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
1. (a) Turnover	1,518,406	1,202,051	26.3
(b) Cost of sales	(1,198,503)	(940,190)	27.5
(c) Gross Profit	319,903	261,861	22.2
(d) Distribution and selling expenses	(56,703)	(56,106)	1.1
(e) Administrative expenses	(111,068)	(96,690)	14.9
(f) Other operating expenses	(40,791)	(35,364)	15.3
(g) Profit from operations before taxation, other income and finance costs	111,341	73,701	51.1
(h) Other income, net	17,113	22,258	(23.1)
(i) Finance income	5,603	7,272	(23.0)
(j) Finance costs	(27,981)	(12,310)	127.3
(k) Finance costs, net	(22,378)	(5,038)	344.2
(l) Share of results of associates and joint ventures	7,873	4,469	76.2
(m) Profit from operations before taxation	113,949	95,390	19.5
(n) Taxation	(17,357)	(10,981)	58.1
(o) Profit from operations after taxation	96,592	84,409	14.4
Attributable to:			
(p) Shareholder of the Company	90,255	82,298	9.7
(q) Non-controlling interests	6,337	2,111	200.2
	96,592	84,409	14.4
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	29,409	28,383	3.6
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	(5,396)	5,999	(189.9)
Allowance/(write-back of allowance) for stock obsolescence, net	11,684	29,857	(60.9)
(b) Finance costs, net comprises			
Interest income	1,749	1,693	3.3
Foreign exchange gain/(loss), net	(6,212)	1,345	>(500)
Interest expenses	(10,842)	(10,063)	7.7
Others	(7,073)	1,987	(456.0)
	(22,378)	(5,038)	344.2

Land Systems

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
3. (a) Profit from operations after taxation [1(o) above] as a percentage of turnover	6.4%	7.0%	
(b) Profit attributable to shareholders [1(p) above] as a percentage of share capital and reserves at end of the year	37.3%	29.9%	
4. (a) Turnover reported for first half year	677,054	535,082	26.5
(b) Profit from operations after taxation reported for first half year	48,893	38,505	27.0
(c) Turnover reported for second half year	841,352	666,969	26.1
(d) Profit from operations after taxation reported for second half year	47,699	45,904	3.9
5. (a) There were over-provisions of current and deferred tax of \$930,000 and \$655,000 respectively, in respect of prior years (FY2009: There was an over-provision of current tax of \$2,856,000 and an under-provision of deferred tax of \$1,284,000 in respect of prior years).			
(b) During the year, the Sector performed a benchmarking study of the depreciation rates of its property, plant and equipment with external consultant and revised the estimated useful lives of the property, plant and equipment. The effect of these changes resulted in a decrease in depreciation charge of \$6,358,000 on the income statement.			
(c) There was no disposal of property during the year.			

6. Business Group Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	4Q2010 \$'000	3Q2010 \$'000		4Q2010 \$'000	3Q2010 \$'000	
Automotive	332,540	270,406	23.0	(3,486) *	5,990	(158.2)
Munitions & Weapon	110,633	70,143	57.7	24,668	10,941	125.5
Services, Trading & Others	25,363	32,267	(21.4)	7,832	11,164	(29.8)
Total	<u>468,536</u>	<u>372,816</u>	25.7	<u>29,014</u>	<u>28,095</u>	3.3

* The Automotive (Auto) business group incurred a loss in 4Q2010 due mainly to weakness in US operations and higher research and development expenses.

Full Year Ended 31 December

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	FY2010 \$'000	FY2009 \$'000		FY2010 \$'000	FY2009 \$'000	
Automotive	1,143,319	752,483	51.9	26,594	17,761	49.7
Munitions & Weapon	264,046	363,290	(27.3)	53,187	51,418	3.4
Services, Trading & Others	111,041	86,278	28.7	34,168	26,211	30.4
Total	<u>1,518,406</u>	<u>1,202,051</u>	26.3	<u>113,949</u>	<u>95,390</u>	19.5

	Turnover	
	FY2010 \$'000	FY2009 \$'000

By Geographical Areas

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
Asia	933,946	868,857	7.5
USA	215,881	165,613	30.4
Europe	280,974	96,831	190.2
Others	87,605	70,750	23.8
Total	<u>1,518,406</u>	<u>1,202,051</u>	26.3

By Country of Incorporation

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
Asia	1,288,573	1,014,272	27.0
USA	218,527	180,777	20.9
Europe	-	-	-
Others	11,306	7,002	61.5
Total	<u>1,518,406</u>	<u>1,202,051</u>	26.3

Land Systems

7. Review of Performance

(a) Turnover

FY2010 vs FY2009

FY2010	FY2009	Growth	
\$1,518m	\$1,202m	\$316m	26%

FY2010 turnover compared to FY2009 increased by 26% or \$316 million to \$1,518 million. This was contributed mainly by higher project deliveries and specialty vehicle sales of the **Auto** business group as well as higher turnover of the **Services, Trading & Others (S&T)** business group, partially offset by the **Munitions & Weapon (M&W)** business group's lower project deliveries.

