Annual Report 2001

The Focus

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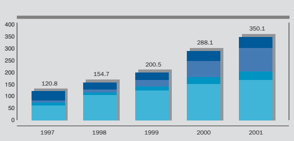

Steady Performance for ST Engg

Growth achieved amidst global economic downturn

The ST Engg Group withstood external difficulties to achieve steady overall performance for the financial year ended 31 December 2001. For the year, the Group achieved 22 percent growth in net profit after tax to reach S$350.1 million and a nine percent increase in turnover to reach S$2.47 billion.

In their joint letter to shareholders, Mr Lim Neo Chian, the Group's Deputy Chairman and CEO and Mr Tan Pheng Hock, Group President said: "The year in review has been a difficult year for the world. In this environment of heightened uncertainty, equity valuations were affected, and given our exposure in commercial aviation, ST Engg was not spared. Market capitalisation at the close of the year stood at S$6.8 billion, compared to S$8 billion the year before."

All four sectors, except the Marine sector, registered growth in turnover and net profit after tax. The Marine sector, however, did register a modest growth in net profit after tax despite a lower turnover.

The Group also progressed with its overseas expansion plans, laying the groundwork for its third commercial aerospace facility in the US and signing a joint-venture agreement to start a heavy maintenance facility for narrow-body commercial aircraft in the UK.

For the future, they cautioned that the impact of 911 may affect the Group's performance in the near term, especially in its Aerospace sector. However, they are optimistic about the medium and longer term prospects of its core businesses in the world markets.

To acknowledge the support of its shareholders, the Directors of ST Engg have recommended a gross special dividend of 83 percent in addition to the gross ordinary dividend of 25 percent.

Letter to shareholders, **pages 4-5**

ST Engg Rated One of Asia's Best Managed Companies

In an annual poll conducted by Asiamoney, a monthly financial publication, ST Engg was voted by the investment community in Asia Pacific as the Overall Best Managed Company in Singapore for 2001.

According to Asiamoney's December 2001/January 2002 issue which published the rankings, ST Engg topped the charts in most of the categories. The Group was recognised for being best in investor relations, corporate strategy, management of financial reports, corporate governance and treatment of minority shareholders. Additionally, ST Engg came in second among Singapore-listed companies in the best annual report and best company website categories.

Said Ali Naqvi, research director at Credit Suisse First Boston in Singapore, who was quoted in the report: "I like the level of disclosure in their annual report and quarterly results, their easy access to management, and there is no disappointment in their earnings guidance."

Chris Gee, head of research at ING Baring in Singapore, added: "They have been doing quarterly financial reporting since 2000, well ahead of the Singapore Exchange's deadline to do so. Reporting is clearly defined along business lines, and press and analyst briefings during the results announcement are well-conducted, with webcasts to assist those not able to make the presentation."

The Asiamoney's best managed companies poll this year drew response from about 280 fund managers, chief investment officers and heads of research at fund management firms, insurance companies and brokerage houses in the Asia-Pacific region.

More awards, **page 2**

Managing Challenges Ahead

ST Engg unveils business strategy for future growth

ST Engg plans to intensify its international marketing efforts and build a strong brand name to address the ongoing consolidation of the western defence industry and the potential rationalisation of the global airline industry following 911.

As part of its strategy to make further inroads into the US market, the Group has recruited General (Retired) John Coburn to head its US operations, according to Mr Lim Neo Chian, Deputy Chairman and CEO and Mr Tan Pheng Hock, Group President in an exclusive interview with THE FOCUS.

Mr Lim explained that this approach in hiring locals to run ST Engg's overseas operations will enable the Group to penetrate its target geographical markets. These regional heads, with their business relationships, network and understanding of local market sensitivities, will work closely with the presidents of Aerospace, Electronics, Land Systems and Marine sectors to grow the Group's core businesses.

On ST Engg's plans to establish an international presence, Group President Mr Tan Pheng Hock touched on some of its specific strategies which included building alliances with international partners and investing in research and development work. He added that the Group will continue to implement systems and adopt best practices, such as Kaizen, Quality Circles, Behavioural-Based Safety, EVA and Six Sigma.

Full interview, **pages 6-7**

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Contents:

On-line at:
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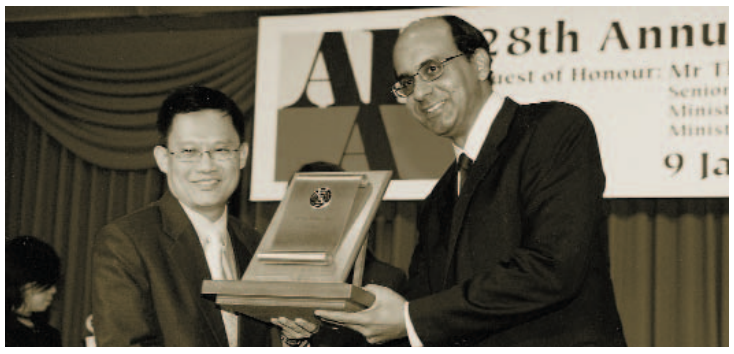
ST Engg Bags Top Awards



It may be just another feather in the cap for some. But for ST Engg, every award or top rating received attests to its ability to make a lasting impression with investors, regulators, credit rating agencies and industry captains.

Heading its impressive line-up of accolades is ST Engg's ranking as Asiamoney's Overall Best Managed Company in Singapore. ST Engg also beat more than 350 eligible mainboard-listed companies to win the Best Annual Report and the Best Corporate Governance Report Awards in the 28th Annual Report Award Competition in Singapore.

In the Standard & Poor's inaugural Transparency and Disclosure Survey published in November 2001, ST Engg was rated as one of Singapore's companies with the highest level of corporate transparency and disclosure in Asia Pacific.

The Asset magazine, in its Corporate Management Benchmark Survey, also ranked ST Engg as one of the Singapore companies with best corporate governance. This survey represented the views of 750 chief information officers, fund managers and buyside analysts in the leading 120 international institutions investing in Asian equities.

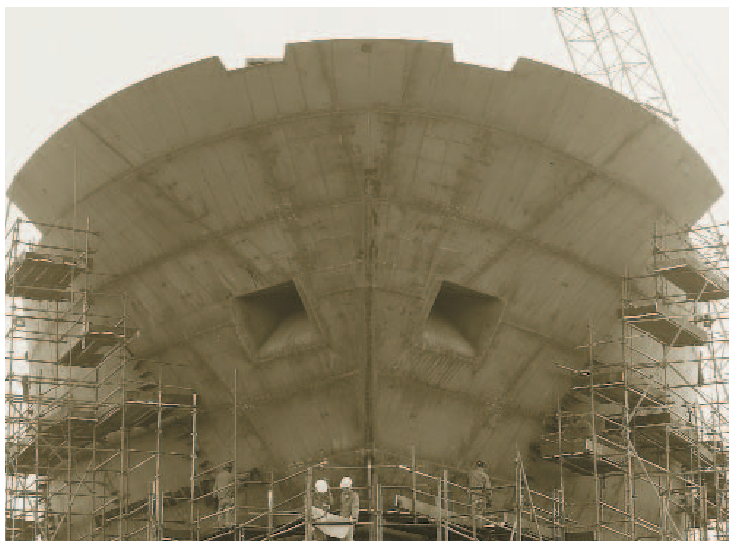
And for the second time running, the Securities Investors Association (Singapore) presented ST Engg with the Golden Circle Award (overall winner for the most transparent company in Singapore) and the Most Transparent Company Award under the multi-industry/conglomerate category. The judging criteria for these awards were based on timeliness, substantiality and clarity of news releases, degree of media access, frequency of corporate results and the availability of segmental information and communication channels.

Subsidiaries within the ST Engg Group fared equally well in industry awards. ST Aero was named the Best Asia Pacific Independent MRO Operation of the Year by Aviation Week while ST Kinetics received the Defence Technology Prize Team Award for its SAR 21. Both ST Marine and ST Elect also clinched another Defence Technology Prize Team Award for their joint effort in the Landing Ship Tank project.

Accolades for 2001:

ST ENGG	Overall Best Managed Company + Overall Best Investor Relations in Singapore / Asiamoney's 2001 poll
ST ENGG	Golden Circle (Overall Winner) + Most Transparent Company (Multi-Industry) Awards / Securities Investors Association (Singapore)
ST ENGG	Best Annual Report + Best Corporate Governance Report Awards / 28th Annual Report Award Competition
ST ENGG	One of the top five Singapore companies with best corporate governance / The Asset
ST ENGG	One of the Singapore companies with the highest level of corporate transparency and disclosure in Asia Pacific / Standard & Poor's inaugural Transparency and Disclosure Survey
ST ENGG	One of the government-linked companies with well-above average business profile and extremely strong financial profile / Standard & Poor's Sector Review on Singapore Government-Linked Enterprises
ST ENGG	Honorable Mention for Best Communication of Shareholder Value + Best Investor Relations by a Singapore Company / Investor Relations Magazine Asia Awards
ST AERO	Best Asia Pacific Independent MRO Operation of the Year Award / Aviation Week
ST KINETICS	Defence Technology Prize Team Award for SAR 21 / MINDEF
ST MARINE & ST ELECT	Defence Technology Prize Team Award for Landing Ship Tank / MINDEF

S$98 Million Contract for ST Marine



ST Marine will be constructing three units of Platform Supply Vessels for NYSE-listed Tidewater Inc., the world's largest operator of support vessels for the offshore oil and gas industry. The contract was awarded after a highly-competitive bid among renowned international players.

"Tidewater has chosen ST Marine for this programme because of its proven track record in various naval and commercial shipbuilding programmes," said Mr William C. O'Malley, Chairman and CEO of Tidewater Inc. "We are impressed by the shipyard's production capability and in-house engineering expertise to construct and deliver sophisticated vessels on time."

Featuring sophisticated diesel-electric propulsion systems, these Platform Supply Vessels have been designed to support the offshore oil and gas exploration and development fields in deeper waters. Each vessel, measuring almost 80 metres, will feature the integration of dual-computer Dynamic Positioning System (DPS) with the vessel's propulsion thruster control system, joystick control system, Power Management System (PMS) and Vessel Automation System (VAS). Linkage of the PMS with the VAS is via a fibre optic network.

Design and construction work commenced immediately after the signing of the contract in January 2001, and all three units are expected to be delivered by the end of 2002.

Best Independent MRO Company in Asia Pacific

ST Aero has been named the 'Best Independent Maintenance, Repair and Overhaul (MRO) Operation' in the Asia-Pacific region. The MRO Asia Awards programme, launched on 4 December 2001 in Hong Kong by Aviation Week in conjunction with Overhaul & Maintenance and Aviation Week Conferences & Exhibitions, recognises companies from the Asia Pacific region for excellence in aviation and aerospace after-market operations.