4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$469m	\$373m	\$96m	26%

4Q2010 turnover compared to 3Q2010 increased by 26% or \$96 million to \$469 million. This was due mainly to higher project deliveries and specialty vehicle sales of the **Auto** business group as well as the **M&W** business group's higher munitions deliveries.

(b) Profitability

FY2010 vs FY2009

FY2010	FY2009	Growth	
\$113.9m	\$95.4m	\$18.5m	19%

FY2010 profit before tax (PBT) compared to FY2009 increased by 19% or \$18.5 million to \$113.9 million attributable mainly to the higher profits of the **Auto** and **S&T** business groups. The higher profits of the **Auto** business group were due mainly to higher turnover, partially offset by product mix, higher operating expenses, foreign exchange losses and fair value change of embedded derivatives. The higher profits of the **S&T** business group were contributed by higher turnover and product mix. All three business groups benefitted less from Jobs Credit Scheme in FY2010 as compared to FY2009.

4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$29.0m	\$28.1m	\$0.9m	3%

4Q2010 PBT of \$29.0 million was comparable to 3Q2010. The **M&W** business group had higher profits mainly from higher turnover, largely offset by the **Auto** and **S&T** business groups' lower profits, attributable mainly to higher operating expenses and lower turnover respectively.

8. Prospects

FY2011

Barring unforeseen circumstances, turnover and PBT for FY2011 are expected to be higher compared to FY2010.

Land Systems

9. Balance Sheet

	31-Dec-10 \$'000	31-Dec-09 \$'000
Property, plant and equipment	286,742	224,939
Associates and joint ventures	116,633	115,504
Investments	5,282	3,311
Intangible assets	210,007	233,078
Investment properties	1,666	2,009
Long-term receivables	4,099	-
Amounts due from related parties, non-current	59,514	60,009
Finance lease receivables, non-current	6,552	5,227
Derivative financial instruments	43	11,715
Deferred tax assets	12,010	15,365
Non-current assets	702,548	671,157
Current assets	1,171,241	1,119,733
Total assets	1,873,789	1,790,890
Current liabilities	1,081,625	1,065,339
Non-current liabilities	651,357	550,716
Total liabilities	1,732,982	1,616,055
Share capital and reserves	96,167	129,185
Non-controlling interests	44,640	45,650
Total equity and liabilities	1,873,789	1,790,890
Net Current Assets	89,616	54,394

10. Statement of Cash Flows for the year ended 31 December 2010

	FY2010 \$'000	FY2009 \$'000
Net cash from operating activities	272,144	65,168
Net cash used in investing activities	(87,666)	(123,862)
Proceeds from sale of property, plant and equipment	558	525
Dividends from associates	4,882	1,835
Dividends from unquoted long-term investments	20	56
Distribution from funds under management	8	65
Distribution from unquoted long-term investment	20	241
Purchase of property, plant and equipment	(92,971)	(102,026)
Investment in an associate	(363)	(1,146)
Acquisition of subsidiaries	-	(23,412)
Distribution from dissolution of an associate	180	-
Net cash from/(used in) financing activities	(100,667)	64,698
(Repayment of)/proceeds from short-term immediate holding company loans	(122,400)	209,000
Proceeds from/(repayment of) long-term related party loans	8,671	(5,094)
Proceeds from/(repayment of) short-term related party loans	122,528	(38,025)
Proceeds from/(repayment of) short-term bank loans	2,495	(8,233)
Proceed from short-term non-controlling interest loan	1,641	-
Repayment of long-term loans	(222)	(235)
Dividends paid to shareholder	(97,500)	(78,800)
Dividends paid to non-controlling interests	(5,652)	(3,868)
Capital contribution from non-controlling interests	629	-
Interest paid	(10,857)	(10,047)
Net increase in cash and cash equivalents	83,811	6,004
Cash and cash equivalents at beginning of the year	172,095	167,037
Exchange difference on cash and cash equivalents at beginning of the year	(1,840)	(946)
Cash and cash equivalents at end of the year	254,066	172,095

FY2010 net cash from operating activities was due mainly to profits and working capital movements.



Land Systems

11. Economic Value Added (EVA)

EVA for FY2010 was \$63.7 million, an increase of \$23.4 million or 58% over FY2009. The weighted average cost of capital was 5.7% for 2010 (2009: 6.1%).

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Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by laws or regulations.

Marine

“Higher turnover and profits”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2010			
	2010 FY	2009 FY	Growth %
Turnover (\$m)	1,045	956	9
Earnings before interest and tax (EBIT) (\$m)	109.4	88.0	24
Other income, net (\$m)	7.3	9.7	(25)
Finance income/(costs), net (\$m)	(0.6)	3.8	(116)
Profit before tax (PBT) (\$m)	118.0	102.3	15
Profit attributable to shareholders (\$m)	89.1	81.8	9
Economic value added (EVA) (\$m)	71.1	68.0	5

“In FY2010, the Marine sector crossed the billion dollar turnover mark for the first time and achieved good growth in both turnover and profits. The Sector’s EBIT margin improved over FY2009.”

Ng Sing Chan, President

N.B.: All currencies are in Singapore dollars.

Marine

Marine sector audited results for the year ended 31 December 2010:

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
1. (a) Turnover	1,044,850	955,952	9.3
(b) Cost of sales	(896,734)	(824,015)	8.8
(c) Gross Profit	<u>148,116</u>	<u>131,937</u>	12.3
(d) Distribution and selling expenses	(2,759)	(7,607)	(63.7)
(e) Administrative expenses	(27,230)	(27,916)	(2.5)
(f) Other operating expenses	(8,738)	(8,454)	3.4
(g) Profit from operations before taxation, other income and finance costs	<u>109,389</u>	<u>87,960</u>	24.4
(h) Other income, net	7,296	9,767	(25.3)
(i) Finance income	11,356	7,358	54.3
(j) Finance costs	<u>(11,957)</u>	<u>(3,613)</u>	230.9
(k) Finance income/(costs), net	(601)	3,745	(116.0)
(l) Share of results of associates and joint ventures	1,910	807	136.7
(m) Profit from operations before taxation	<u>117,994</u>	<u>102,279</u>	15.4
(n) Taxation	(29,346)	(20,516)	43.0
(o) Profit from operations after taxation	<u>88,648</u>	<u>81,763</u>	8.4
Attributable to:			
(p) Shareholders of the Company	89,057	81,763	8.9
(q) Non-controlling interests	(409)	-	-
	<u>88,648</u>	<u>81,763</u>	8.4
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	10,557	16,654	(36.6)
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	(4,430)	1,483	(398.7)
Allowance/(write-back of allowance) for stock obsolescence, net	168	(10)	(1,780.0)
(b) Finance income/(costs), net comprises			
Interest income	3,100	4,580	(32.3)
Foreign exchange gain/(loss), net	(146)	(79)	84.8
Gain/(loss) on disposal of investments	(62)	219	(128.3)
Impairment/(write-back of impairment) in value of investments, net	-	-	-
Interest expenses	(1,196)	(1,577)	(24.2)
Others	(2,297)	602	(481.6)
	<u>(601)</u>	<u>3,745</u>	(116.0)

Marine

	FY2010 \$'000	FY2009 \$'000	+ / (-) %
3. (a) Profit from operations after taxation [1(o) above] as a percentage of turnover	8.5%	8.6%	
(b) Profit attributable to shareholders [1(p) above] as a percentage of share capital and reserves at end of the year	75.0%	63.5%	
4. (a) Turnover reported for first half year	503,554	479,303	5.1
(b) Profit from operations after taxation reported for first half year	39,635	34,535	14.8
(c) Turnover reported for second half year	541,296	476,649	13.6
(d) Profit from operations after taxation reported for second half year	49,013	47,228	3.8
5. (a) There was a write-back of over provision of current and deferred tax of \$34,000 in respect of prior years (FY2009: There was a write-back of over provision of current and deferred tax of \$3,980,000 in respect of prior years).			
(b) During the year, the Sector performed a benchmarking study of the depreciation rates of its property, plant and equipment with external consultants and revised the estimated useful lives of the property, plant and equipment. The effect of these changes resulted in a decrease in depreciation charge of \$8,023,000 on the income statement.			
(c) There was no disposal of property during the year.			

6. Business Group Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	4Q2010 \$'000	3Q2010 \$'000		4Q2010 \$'000	3Q2010 \$'000	
Shipbuilding	197,589	182,056	8.5	15,066	14,202	6.1
Shiprepair	75,327	58,750	28.2	21,946	13,995	56.8
Engineering	13,972	13,602	2.7	559	994	(43.8)
Total	<u>286,888</u>	<u>254,408</u>	12.8	<u>37,571</u>	<u>29,191</u>	28.7

Full Year Ended 31 December

	Turnover		+ / (-) %	Profit before Taxation		+ / (-) %
	FY2010 \$'000	FY2009 \$'000		FY2010 \$'000	FY2009 \$'000	
Shipbuilding	722,904	671,440	7.7	45,009	36,876	22.1
Shiprepair	267,807	253,805	5.5	66,901	61,107	9.5
Engineering	54,139	30,707	76.3	6,084	4,296	41.6
Total	<u>1,044,850</u>	<u>955,952</u>	9.3	<u>117,994</u>	<u>102,279</u>	15.4