Twelve non-airline MRO companies based in Asia Pacific were nominated by editorial teams of Aviation Week and Overhaul & Maintenance magazines, and were appraised on their operational performance including financial results, competitive turnaround time and output, industry reputation among customers and competitors, quality of work, safety record and use of innovative technology or business processes.

"We are pleased and honoured to recognise ST Aero with Aviation Week's award for 'Best Asia Pacific Independent MRO Operation' of the year. ST Aero is among the world's most sophisticated and comprehensive MRO providers, with full service after-market operations for commercial and military aircraft," said Mr Ken Gazzola, the Executive Vice President and Publisher of Aviation Week. He commented that ST Aero's ongoing commitment to quality, safety and efficiency has earned the company an international reputation for leadership in the highly-competitive aviation maintenance and engineering field.

"ST Aero is honoured to be recognised as a leading aviation MRO company and for our role in the development of Asia Pacific as a centre for MRO activities. We are pleased to partner world-class companies through our ability to meet their exacting standard of quality service on a worldwide basis," said Mr Tay Kok Khiang, President of ST Aero.

He added: "This award would not have been possible for ST Aero without the invaluable support from our customers, shareholders, partners and suppliers; and the dedication of our people. We accept this award on their behalf. ST Aero will continue to enhance the quality and standard of our services to our customers so as to create value for them."

Here Comes Bronco

ST Kinetics' first all terrain tracked carrier was delivered to the Singapore Armed Forces in May 2001, with a new name "Bronco" selected from a national naming competition involving over 2,300 entries.

"The SAF's acquisition of the Bronco is another major milestone for us," said Mr Wu Tzu Chien, President of ST Kinetics. "It demonstrates the high technological competency of ST Kinetics in developing sophisticated platforms to meet the heavy demands of the modern battlefield."

The carrier, which ST Kinetics fully designed and developed, meets the demand for light and

deployable forces. As its name symbolises, the Bronco has the power to conquer untamed terrain including water, swamp, soft sand and snow. Its spacious and ergonomic cabins promote greater operational readiness even after long and continuous deployment.

The Bronco's high payload allows configuration for a wide range of operational roles including a troop carrier, combat engineer vehicle, ambulance and logistics vehicle. It can also be used for commercial applications such as forestry and oil exploration operations.

HK Fire Services Selects ST Elect

ST Elect, through its subsidiary Singapore Engineering Software, secured a US$56 million contract from the Hong Kong Fire Services Department, ending intense competition among major industry bidders.

The contract covers the implementation of a Third-Generation Mobilising System involving real-time resource and information management, and communications functions to manage and mobilise fire and ambulance resources to emergency scenes. When fully implemented, the system will optimise the department's resources to respond to emergency situations.

Singapore Engineering Software will capitalise on its in-house Common Application Platform advanced architecture, which reduces design and development time, allowing real-time mission critical systems to be implemented more effectively.

"This contract affirms our leadership in the region in providing advanced real-time software and communications solutions and services," said Mr Seah Moon Ming, President of ST Elect. "We are pleased to be given the opportunity to implement a system which will further enhance the efficiency of public-safety services in Hong Kong."

Staying Focused

ST Engg recorded a steady performance for 2001 despite difficult market conditions. In their joint letter to shareholders, Mr Lim Neo Chian, Deputy Chairman and CEO and Mr Tan Pheng Hock, Group President analyse the year's achievements and discuss the Group's future growth strategy.

DEAR SHAREHOLDERS,

2001 has been a difficult year for the world. The global economic downturn in the earlier part of 2001 greatly affected the electronics and supporting industries in Singapore. The unfortunate 911 incident hastened the pace of slowdown leading to a recession in many countries including the US and Singapore. In this environment of heightened uncertainty, equity valuations were affected and given our exposure in commercial aviation, ST Engg was not spared. Our market capitalisation stood at S$6.8 billion at the close of the year, compared to S$8 billion the year before.

REVIEWING FINANCIAL PERFORMANCE Notwithstanding the external difficulties, ST Engg recorded a steady overall performance for the financial year ended 31 December 2001. Group turnover for the year increased by nine percent to reach S$2.47 billion, compared to S$2.26 billion in 2000. Net profit after tax (NPAT) grew by 22 percent from S$288.1 million to S$350.1 million. Overall profits were helped by provision and tax write-backs, especially within the Land Systems sector, where such write-backs were partially offset by contract losses which were reflected in higher levels of stock write-offs, provision for foreseeable losses and liquidated damages. Profit before tax margins for the Group remained healthy at 18 percent.

All sectors except Marine registered growth in turnover and NPAT while the Marine sector saw a modest NPAT growth despite a lower turnover.

The Aerospace sector reported an eight percent growth in annual turnover to S$1,031 million, crossing the S$1 billion mark. NPAT grew by 11 percent to S$168 million despite the slowdown in the aviation industry post 911.

Our Electronics sector recorded a healthy 19 percent growth in turnover to reach S$489 million and achieved 21 percent growth in NPAT to S$37 million. During the year, the Electronics sector successfully secured several major overseas contracts, testifying to its ability to grow outside of Singapore.

The Land Systems sector posted a 15 percent increase in turnover to S$603 million while NPAT rose 51 percent to S$97.8 million. The sector benefitted from a reversal of provisions previously made for warranty and the value of its investments in NASDAQ-quoted H Power as well as specific write-back of tax provision.

Turnover for the Marine sector decreased by seven percent to S$335 million as a result of lower ship delivery compared to the previous year. NPAT, however, increased by four percent to reach S$45.6 million as a result of improved shiprepair business and higher investment income.

LOOKING BACK ON THE YEAR On the commercial aerospace front, ST Mobile Aerospace Engineering (MAE), our aircraft maintenance facility celebrated its 10th anniversary in the US. In another milestone achievement, MAE in collaboration with Boeing modified and delivered two of 17 B757 special freighters to DHL. The Aerospace sector also secured the first MD-11 passenger-to-freighter conversion contract which requires the conversion and heavy maintenance of 13

MD-11s which United Parcel Service purchased from Boeing.

On the military front, the Aerospace sector, together with its consortium partners, commenced work on the F-5 upgrade programme for the Brazilian Air Force.

Several landmark contracts were secured by the Electronics sector amidst intense industry competition. These included, amongst others, a US$56 million contract to implement a third-generation mobilising system for the Hong Kong Fire Services Department; a US$23 million integrated solution for the Metro Manila Light Rail Transit Line 2; Stage 2 of the Marina Line for the Land Transport Authority of Singapore (of which our share is S$66 million).

> "Notwithstanding the external difficulties, ST Engg recorded a steady overall performance for the financial year ended 31 December 2001."

In May, our Land Systems sector delivered the first Bronco All Terrain Tracked Carrier to the Singapore Armed Forces. The Bronco, fully designed and developed in-house, will be marketed overseas together with its various sister products.

Our Marine sector won a S$98 million contract to construct three platform supply vessels (PSV) for Tidewater Inc. of the US. The three PSVs, incorporating sophisticated diesel-electric propulsion systems to support offshore oil and gas exploration and development fields in deeper waters, will be delivered in 2002.

CONTINUING EXPANSION EFFORTS During the year, the Group continued to explore opportunities to expand its presence overseas.

In September, we laid the groundwork to establish our third commercial aerospace facility in the US with the signing of a Memorandum of Understanding with the Corpus Christi Regional Economic Development Corporation (CCREDC) in Texas. We are in the process of finalising the terms of agreement with CCREDC. The new capacity will be timed to allow us to cope with the expected increase in aircraft maintenance, repair and overhaul (MRO) work when the commercial aviation market takes an upward swing.

In December, we signed a joint venture agreement with FR Aviation, a subsidiary of Cobham plc, to start a heavy maintenance facility for narrow-body commercial aircraft in Bournemouth, UK. With a 60 percent majority stake, Bournemouth Aviation Services Company Limited will complement our London-based Airline Rotables Limited in reaching out to regional airlines as a total service provider.

STRENGTHENING ORGANISATIONAL STRUCTURE To strengthen our presence in the US, we have recruited former US Army General, John Coburn, as Chairman and CEO of our US arm, VT Systems. John's key responsibility is to spearhead the growth of ST Engg in North and South America, in particular our military business. (more information on Gen Coburn on page 17)

On the other side of the Atlantic, we have been stepping up our efforts to build the Europe market as our third leg of growth. During the year, we incorporated ST Engg (Europe) in London, establishing our firm commitment to expand our presence in the region. A full-time team of senior executives including Mr Wee Siew Kim, former president of ST Aero, was appointed to explore opportunities for growth in Europe.

BUILDING THE BRAND Riding on the publicity and awareness generated by our participation in the US IAV programme, the Group intensified its campaign to build an international brand. Marketing and communications efforts continued, with the various sectors collectively participating in more than 20 major international trade shows around the world.

INVESTING IN TECHNOLOGIES Our focus on R&D continues to enable us to generate new products. The Land Systems sector alone unveiled five new products at various international trade shows: the Terrex AV81, an 8x8-wheeled armoured infantry fighting vehicle; the 155 mm Light Weight Self Propelled Howitzer; the 40 mm Air Bursting Munition System; the 120 mm Super Rapid Advanced Mortar System; and the 40 mm Super Light Weight Automatic Grenade Launcher. These new products, designed to meet future army requirements for rapid deployment, mobility and reliability, can be considered among the best and most modern in their respective categories.

Lim Neo Chian

Throughout the year, strategic investments and alliances were made to expand our technological capabilities and enhance our market position. These included Land Systems' acquisition of a 54 percent equity stake in Siamant GmbH and Co. KG for their specialty engineering ceramics, and a 25 percent equity stake in Timoney Holdings of Ireland to complement our current capability in wheeled vehicle design and sub-systems. The Land Systems sector also signed an MOU with Otobreda of Italy to co-develop a variant for its new 155 mm Light Weight Self Propelled Howitzer.

Tan Pheng Hock

Significant strategic investments made by the Electronics sector included: the e-Pen in Motion, a wireless pen; Trusted Hub, for secured electronic solutions for the management of digital content; mPayment, for mobile payments and commerce; and Intelect Technologies, a communications solutions provider for rail, road transportation and airport systems.

RECOGNITION This year, we are pleased to receive several awards which reinforce ST Engg's position as a world-class company.

In Asiamoney's annual poll for Asia's best managed companies, fund managers voted ST Engg as "Overall Best Managed Company in Singapore". This is a significant achievement given that the Group has only been listed for four years. We were also voted one of the top five Singapore companies with strong corporate governance by The Asset, a regional financial publication.

For the second time running, the Securities Investors Association of Singapore presented ST Engg with the Golden Circle Award and Most Transparent Company (Multi-Industry) Award in recognition of our outstanding investor relations.

In the 28th Annual Report Award Competition, the ST Engg Annual Report 2000 was named the Best Annual Report (Main Board) and Best Corporate Governance Report.