By Geographical Areas

	Turnover		+ / (-) %
	FY2010 \$'000	FY2009 \$'000	
Asia	356,508	261,281	36.4
USA	520,595	452,852	15.0
Europe	124,554	197,780	(37.0)
Others	43,193	44,039	(1.9)
Total	<u>1,044,850</u>	<u>955,952</u>	9.3

By Country of Incorporation

Asia	543,995	505,600	7.6
USA	500,855	450,352	11.2
Europe	-	-	-
Others	-	-	-
Total	<u>1,044,850</u>	<u>955,952</u>	9.3

Marine

7. Review of Performance

(a) Turnover

FY2010 vs FY2009

FY2010	FY2009	Growth	
\$1,045m	\$956m	\$89m	9%

Turnover for FY2010 of \$1.045 billion was higher than FY2009 by 9% or \$89 million as all three business groups recorded higher sales. **Shipbuilding** turnover increased by 8% or \$52 million due mainly to different project mix. **Shiprepair** turnover increased by 6% or \$14 million due to higher repair activities from naval customers. **Engineering** turnover was higher by \$23 million due mainly to higher engine repair activities and naval logistics management sales.

4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$287m	\$254m	\$33m	13%

Turnover for 4Q2010 was higher than 3Q2010 by 13% or \$33 million due to higher **Shipbuilding** and **Shiprepair** turnover.

(b) Profitability

FY2010 vs FY2009

FY2010	FY2009	Growth	
\$118.0m	\$102.3m	\$15.7m	15%

FY2010 profit before tax (PBT) of \$118.0 million was higher than FY2009 by 15% or \$15.7 million. This was due mainly to higher gross profit from the higher turnover. The lower selling & distribution expenses and higher share of profits from joint ventures were offset by lower other income (due to lower Jobs Credit received) and higher finance cost.

4Q2010 vs 3Q2010

4Q2010	3Q2010	Growth	
\$37.6m	\$29.2m	\$8.4m	29%

The current quarter's PBT of \$37.6 million was higher than 3Q2010 PBT by 29% or \$8.4 million due mainly to higher gross profit from higher turnover.

8. Prospects

FY2011

Barring unforeseen circumstances, turnover and profit before tax for FY2011 are expected to be higher compared to FY2010.

9. Balance Sheet

	31-Dec-10 \$'000	31-Dec-09 \$'000
Property, plant and equipment	112,313	102,388
Associates and joint ventures	2,089	1,914
Intangible assets	1,138	142
Long-term receivables, non-current	479	445
Amounts due from related parties, non-current	4,806	4,291
Derivative financial instruments	-	622
Deferred tax assets	30,971	21,678
Non-current assets	151,796	131,480
Current assets	581,667	593,162
Total assets	733,463	724,642
Current liabilities	597,995	560,799
Non-current liabilities	43,022	61,342
Total liabilities	641,017	622,141
Share capital and reserves	92,455	102,501
Non-controlling interests	(9)	-
Total equity and liabilities	733,463	724,642
Net current assets/(current liabilities)	(16,328)	32,363

Marine

10. Statement of Cash Flows for the year ended 31 December 2010

	FY2010 \$'000	FY2009 \$'000
Net cash from/(used in) operating activities	(22,177)	146,016
Net cash from/(used in) investing activities	15,881	(21,164)
Proceeds from sale of property, plant and equipment	146	127
Dividends from joint ventures	1,407	-
Dividends from investments	10	15
Proceeds from sale and maturity of investments	39,196	352
Purchase of property, plant and equipment	(23,622)	(20,590)
Purchase of other intangible assets	(1,256)	-
Purchase of investments	-	(68)
Investment in a joint venture	-	(1,000)
Net cash used in financing activities	(95,361)	(85,257)
Capital contribution from non-controlling interests	413	-
Loans to a joint venture	(515)	(4,291)
(Repayment of)/proceeds from inter-company loans, net	551	(5,518)
Repayment of lease obligations, net	(70)	(84)
Dividend paid to shareholder of the Company	(94,720)	(74,009)
Interest paid	(1,020)	(1,355)
Net increase/(decrease) in cash and cash equivalents	(101,657)	39,595
Cash and cash equivalents at beginning of the year	321,114	281,935
Exchange difference on cash and cash equivalents at beginning of the year	(2,375)	(416)
Cash and cash equivalents at end of the year	<u>217,082</u>	<u>321,114</u>

11. Economic Value Added (EVA)

EVA for FY2010 was \$71.1 million, an increase of \$3.1 million or 5% over FY2009. The weighted average cost of capital was 5.7% for 2010 (2009: 6.1%).

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