> "Throughout the year, strategic investments and alliances were made to expand our technological capabilities and enhance our market position."

ST Aero was honoured to receive the first "Best Asia Pacific Independent MRO Operation of the Year" award by Aviation Week, a division of McGraw Hill for "excellence in aviation and aerospace after-market operations".

ST Engg continued to be the only Asia Pacific defence company listed in the revamped Jane's Defence Weekly 20 Index. This ranking recognises ST Engg as a reputable and world-class defence company able to compete with the best in the world. In the Defence News Top 100 chart which focuses on defence revenues, ST Engg's ranking progressed from 45th position in 1999 to 40th position in 2000.

GOING FORWARD Looking ahead, we cannot downplay the effects of 911 on our performance in the near term, especially on our aerospace business. While there remains uncertainty in the commercial aerospace MRO market, we are optimistic about its prospects in the medium term and long term. We believe the demand for MRO work will return and there could potentially be increased demand for third-party work as airlines look to outsource non-core activities.

Defence contracts will take a longer time to materialise than commercial contracts due to the nature of the procurement process. While we have not seen any increased demands for counter-terrorism or public safety requirements yet, we believe there are several niche areas in which we can offer our wide range of products and services.

APPRECIATION We would like to thank Mr Boon Swan Foo, ST Engg's former Deputy Chairman and CEO for his invaluable contribution in laying a solid foundation for ST Engg since its formation in December 1997. We believe the values and skills that he has imparted to the many who had the privilege of working with him will continue to serve ST Engg well.

During the year, we lost a very dear colleague, Bob Tan, who passed away in June after a long battle with cancer. Bob, who was the CEO of our US aerospace operations, played a key role in building our US aerospace business from scratch. Bob is remembered by many for being hard-working, dedicated and yet compassionate towards all who worked with him. His passing is a great loss to us. The Board of Directors and Management would like to record its deep appreciation for Bob's significant contribution to the Group.

Last but not least, we would like to thank all our shareholders, customers, employees, business partners and suppliers for their unwavering support throughout the year.

To acknowledge the support of our shareholders, the Board of Directors has recommended a gross ordinary dividend of 25 percent and a gross special dividend of 83 percent for 2001.

Lim Neo Chian
Deputy Chairman and CEO

Tan Pheng Hock
Group President

8 February 2002

A personal note from Lim Neo Chian: As you are probably aware, I have resigned as CEO of ST Engg, effective 20 February 2002. However, I remain on the Board as Deputy Chairman. I would like to thank ST Engg's customers, the Board and Management team of ST Engg for the support rendered to me during my tenure as CEO. I am pleased to hand over the reins to Mr Tan Pheng Hock as the new CEO and I wish ST Engg success.

Managing Challenges Ahead

As the global economic landscape continues to change, ST Engg braces itself for the challenge of strengthening its international foothold. THE FOCUS catches up with Mr Lim Neo Chian, Deputy Chairman and CEO and Mr Tan Pheng Hock, Group President on ST Engg's plans for the future.

WHAT ARE SOME OF THE CHALLENGES CONFRONTING ST ENGG TODAY? LNC: The on-going consolidation of the defence industry in the US and Europe has resulted in fewer but much larger and leaner companies competing aggressively and intensively on a global scale. In the commercial area, more market rationalisation is likely to take place as the current economic downturn brings about a shrinking demand. In such a market, it is likely to be the case of survival of the fittest.

We have been able to perform well even against such tough circumstances as our current order book is strong and is likely to last us for another three to four years. On top of this, we have also built a strong cash position. Our key challenge is to build on our current core capabilities and grow our businesses. To this end, we will seek opportunities in overseas markets, particularly in the US and Europe.

WHAT SPECIFIC PLANS DO YOU HAVE TO ADDRESS THESE CHALLENGES? LNC: We need to gear ourselves up to capitalise on international market opportunities. After 911, defence budgets in the US and some European countries have increased. ST Engg wants to compete in the international arena to get a share of this enlarged pie. The requirements for more security-related businesses and the need for more rapid deployment forces to react to such situations may place us well.

We need to intensify our efforts to establish a greater presence in key defence markets and build a strong brand name. This involves seeking the acceptance of governments and local users as well as building relationships with big players such as Boeing, Lockheed Martin and BAE Systems. We must be prepared to enter markets even as a components or sub-systems supplier, a sub-contractor or a provider of intellectual property rights. At the same time, we have to develop new technologies of our own or with strategic partners.

HOW DO YOU INTEND TO GROW ST ENGG'S BUSINESSES? LNC: In our bid to grow internationally, we are recruiting locals who have the business relationships and network to run our overseas operations. With a good understanding of the local business environment and market sensitivities, these regional heads will be responsible for developing their respective geographical markets.

> "Our key challenge is to build on our current core capabilities and grow our businesses."

The recruitment of General (Retired) John Coburn is one such example. To grow our presence in the US market, a key area that we are looking at is the US military and that will involve acquisitions of new products or systems as well as MRO work for the Group. Gen Coburn's knowledge of the region and the US military as well as his network and experience will be useful in our penetration into the largest defence market in the world.

The idea of this approach is for the regional heads to focus on our key customers' requirements and interests and to align our business objectives with those of our customers. These regional heads will also work closely with the presidents of Aerospace, Electronics, Land Systems and Marine sectors to drive the growth of ST Engg's businesses.

THE DEFENCE INDUSTRY IS A NATIONALISTIC INDUSTRY. HOW DO YOU INTEND TO PENETRATE THIS INDUSTRY IN THE US AND EUROPE? LNC: With rising tension around the world, we see ST Engg strategically positioned to take advantage of the increase in defence spending. We have developed a whole range of light and mobile equipment capable of supporting rapid deployment and special forces operations of the US and European defence establishments.

To facilitate our worldwide market penetration, we have set up our US headquarters in Washington DC and our Europe headquarters in London. In these offices, there is a need for us to localise our operations by hiring people there to run these overseas outfits. The appointment of Gen Coburn as Chairman and CEO of VT Systems is one such example.

TPH: Another strategy is for us to team up with local partners for joint bidding of defence projects, even as a minor partner. These alliances are also useful for joint development of new technologies. The idea is to get our foot in, one way or another, whether in a big role or a small one.

WITH HIGHER DEFENCE EXPENDITURE EXPECTED AROUND THE WORLD, WILL MANAGEMENT BE FOCUSING MORE ON GROWING THE DEFENCE BUSINESS?
LNC: Defence business currently accounts for about 60 percent of ST Engg's revenue. There is no doubt that it will remain the key contributor and we will continue to grow this business. But equally important is our commercial business. We see growth opportunities in the light of the current economic turmoil as companies rationalise their operations and divest their non-core business or outsource more to stay focused on their core business. Directions and strategies are in place to grow our commercial business in each of the four sectors.

TPH: Let me touch on some of these specific strategies. For Aerospace, we are positioning to expand our MRO business in the US to prepare for the upturn. This will be by way of a leasing arrangement for our third site in Corpus Christi, Texas which is expected to be ready in about 18 to 24 months after concluding the

Lim Neo Chian (left) and **Tan Pheng Hock** (right)

GROUP STRUCTURE

Business Excellence	Corporate Communications	Defence Business
Vice President/ Assistant Director, HARNEK SINGH	Vice President/ Head, SHIRLEY TAN (Ms)	Senior Vice President, LOW YEE KAH

Aerospace	Electronics
President, TAY KOK KHIANG Deputy President & Chief Operating Officer, HO YUEN SANG	President, SEAH MOON MING

* Effective 20 February 2002.

agreement. We have also formed a joint venture with FR Aviation in the UK to kick-start similar operations in Europe. And for China, a market that we need to watch closely, we'll be seeking partnerships with Chinese companies to facilitate our inroads into this potential market.

In our Electronics sector, we are looking at crossing the Asian boundaries to expand into the South America market. For Land Systems, we are looking into opportunities for active involvement in the US defence market. This is where our new Chairman and CEO of VT Systems, with his in-depth knowledge, relationships and stature, can help us identify areas of growth, not just for Land Systems but also for the other three areas. To grow our Marine business, our search to acquire yards in the US will continue.

HOW DO YOU SEE YOURSELF COMPETING WITH THE BIG BOYS? LNC: We see ourselves as a partner of the big boys, adding value in areas where we can complement their roles. One such example could be the Future Combat Systems programme where our strength in designing and developing light, compact and highly survivable platforms will play an important part. In other areas such as military and commercial MRO work, our strength in certain markets is certainly an attractive proposition for the big boys to want to build alliances with us.

HOW MUCH OF YOUR OVERALL BUDGET IS TYPICALLY ALLOCATED TO DEVELOPING NEW TECHNOLOGIES AND PRODUCTS? TPH: Over the past few years, we have been investing three to five percent of our revenue in research and development. This has contributed to our success as we have been able to constantly push out new products to meet the changing requirements of our customers and the market place. Just to give you a sense of its positive contribution, about 40 percent of our sales in 2000 were attributed to new products and technologies launched over the last three years.

It is therefore important that we continue to develop new products to help us grow. Our target is to increase our investment in research and development to five percent over the medium term. And with the recent appointment of a Chief Technology Officer, our technology thrust will take more prominence as we seek to penetrate international markets.

WHAT ARE SOME OF THE SYSTEMS AND PROCESSES THAT YOU HAVE IN PLACE TO ENSURE A SUCCESSFUL EXECUTION OF YOUR GROWTH STRATEGY? TPH: We have continuously sought and adopted systems and best practices over the last three years with the introduction of programmes and projects on Kaizen, Quality Circles, Behavioural-Based Safety, EVA and Six Sigma. These programmes and projects promote creative thinking, innovation and continuous improvements within our organisation. We have achieved good participation rates with over 700 teams completing one project each. Some of these efforts have even led to patents, which add further value to our intellectual property.

Our very own ST Engg Innovation Award, introduced in 1999, is now in its third consecutive year. We have attracted more applicants this year with some 17 entries. We have also bagged three awards under MINDEF's Defence Technology Prize.

Last but not least, it is important to harness technologies to e-enable our businesses and processes – including enterprise management, human resource, finance, procurement, customer relationship and supply chain management – to drive costs down and collectively retain knowledge gained within ST Engg.

President & Chief Executive Officer, TAN PHENG HOCK*

Finance	Human Resource	Information Technology	International Marketing	Legal	New Business	Procurement	Strategic Plans	Technology
Chief Financial Officer, KUAH BOON WEE	Vice President/ Director, TAN NGA KOK	Chief Information Officer, TEO CHIN SENG	Executive Vice President, PATRICK CHOY	Vice President, MYLENE CHUA (Ms)	Senior Vice President, STEVEN CHEONG	Chief Procurement Officer, GOH BAK NGUAN	Vice President, SHAE TOH HOCK	Chief Technology Officer, FONG SAIK HAY

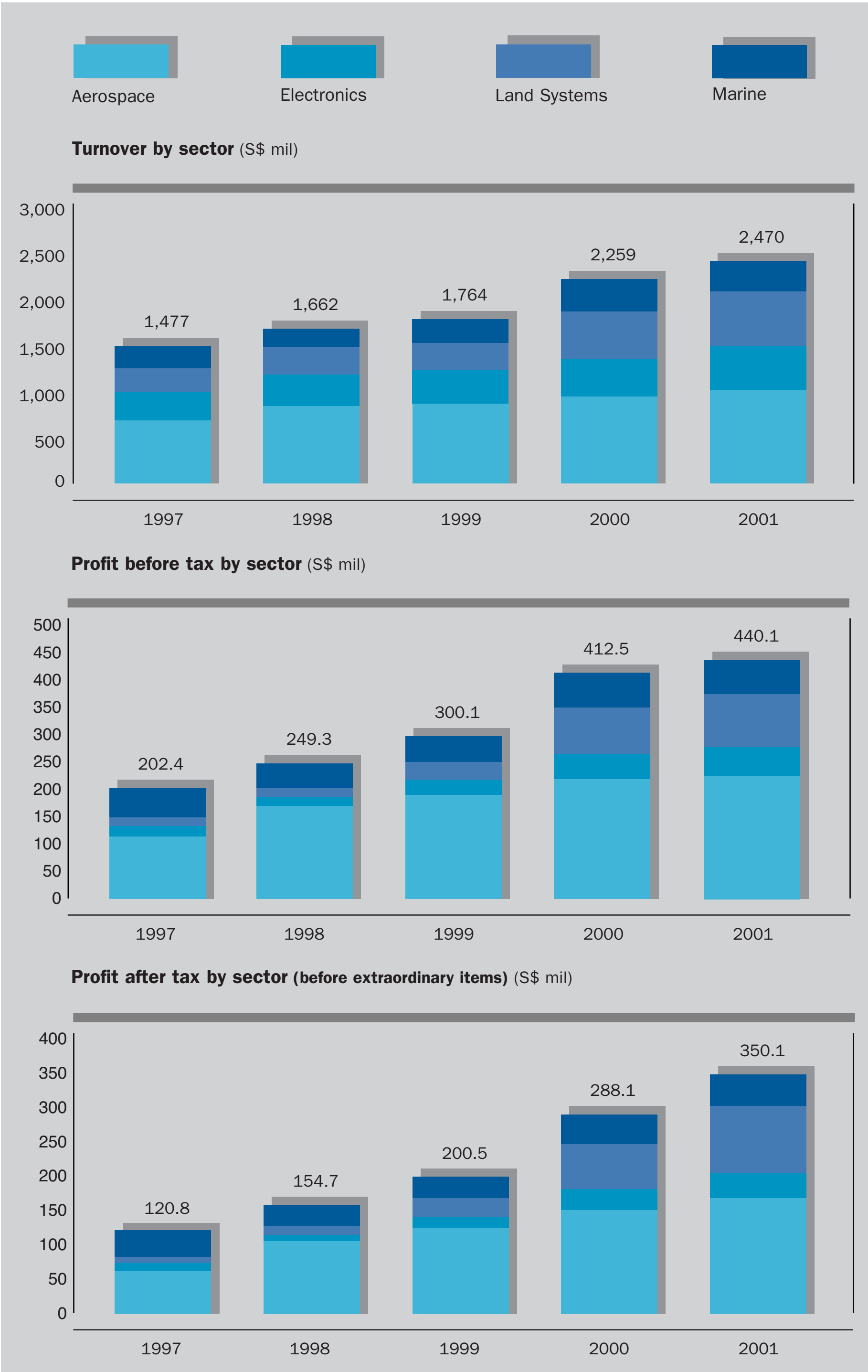
Land Systems	Marine	Advanced Engineering Systems	Integrated Services	US Operations	Europe Operations
President, WU TZU CHIEN Executive Vice President/ Chief Operating Officer, TEO BOON SWEE	President, SEE LEONG TECK Chief Operating Officer & President, Commercial Business Group, TAN MONG SENG	Senior Vice President, LIM SERH GHEE	Vice President/ General Manager, LEE WAI MUN	Chairman & Chief Executive Officer, JOHN COBURN President, CHANG CHEOW TECK	President, WEE SIEW KIM

Key Financial Data

ST Engg's businesses continued to record steady performance in 2001, demonstrating resilience amidst economic uncertainties. The Group's turnover rose 9 percent to S$2.47 billion last year, with defence sales amounting to 58 percent of total turnover. Net profit after tax edged up 22 percent to S$350.1 million and earnings per share increased from 10.1 cents to 12.2 cents. To reward shareholders, ST Engg's Board proposed a total gross dividend of 108 percent for 2001.

S$'000	1997		1998		1999		2000		2001	
TURNOVER BY SECTOR	1,476,709	100%	1,661,729	100%	1,764,407	100%	2,259,027	100%	2,470,067	100%
Aerospace	674,204	46%	829,890	50%	856,872	49%	956,320	42%	1,031,246	42%
Electronics	311,504	21%	335,374	20%	354,534	20%	411,781	18%	488,808	20%
Land Systems	247,797	17%	298,941	18%	297,022	17%	526,510	23%	603,363	24%
Marine	243,204	16%	197,524	12%	255,979	14%	358,433	16%	334,878	13%
Others	–	–	–	–	–	–	5,983	1%	11,772	1%
PROFIT BEFORE TAX BY SECTOR	202,403	100%	249,282	100%	300,060	100%	412,509	100%	440,157	100%
Aerospace	113,920	56%	170,468	68%	189,837	63%	218,991	53%	225,682	51%
Electronics	19,643	10%	16,159	6%	28,201	10%	46,591	11%	52,151	12%
Land Systems	15,358	8%	16,628	7%	33,092	11%	84,650	21%	97,108	22%
Marine	53,950	26%	44,831	18%	46,367	15%	63,935	15%	62,631	14%
Others	(468)	–	1,196	1%	2,563	1%	(1,658)	–	2,585	1%
PROFIT AFTER TAX BY SECTOR (BEFORE EXTRAORDINARY ITEMS)	120,812	100%	154,678	100%	200,529	100%	288,138	100%	350,091	100%
Aerospace	62,050	51%	102,813	67%	125,208	62%	151,038	52%	167,989	48%
Electronics	11,328	9%	9,188	6%	15,300	8%	30,580	11%	37,000	11%
Land Systems	9,381	8%	12,228	8%	27,998	14%	64,948	23%	97,797	28%
Marine	38,521	32%	30,138	19%	31,178	16%	43,830	15%	45,603	13%
Others	(468)	–	311	–	845	–	(2,258)	(1%)	1,702	–

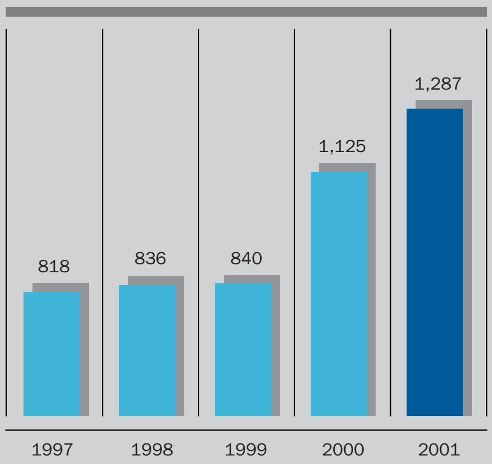
Note: 1997 – 1999 Figures for Land Systems sector exclude Founders Industries Pte Ltd



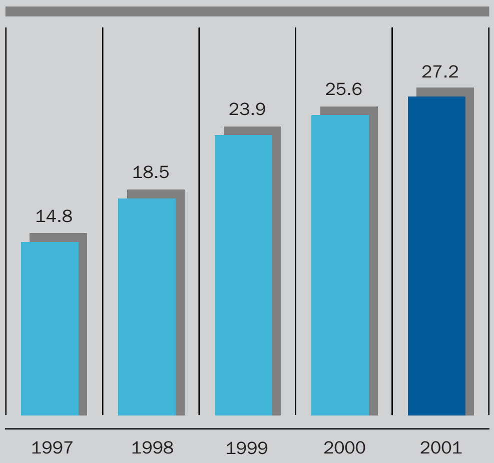
Key Financial and Productivity Data

S$'000	1997	1998	1999	2000	2001
Shareholders' funds	818,366	835,900	840,485	1,125,317	1,287,199
Total assets	2,993,655	3,285,760	3,406,852	4,383,047	4,471,821
Net tangible assets	817,513	835,900	840,485	1,125,317	1,286,198
Dividend per share (gross)	$0.018	$0.068	$0.093	$0.095	$0.108
Earnings per share (cents)	4.30	5.49	7.08	10.12	12.19
Return on turnover (%)	8.4	9.5	11.7	12.9	14.3
Return on equity (%)	14.8	18.5	23.9	25.6	27.2
Return on total assets (%)	4.0	4.7	5.9	6.6	7.9
Net tangible assets per share (cents)	29.1	29.6	29.6	39.4	44.7

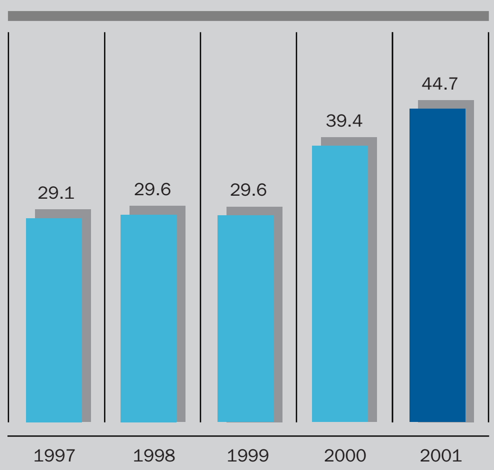
Shareholders' funds (S$ mil)



Return on equity (%)

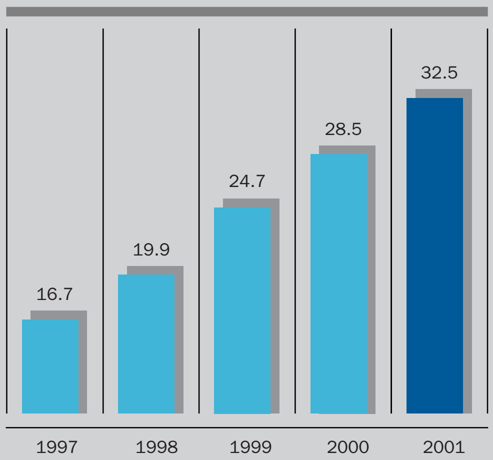


Net tangible assets per share (¢)

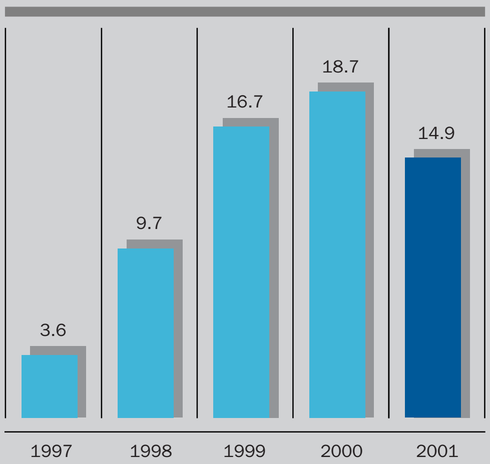


	1997	1998	1999	2000	2001
Average staff strength	7,250	7,790	8,129	10,128	10,780
Employment costs (S$'000)	433,424	496,861	533,357	658,511	742,014
Sales per employee (S$)	203,684	213,316	217,051	223,048	229,134
Profit after tax per employee (S$)	16,664	19,856	24,668	28,450	32,476
Economic value added (S$'000)	26,146	75,280	135,640	189,350	160,920
Economic value added spread (%)	2.4	6.2	10.5	13.3	10.2
Economic value added per employee (S$)	3,606	9,664	16,686	18,696	14,928
Value added (S$'000)	723,882	847,945	900,107	1,155,845	1,254,506
Value added per employee (S$)	99,846	108,850	110,728	114,124	116,373
Value added per $ of employment costs (S$)	1.67	1.71	1.69	1.76	1.69
Value added per $ of gross fixed assets (S$)	0.99	1.12	1.12	1.12	1.14
Value added per $ of turnover (S$)	0.49	0.51	0.51	0.51	0.51

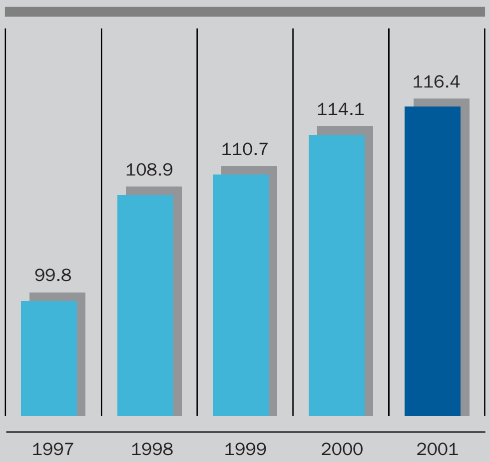
Profit after tax per employee (S$'000)



Economic value added (EVA) per employee (S$'000)



Value added (VA) per employee (S$'000)



ECONOMIC VALUE ADDED STATEMENTS

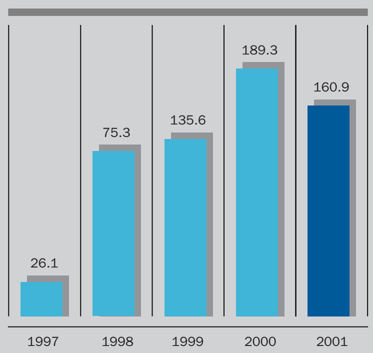
S$ mil	1997	1998	1999	2000	2001
NET OPERATING PROFIT BEFORE TAX	181.7	224.9	267.2	369.4	403.9
Adjust for:					
Share of associated companies' profit	20.7	24.3	32.9	43.1	37.1
Interest expense	2.5	12.6	9.7	12.7	11.1
Others	14.1	46.8	50.5	34.6	(50.8)
Adjusted profit before interest and tax	219.0	308.7	360.3	459.8	401.3
Cash operating taxes (Note 1)	80.9	95.9	97.1	130.3	92.7
NET OPERATING PROFIT AFTER TAX (NOPAT)	138.1	212.7	263.2	329.5	308.6
Average capital employed (Note 2)	1,066.8	1,205.8	1,288.1	1,422.2	1,571.7
Weighted average cost of capital (Note 3) (%)	10.5	11.4	9.9	9.9	9.4
CAPITAL CHARGE	112.0	137.5	127.5	140.2	147.7
ECONOMIC VALUE ADDED	26.1	75.3	135.6	189.3	160.9

Note 1: The reported current tax is adjusted for the statutory tax impact of interest expense.

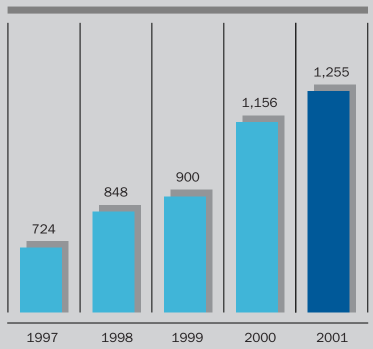
Note 2: Monthly average total tax assets less non-interest bearing liabilities plus timing provision, goodwill amortised, unusual loss/(gain) items, and present value of operating leases.

Note 3: The Weighted Average Cost of Capital is calculated in accordance to Singapore Technologies (ST) Group EVA Policy as follows:
i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 7.0%. This is set with reference to the returns of the MSCI Index less US 30-year Treasury bond yield rate from 1987 to 1999;
ii) Risk-free rate of 4.12% (2000 @ 4.57%) based on yield-to-maturity of Singapore Government 10 years Bonds;
iii) Ungeared beta at 0.85 based on ST risk categorisation; and
iv) Cost of Debt rate at 4.58% (2000 @ 5.25%) using 5-year Singapore Dollar Swap Offered rate plus 75 basis point.

EVA (S$ mil)



VA (S$ mil)



VALUE ADDED STATEMENTS

S$'000	1998	1999	2000	2001
VALUE ADDED FROM:				
• Revenue earned	1,661,729	1,764,407	2,259,027	2,470,067
• Less bought in materials and services	(943,341)	(952,921)	(1,243,541)	(1,360,803)
GROSS VALUE ADDED	718,388	811,486	1,015,486	1,109,264
Income from investments and interest	99,152	58,048	85,349	93,870
Extraordinary items	(2,798)	(8,205)	–	–
Exchange gains (loss)	(1,080)	336	222	9,430
Other non-operating income	6,138	5,548	11,722	6,110
Share of results of associated companies and joint ventures	28,145	32,894	43,066	35,859
Amortisation of goodwill on acquisition of associated companies	–	–	–	(27)
TOTAL VALUE ADDED	847,945	900,107	1,155,845	1,254,506
DISTRIBUTION OF VALUE ADDED:				
To employees in wages, salaries and benefits	496,861	533,357	658,830	741,258
To government income and other taxes	94,148	95,666	125,447	90,627
To providers of capital on				
• Interest paid on borrowings	5,339	3,961	3,983	3,205
• Dividends to shareholders	142,210	195,359	213,037	–
	738,558	828,343	1,001,297	835,090
BALANCE RETAINED IN / (APPLIED FROM) BUSINESS:				
Depreciation	63,026	58,787	76,143	74,922
Impairment of fixed assets	–	–	–	2,105
Retained profits	(54,624)	(47,274)	(7,112)	251,144
	8,402	11,513	69,031	328,171
NON-PRODUCTION COST AND INCOME:				
Bad debts	5,807	10,072	(54)	(12,055)
Income from investments and interest	99,056	58,048	85,349	93,870
Extraordinary items	(2,798)	(8,205)	–	–
Exchange gains (loss)	(1,080)	336	222	9,430
	100,985	60,251	85,517	91,245
TOTAL DISTRIBUTION	847,945	900,107	1,155,845	1,254,506

e-Procuring the Future

ST Engg continues to invest in technology to e-transform its supply chain management process and create long-term value for its customers, suppliers and shareholders. Unleashing the power of advanced and proven technologies to integrate its business processes, ST Engg believes that customers will enjoy greater savings through efficiencies, quality processes and responsiveness.

The foundation block e-transforming ST Engg's supply chain management process was laid in the year 2000. Within a year, the first e-procurement tools were developed and rolled out, strengthening the relationships between ST Engg and its customers and suppliers globally.

The e-procurement system is a web-enabled supply chain management system, which provides the procurement community with real-time access to new or existing suppliers around the world. It streamlines and standardises the procurement process, and empowers workshop supervisors and departmental secretaries to conduct their purchases of direct and indirect materials from pre-approved suppliers. In all, the system leverages internet technology to promote information-sharing between the internal procurement community and global suppliers.

JUZCLICKSOURCE On 5 September 2001, ST Engg officially launched its e-procurement portal, JuzClickSource.com. The portal allows buyers to request for quotations electronically from our suppliers, and to negotiate and analyse bid summaries on-line before awarding a purchasing contract. This information can be linked back to the buyer's own enterprise resource-planning system to create purchase orders for the acquisition of direct materials, such as spare parts and sub-assemblies, to support manufacturing. To date, the portal has facilitated nearly 1,000 request-for-quotation transactions from an initial base of 120 suppliers around the world.

E-AUCTION The electronic auctioning of products compresses the procurement cycle time, which traditionally involved supplier and pricing research, requests for quotations, overseas travel, meetings and price negotiation. Since January, e-Auction has been adopted as a best practice in all ST Engg procurement departments for acquiring spare parts, sub-assemblies, forgings, castings, machining parts, renovation services, computer equipment and labour supply. A total of 80 e-Auctions were performed during the year, generating direct savings derived from obtaining the best prices for products and services. In addition, e-Auction improves process efficiency and enhances profitability by lowering the cost of purchase.

SELF-SERVICE PORTAL This tool streamlines the procurement process for maximum efficiency. A three-year agreement with TX 123, an e-exchange portal, signed in March now allows nominated staff to purchase indirect and expense materials through the internet. These materials include stationery, land transport services, workshop tools, uniforms, safety shoes and other low-value consumables. These goods and services will be delivered door-to-door by suppliers within three working days of order placement.

BENEFITS OF E-PROCUREMENT
The benefits of e-procurement are both tangible and intangible. In the four months since the launch of JuzClickSource, ST Engg was able to save a few million dollars in process efficiency through the introduction of the e-procurement tool. These savings include recurring savings from JuzClickSource and the self-service portal, as well as savings from the use of e-Auction.

"Our vision is to establish an effective procurement network by leveraging on information technology so that purchasing information and best practices can be shared and adopted by all strategic business units effectively to reduce the cost of business," said Mr Goh Bak Nguan, Chief Procurement Officer of ST Engg.

Besides monetary savings, e-procurement now provides a common platform for the procurement community to communicate with a global network of suppliers. This synergy has given ST Engg better accountability and control over its purchases and supplier selection.

The future of e-procurement promises greater convenience, efficiency and best value for customers. With an electronic link to global suppliers, ST Engg is no longer dependent on a single supplier. In this way, ST Engg is able to increase its material availability and obtain quality and reliable products at the lowest market price. These benefits, coupled with the extensive supplier knowledge, will enhance customer service and promote customer retention in the long run.

Now that e-procurement is in place, ST Engg will focus on extending the supply chain management initiative to cover demand supply chain, knowledge-based supply chain and customer relationship management. When these systems and processes are fully rolled out, customers will further benefit from more value-added services, greater responsiveness and a better feedback system.

Other e-Initiatives

Stengglink.com, the Enterprise Information Portal, was launched in September to provide a single point of access for cross-sharing of information within the ST Engg Group using the internet or intranet. The effective sharing of timely information and knowledge fosters teamwork and enables the Group to gain competitive advantage. The portal allows management to make announcements and disseminate information quickly to employees. Likewise, it enables employees to obtain Group information, share ideas and provide feedback.

The first component, the **e-Human Resource system**, was rolled out the same month. This system, in its initial phase, allows many manual administrative tasks such as leave application, leave balance enquiry, viewing and printing of payslips and tax forms, and updating of personal particulars to be handled on-line directly by employees. It empowers employees to manage their own transactions and provides them with a range of corporate information and useful industry news links to help them work more effectively. More modules will be added in 2002 to include filing of claims and performance appraisals as well as applications for executive stock options and training.

As an extension to the e-Human Resource system, a Business Information Warehouse has been implemented. This information warehouse extracts, organises and analyses critical data on human resource for issues identification and decision making. It shifts the focus of human resource departments from mundane functions to more strategic areas such as talent attraction, development and retention.

In 2001, the Group commenced an initial study on the implementation of an **e-Finance system,** focusing on the "Smart Close" process with a view to improving the Group's ability to provide timely information for management decision making, as well as external reporting. The study covered an assessment of the existing level of integration of our Enterprise Resource Planning systems to the various business-to-business applications, including Customer Relationship Management, Supply Chain Management, e-Banking, and e-HumanResource.

JuzClickPart Singapore's first business-to-business auto parts portal was launched in August to create a virtual trading ground for workshops to buy auto parts. Vehicle repair workshops are now able to get the best price from auto parts suppliers through a bidding and reverse auction process. The portal has received overwhelming response from insurance companies and has signed up 60 auto parts suppliers and 45 vehicle repair workshops.

Corporate Governance

A Report by the Board of Directors

Reporting on corporate governance activities and processes for 2001, ST Engg's Board focused on strengthening its checks and balances to support transparent decision making and accountability to enhance shareholder value. These activities were carried out in the belief that a comprehensive approach to corporate governance was necessary to ensure that ST Engg would be managed with sound Board processes, integrity and accountability to its stakeholders.

BOARD MEETINGS AND COMMITTEES

ST Engg's Board of Directors held a total of four Board meetings during the financial year ended 31 December 2001.

There were a number of Board changes during the year. Mr Eddie Teo Chan Seng and Mr Peter Ong Boon Kwee joined the Board in February 2001. Mr Ng Kee Choe and Mr Peter Ho Hak Ean retired at the Annual General Meeting on 30 March 2001 although Mr Ng kindly agreed to remain as a co-opted member of the Executive Resource & Compensations Committee.

Mr Lim Neo Chian joined as Deputy CEO and Director on 1 May and was appointed Deputy Chairman and CEO on 1 June upon the resignation of Mr Boon Swan Foo after 22 years of outstanding service with the Singapore Technologies group. Mr Tan Pheng Hock, President and Chief Operating Officer was appointed Director on 1 May and concurrent Group President on 1 June.

In addition to the Board meetings, the respective Boards of ST Engg and its subsidiaries were engaged during the year to focus on bringing ST Engg to its next level of development as an international player. Some initiatives were developed and are being pursued with due diligence by management.

Besides Board and Committee meetings, management meetings continued on a regular basis. Chaired by Mr Lim Neo Chian, these meetings encouraged a free exchange of ideas on key issues and new initiatives among senior management of the subsidiaries and key staff at the ST Engg corporate office.

During the year, ST Engg put emphasis and focus on safety issues in view of the two accidents which took place at ST Kinetics. A total safety process review was carried out throughout the ST Engg Group by senior management to ensure that robust safety processes and standards were put in place. ST Kinetics established a Safety Committee under the chairmanship of its Board Director, Mr Lim Ming Seong, to review safety issues and maintain safety standards for the work environment, especially in ensuring that all products and services rendered were at an acceptable level and that proper compliance measures were implemented at the workplace.

Two new Board Committees – the Tax Review Committee and Fixed Asset Strategy Management Committee – were formed during the year, tapping and stretching the existing and valued Board resources to address the tax structure and fixed assets strategy of the Group as it invested for growth in the US and Europe to become an international player.

Audit Committee

- Mr Philip Tan (Chairman)
- Dr Philip Pillai
- Mr Lucien Wong

The Audit Committee, comprising independent directors, held five meetings during 2001. It was supported in its functions by the respective audit committees of the four main subsidiaries and the internal and external auditors. The Committee reviewed and approved the 2001 Internal Audit Plan for the four main subsidiaries including their overseas subsidiaries. The Committee also reviewed the Internal Audit Summary Report on a quarterly basis.

During the year, the Committee reviewed with the external auditors and management, the new Statements of Accounting Standard that came into effect in 2001 as well as the implications of the Exposure Drafts issued by the Institute of Certified Public Accountants of Singapore. It also looked into the Group's internal controls, interested person transactions, quarterly, half-yearly and year-end financial statements respectively, and met with the internal and external auditors at the end of the year without the presence of management.

Budget & Finance Committee

- Mr Tan Guong Ching (Chairman)
- Mr Lim Neo Chian
- Mr Tan Pheng Hock
- Mr Eddie Teo
- Mr Lucien Wong

The Budget & Finance Committee held three meetings during the year. It reviewed the first quarter, half-year and third quarter results as well as forecasts for 2001. It also recommended the Group's plans for 2002 to the Board for approval. During the year, the Committee also reviewed the five-year forecasts for each of the four main subsidiaries and discussed the strategic initiatives of each of the four subsidiaries as part of their long-term planning.

BOARD COMPOSITION AND COMMITTEES

	Audit Committee	Business Investment/Divestment Committee	Executive Resource & Compensations Committee	Budget & Finance Committee	R&D Committee	Technology Committee	Senior Human Resource Committee	Risk Review Committee	Legal Committee	Tenders Committee	Share Transfer Committee	Tax Review Committee	Fixed Asset Strategy Management Committee
Board Members										rolling list of any three directors			
Ms Ho Ching			C				C				C		
Mr Lim Neo Chian		M		M	M		M				M		M
Mr Tan Pheng Hock		M		M		M		M	M		M		M
Mr Philip Tan	C								M				
Mr Tan Guong Ching		C	M	C			M				M		
Mr Eddie Teo		M		M			M						
Mr Peter Ong						C	M						
LG Lim Chuan Poh		M						C					
Prof Lui Pao Chuen					C	M							
Dr Philip Pillai	M		M					M					
Mr Winston Tan		M			M			M	M			C	C
Mr Lucien Wong	M			M					C			M	
Non-Board Members													
Mr Ng Kee Choe			CM										
Mrs Lim Hwee Hua		CM											
Mr Chang See Hiang								CM					
A/P Tan Cheng Han									CM				
Mr Tay Kok Khiang													CM
Mr Seah Moon Ming													CM
Mr Wu Tzu Chien													CM
Mr See Leong Teck													CM

Denotes C – Chairman M – Member CM - Co-opted Member

Business Investment/Divestment Committee

- Mr Tan Guong Ching (Chairman)
- Mr Lim Neo Chian
- Mr Tan Pheng Hock
- Mr Eddie Teo
- LG Lim Chuan Poh
- Mr Winston Tan
- Mrs Lim Hwee Hua (co-opted from ST Kinetics Board)

The Business Investment/ Divestment Committee held three meetings during the year to review strategic investment proposals by subsidiaries to pursue potential acquisitions and collaboration programmes for growth in the US and Europe.

Risk Review Committee

- LG Lim Chuan Poh (Chairman)
- Mr Tan Pheng Hock
- Dr Philip Pillai
- Mr Winston Tan
- Mr Chang See Hiang (co-opted from ST Marine Board)

The Risk Review Committee met once during the year and noted that the legal counsels within ST Engg were drawing up a checklist to help identify the potential legal pitfalls in electronic commerce transactions in view of the Group's increasingly active engagements in e-business initiatives. The checklist would be reviewed by the Legal Committee.

The Committee also looked at the Group's overall ongoing contract risk profile in relation to country risk, project risk, warranty and other financial liability risks. In particular, it drew important learning lessons from the critical risk assessment of a selected commercial project which was picked as a case study for sharing with management.

Executive Resource & Compensations Committee

- Ms Ho Ching (Chairman)
- Mr Tan Guong Ching
- Dr Philip Pillai
- Mr Ng Kee Choe (co-opted)

The activities of the Executive Resource & Compensations Committee included assessing the performance of key executives and determining their compensations package for 2001 and incentive plans for 2002 as well as succession planning for key positions. As part of this incentive package, the Committee was also responsible for the grant of share options and performance share awards under ST Engg's approved share plans.

2001 Investor Relations Calendar:

8 JANUARY
Media & analysts' briefing for FY2000 results

9 JANUARY
Goldman Sachs Investor Relations Conference

28 FEBRUARY
Release of Annual Report 2000

27 - 30 MARCH
Credit Suisse First Boston Asian Investment Conference 2001
HONG KONG

30 MARCH
Annual General Meeting

9 APRIL
Media & analysts' briefing for 1Q2001 results

23 - 24 APRIL
Merrill Lynch Asia Pacific Conference
LONDON

25 APRIL
Payment of final dividends declared for 2000

10 MAY
Marine sectoral briefing for analysts

14 - 18 MAY
CLSA Investors' Forum 2001
HONG KONG

10 JULY
Media & analysts' briefing for 1H2001 results

18 JULY
Electronics sectoral briefing for analysts

13 SEPTEMBER
Briefing to UK investors at the Defence Systems & Equipment International Exhibition
LONDON

21 SEPTEMBER
Land Systems sectoral briefing for analysts

8 OCTOBER
Media & analysts' briefing for 3Q2001 results

16 - 19 OCTOBER
Asia roadshow
JAPAN & HONG KONG

5 - 19 NOVEMBER
Global roadshow
US & EUROPE

Legal Committee

- Mr Lucien Wong (Chairman)
- Mr Tan Pheng Hock
- Mr Philip Tan
- Mr Winston Tan
- Associate Prof Tan Cheng Han (co-opted from ST Aero Board)

The Legal Committee, at its two meetings, gave guidance on the handling of exposures to legal liabilities relating to contracts and the implementation of a Contractual and Legal Policies checklist. The checklist was intended as a proactive exercise to create legal awareness and to help management identify and secure adequate legal safeguards, where necessary, to major terms and conditions during the negotiation of material contracts. A corresponding checklist was also drawn up to help management similarly handle legal issues in electronic commerce transactions.

Technology Committee

- Mr Peter Ong (Chairman)
- Mr Tan Pheng Hock
- Prof Lui Pao Chuen

The Technology Committee held a meeting to look into new relevant technologies and their applications to meet customer requirements and capability build-up within the Group. Mr Peter Ho Hak Ean who chaired this meeting has since retired from the Board.

Research & Development Committee

- Prof Lui Pao Chuen (Chairman)
- Mr Lim Neo Chian
- Mr Winston Tan

The Research & Development Committee held two meetings during the year to review the research and development profiles of key subsidiaries and to judge entries from subsidiaries for the ST Engg Innovation Awards 2001.

Senior Human Resource Committee

- Ms Ho Ching (Chairman)
- Mr Lim Neo Chian
- Mr Tan Guong Ching
- Mr Eddie Teo
- Mr Peter Ong

The Senior Human Resource Committee convened a meeting during the year to review the training and development needs of senior staff as well as the career development path of staff with potential to hold senior positions in the Group.

Tax Review Committee

- Mr Winston Tan (Chairman)
- Mr Lucien Wong

Established in the second half of the year, the Tax Review Committee held its first meeting in December 2001 to review the tax status of the Group's local and overseas subsidiaries. This review would provide the basis for an action plan to be drawn up to arrive at an efficient tax structure for the Group for the present and future overseas holding structures which may be set up in other jurisdictions.

Fixed Asset Strategy Management Committee

- Mr Winston Tan (Chairman)
- Mr Lim Neo Chian
- Mr Tan Pheng Hock
- Presidents of main subsidiaries (co-opted)

The Fixed Asset Strategy Management Committee was established in the second half of the year. It held its first meeting in December 2001 to review the fixed assets utilisation of the Group worldwide with a view to formulating a Fixed Asset Strategy.

Tenders Committee

The Tenders Committee comprises a rolling list of any three directors and the Chief Executive Officer. It was not necessary for the Committee to convene a meeting during the year in view of the increase in limits of authority given to the respective Presidents of the main subsidiaries who were able to operate within those limits.

Other Best Practice

The Board is continually looking at ways to improve its corporate governance processes to promote corporate transparency and higher standards of accountability to shareholders. In the coming Annual General Meeting, the Board will be recommending to shareholders to approve an alteration to the Articles of Association of ST Engg to include the CEO-director for retirement by rotation, and to subject himself to shareholders' approval for his re-election. Currently, the CEO-director is excluded from retirement by rotation.

Statement of Compliance

The Board of Directors confirmed that during the year ended 31 December 2001, ST Engg had complied with the ST Engg Corporate Governance Policy.

Leaders Who Inspire

ST Engg's Board of Directors combines the vision of outstanding individuals who help shape the Group's business strategies, policies, investment decisions and corporate governance. It is this collective dynamism and leadership that continually inspire and challenge the Group to scale new heights.

The Board members have proven track records in both public and private sectors, and the relevant leadership experience to oversee ST Engg management's effort in positioning the Group for future growth.

Chairman of the ST Engg Board since its formation in 1997 is Ms Ho Ching, Deputy Chairman and a veteran of Singapore Technologies. She is also Chairman of listed Chartered Semiconductor Manufacturing and a director of SembCorp Industries. Her public service includes chairing the Institute of Molecular Agrobiology, and serving as Deputy Chairman of the Economic Development Board's International Advisory Council.

Mr Lim Neo Chian joined ST Engg on 1 May 2001 and assumed the position of Deputy Chairman and CEO a month later. Mr Lim has built a career path combining both military and commercial experience. He began his career with MINDEF in 1972 and held key staff and command positions before becoming Chief of Army in 1992. In 1995, he left MINDEF to take up the appointment of CEO and subsequently Chairman of Jurong Town Corporation.

Mr Tan Pheng Hock's career has been deeply involved with ST Engg. Since joining ST Marine in 1981, he has held several senior positions including his last appointment as Executive Vice President, Yard & Business Development in 1997. Mr Tan was President of ST Kinetics from September 1998 to February 2000 and President and Chief Operating Officer of ST Engg from July 2000 to June 2001, before he was appointed Group President. He joined the Board on 1 May 2001.

Mr Philip Tan Yuen Fah is the Executive Vice President of United Overseas Bank and has previously worked with various organisations in the commercial and industrial sectors. He joined the ST Engg Board in October 1997 and is also a director of Singapore Food Industries. Mr Tan is a member of the Accounting Standards Committee and the Banking & Finance Committee of the Institute of Certified Public Accountants of Singapore.

Lim Neo Chian
Deputy Chairman and CEO

Tan Pheng Hock
Group President

Philip Tan Yuen Fah
Director

Mr Tan Guong Ching assumed his directorship with ST Engg in October 1997. He is Permanent Secretary in the Ministry of Home Affairs. He joined the Civil Service in 1972 and has served as CEO of the Housing & Development Board, Principal Private Secretary to the Prime Minister and Permanent Secretary in the Ministries of Communications and the Environment.

Mr Eddie Teo Chan Seng is Permanent Secretary in the Prime Minister's Office. He joined the Civil Service in 1970 and the Administrative Service in 1994. From 1994 to 2000, he was Permanent Secretary in MINDEF. In February 2001, he was appointed to the ST Engg Board.

LG Lim Chuan Poh has been the Chief of Defence Force since April 2000. He joined the Singapore Armed Forces in 1979 and held various command and staff positions in MINDEF. He was appointed to the ST Engg Board in April 2000 and is also a director of Singapore Telecom and the Defence Science and Technology Agency.

Mr Peter Ong Boon Kwee is the Second Permanent Secretary in MINDEF. He was appointed to the ST Engg Board in February 2001. He joined the Administrative Service in 1986 and has accumulated broad government experience in the Ministries of Communications and Information, Trade and Industry, Finance and Home Affairs. He last held the appointment of Executive Vice President of Temasek Holdings, before his posting to MINDEF.

Prof Lui Pao Chuen joined the ST Engg Board in October 1997. He is currently the Chief Defence Scientist with MINDEF. During

Ho Ching
Chairman, ST Engg; Deputy Chairman, Singapore Technologies Pte Ltd

his 35 years with the ministry, he has been Senior Director of the Defence Materiel Organisation and Director of Joint Operations and Planning Directorate. Prof Lui chairs DSO National Laboratories, sits on the management boards of various scientific and research institutes in Singapore and holds the position of Adjunct Professor at the Engineering Faculty of the National University of Singapore.

Dr Philip Pillai began his career as a lecturer in the Faculty of Law at the National University of Singapore in 1972. He joined Shook Lin & Bok as a partner in 1986 and is currently its Senior Partner specialising in corporate finance, securities, funds and international finance. Dr Pillai, who joined the ST Engg Board in April 2000, is also a director of the Monetary Authority of Singapore and chairman of the Company Legislation and Regulatory Framework Committee.

Mr Winston Tan Tien Hin is Managing Director of Corporate Brokers International and director of Enersave Holdings, Ascendas and several unlisted companies. His 24-year banking career includes holding the position of General Manager of Deutsche Bank AG's Singapore branch and spending more than 16 years with Citibank. He assumed his directorship with ST Engg in October 1997.

> "The Board members have proven track records in both public and private sectors, and the relevant leadership experience to oversee ST Engg management's effort in positioning the Group for future growth."

Mr Lucien Wong Yuen Kuai is Managing Partner of Allen & Gledhill and has been in the legal practice for more than 20 years. He specialises in corporate and finance work, including mergers and acquisitions, privatisations, initial public offers and other fund-raising activities. Mr Wong was appointed to the ST Engg Board in October 1997. He has been actively involved in several landmark corporate transactions in Singapore and has also sat on a number of law review committees to propose amendments to Singapore's company and securities law.

Tan Guong Ching
Director

Eddie Teo Chan Seng
Director

LG Lim Chuan Poh
Director

Peter Ong Boon Kwee
Director

Prof Lui Pao Chuen
Director

Dr Philip Pillai
Director

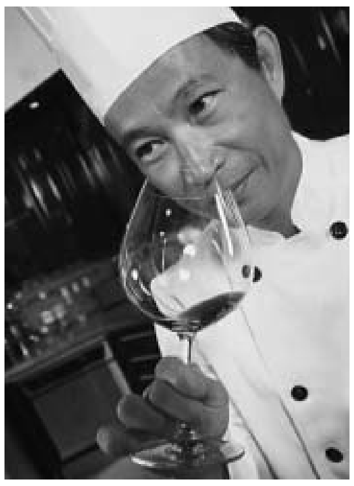
Winston Tan Tien Hin
Director

Lucien Wong Yuen Kuai
Director

Fusion of Ideas

Food speaks a universal language in connecting people from different backgrounds and experiences. Here, members of ST Engg's senior management have something to say. While their ingredients and methods may vary, it is this diversity that brings a broad range of ideas to the management team. With the right ingredients and focus, they are ready to cook up a storm to propel ST Engg in building an international presence. A quick visit to the kitchen allows the senior management members to point the way to the future, drawing insights from their own culinary experiences and favourite dishes.

THE PATIENCE TO NURTURE "Getting the best out of a bottle of wine is no easy task. Through experience and research, one knows how to select a promising bottle and cellar it to its right age



when it is ready for drinking. This process often reminds me of how to get the best out of every individual and company. In a similar way, ST Engg needs to identify promising core capabilities that will mature with time to make meaningful contributions to the Group. Then we need the appropriate business strategy to match these capabilities to our world markets. Just like how we match wines to the food we eat or serve. And just as wines take time to mature, we must be patient and committed in nurturing and developing our core capabilities until they are ready to make an impact in their respective segments."

Lim Neo Chian
Deputy Chairman and CEO

THE BORDERLESS APPROACH "The emergence of fusion food only serves as a reminder that our world has become increasingly borderless. Cuisines are becoming less defined as chefs put together dishes combining ingredients and spices from different continents of the world. The information age has certainly shown the culinary world, and the business world, that one can effectively leverage on the strengths of different regions to deliver innovative solutions. In business, we need the creativity and flexibility to draw on both local and foreign talents within

ST Engg, as well as resources from our international network of business partners and customers, to be able to develop creative and competitive solutions. The ability to adopt business practices and understand cultural sensitivities in the regions where we operate becomes more important as we grow our businesses."

Tan Pheng Hock
Group President

REFINING SKILL "Lobster, one of the healthiest and leanest proteins available, is a good source of nutrition. Its nutrients and delicate taste make lobster a delicacy enjoyed the world over. But getting the best taste and nutrition out of lobster requires skill in preparing, handling and storing. Cooking lobster longer than the recommended time usually makes the meat too tough. In the aerospace maintenance and engineering industry, timeliness is equally crucial to performance as we

strive to prevent aircraft delays while ensuring aircraft safety and reliability. Attentiveness and responsiveness are thus hallmarks of our quality and skill. When lobster is cooked, its unique nervous system shields it from the pain of meeting the pot. This unique trait symbolises our mettle to take on the toughest and most demanding of challenges and the upholding of high standards in ensuring aircraft safety and reliability."

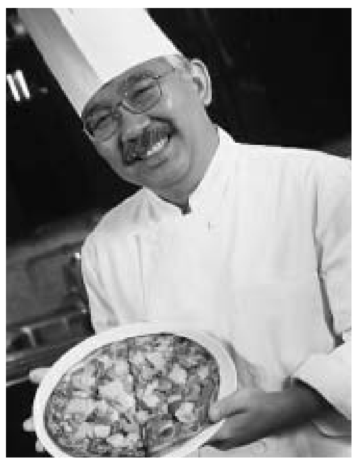
Tay Kok Khiang
President, Aerospace Sector

SUM OF PARTS "Anyone who has eaten a dim-sum meal will appreciate that a number of small but unique items can contribute to an entire gastronomic experience. These food items, carefully and

tastefully prepared and served together to provide a delicious and nutritious meal, can be further enhanced by the attention given to presentation. We see our electronics system business too as being the sum of a number of essential parts. It is the smart pooling of core competencies and system solutions developed and customised to enhance our ability to satisfy and exceed our customers' expectations. We bring together expertise across disciplines to respond to the needs of a project, like packaging dim-sum. We must have an excellent mix of suitable products and services and devote attention to business and project details in order to enhance our customers' experience with us."

Seah Moon Ming
President, Electronics Sector

THE BEST INGREDIENTS "Pizza is an interesting dish to prepare. With one basic dough base, you can add a wide range of toppings, including non-Italian ingredients like tandoori chicken or Chinese sausage. Like the pizza, our business must be innovative and creative. Once we establish our fundamental capabilities, we empower our people to think outside the box by creating and customising technologies to answer market needs. With innovation, we can create world firsts and enhance our market leadership. At the same time, our competitors have their own way of making pizzas. We want to differentiate our pizza by offering the best quality ingre-



dients. We also want customers to choose our pizza because it is cooked just right. In our business, the challenge is to ensure our products and services are truly world-class."

Wu Tzu Chien
President, Land Systems Sector

THINKING GLOBAL, ACTING LOCAL "Seafood is a universal food enjoyed all over the world. Yet, different cultures have different ways of preparing the same seafood item to embody the distinct taste and flavour of each unique culture. Making our mark in the international market is akin to preparing a seafood dish to appeal to local tastebuds. Having a keen appreciation of the particular needs of each market is key if our products and services are to meet the unique requirements of each niche market. To be a world-class player, we must think as a global business and operate like a

local at the country level. Just as seafood is best served fresh, it is also important in our business that our products and services incorporate the latest, leading-edge technologies. And just as quality makes the relishing difference to any seafood dish, we are committed to ensure that our products and services will always be distinguished by excellence and quality."

See Leong Teck
President, Marine Sector

WHEN FLEXIBILITY COUNTS "Our business approach must be as flexible as making a sandwich. A sandwich is nutritious, reliable and inexpensive. Likewise in our

business, we try to be cost-competitive, efficient and reliable. When we venture into new markets, there are a lot of unknowns. We need to look for niches that allow us to be profitable and to establish market leadership. Then, with whatever resources available to us, we need to tailor them according to what works for these niche markets. We must bring together the appropriate mix of products and services in a reliable and cost-effective way to fit these niche markets. It is the same way that we would choose our breads and fillings when making a sandwich to fit a particular need at a particular moment."

John Coburn
Chairman and CEO, US Operations

MAKING IT JUST RIGHT "There are no two ways about enjoying steak. It's either cooked right to your preference or it's not – whether you like it rare, medium

or well-done. The quality of the meat, a tasty sauce and good wine will not help if the steak is not cooked just right to the customer's preference. The same situation applies when dealing with our customers. Every customer has an expectation of a certain service level or product quality and will be very disappointed if his requirements are not met. While we may have all the best products and services, we need to package and pitch them exactly to our customers' preference. And most importantly, in our execution we need to deliver our products and services with finesse and precision, and exceed our customers' expectations at all times."

Chang Cheow Teck
President, US Operations

THE BEST IS LAST "Dessert is my favourite course in a meal. Wherever you go around the world, a good meal always ends with something sweet on the palate, whether it is a fruit salad, crème brulee or chocolate mousse. It's a fitting end to the savoury courses you have enjoyed as well as the camaraderie and rapport nurtured from the start of a meal. When doing business, it is impor-

tant that we complete the whole experience for our customers. It's not enough to start enthusiastically at the negotiation stage. The relationship does not end there. Throughout the whole project, we have to deliver our product or service with the same amount of customer commitment and energy right to the end. Only then can our customers be convinced of our commitment to building lasting relationships."

Wee Siew Kim
President, Europe Operations

Gen (Ret) John Coburn Heads ST Engg's US Operations

General (Retired) John Coburn joined VT Systems on 1 December 2001 following a distinguished career with the US Department of Defense. What attracted him to assume leadership at VT Systems were the challenges associated with growing the company into a major industry player in the Americas. As Chairman and CEO of VT Systems, he will lead ST Engg's thrust into the Americas as part of the Group's plans to build its international presence.

"The US market is both competitive and efficient, and that poses a challenge," said Gen Coburn. "Nevertheless, I see tremendous opportunity. We must find specific niches for each of our business sectors. For example, there are opportunities for the production and sale of vehicles and weapons by our Land Systems sector. There are also continuing opportunities for our Aerospace sector in the area of aircraft maintenance and overhaul, which we must sustain and maximise in both North and South America. There are also opportunities in the Marine sector for shipbuilding and shiprepair."

"The bottomline is that we are limited only by our imagination. We must focus on areas that have a high payoff and the key is to maintain balance," noted Gen Coburn.

Set up in June 2000 to spearhead ST Engg's expansion in the US, VT Systems' business structure covers the four core capabilities of Aerospace, Electronics, Land Systems and Marine.

Looking ahead, Gen Coburn sees the company's biggest challenge as positioning itself to compete in a highly competitive market that has been significantly affected by the events of 911. He believes that it is critical for VT Systems to place emphasis on branding its products and services.

He added: "At the same time, joint ventures with American companies and partnerships with the US Armed Forces must be pursued to provide a platform for VT Systems to expand."

"My immediate task is to build the right management team and develop a roadmap to get

VT Systems positioned in both the defence and commercial sectors."

Gen Coburn retired from the US Army on 1 December 2001 as the Commanding General of the US Army Materiel Command where he managed over 60,000 people and an annual budget of more than US$19 billion. Over the years, he has accumulated extensive experience in logistics, contracting and acquisition in both the commercial and defence sectors.

Biography

Age : 60

Native of Kentucky

Major Positions held in the US Department of Defense:

- Commanding General, US Army Materiel Command
- Deputy Chief of Staff for Logistics, US Army, Pentagon
- Deputy Commanding General, US Army Materiel Command

Education:

- Bachelor's degree in Education from Eastern Michigan University
- Master of Arts degree in Political Science from the University of Kansas
- Juris Doctor degree from the University of Missouri

Married with three children

Building an IT-Savvy Workforce

In the knowledge age, technological advances and information flow have accelerated the pace and scale of change. To compete and thrive in this environment, companies need an IT-savvy workforce able to exploit advanced technology to maximise efficiency and productivity. Recognising this, ST Engg has been equipping its staff with the technological skills to respond to these challenges in the New Economy.

Edward Loo begins his workday at ST Aero's facility in Singapore. As a licensed aircraft engineer, he is responsible for providing maintenance to commercial aircraft. Picking up a small portable hand-held computer, known as an Aerobook, he proceeds to the hangar with his team to inspect an aircraft which arrived two days ago.

An hour later, he detects a defect on the aircraft wing. He needs to find out more before he decides if any repair work is needed. Turning to his Aerobook, he requests for an aircraft manual, a parts catalogue and a list of maintenance procedures. The Aerobook uses radio frequency to retrieve what he needs electronically from the back-end system. Edward refers to these documents and before long, he decides that the defect requires repair. Once again, he makes a few entries into the Aerobook to raise a job number from the back-end system to begin the work process.

It is time for his morning tea break. Edward proceeds to the control room where he is pleased to see his earlier job order already printed and pinned on the board by his colleague. With a cup of coffee, he goes to the computer terminal to check his e-mail. An announcement from his General Manager is in his in-box informing all employees of some new safety procedures. Seconds later, he receives another e-mail, this time from a colleague of another department, informing him when a non-destructive testing will be performed on the aircraft. Edward immediately reschedules the work tasks for his team to accommodate the testing.

With a few moments more to relax, Edward remembers that he has planned to take his family to Malaysia next month. A quick log-in to the e-Human Resource system on stengglink.com, the Group's Enterprise Information Portal, and he is able to confirm that his earlier leave application has been approved. On that note, he finishes his coffee, picks up his Aerobook and returns to work in the hangar.

The nature of work has certainly changed for Edward since he joined ST Aero 10 years ago as an apprentice engineer. Up until the introduction of Aerobook in early 2001, he used to carry a clipboard around to record all defects manually. Any manuals or documents he needed to refer to would involve a long walk back to the control room to consult an extensive library of microfilms and reference books. At the end of each work day, he needed to spend another hour transferring all defect details onto forms to be sent to a colleague for processing.

Now, the Aerobook allows Edward to leverage the power of IT to communicate from where he is working in the hangar by activating the back-end computer system to retrieve essential information and process job orders.

"It wasn't too long ago when I was spending a lot of time on paperwork," said Edward. "These days, with more demanding customer requirements, IT has allowed us to save time and pack more work into one day."

Edward Loo is one of the new IT-savvy employees ST Engg is nurturing. These employees now work faster and smarter by using technology to be more productive and efficient. They believe that technology will also enhance customer relationships. As Edward knows, his back-end system also interfaces with an e-SASCO customer-relationship management system which allows customers to check on the status of their aircraft under maintenance.

Recognising that technology would be a major contributing factor to future success and continued growth, the ST Engg Group has been investing in this area to empower its people to harness the power of IT.

"Human resource development must keep pace with changes in the business and technological environment that envelops us," said Mr Tan Nga Kok, Vice President and Director of Human Resource at ST Engg. "The New Economy requires our people to be IT-savvy, to think differently, and find new ways of doing things."

He added: "The development of IT skills is important and should not be limited to managers and supervisors. It must touch the lives of all employees. We must align employees at all levels to the requirements of our vendors and customers."

E-ENABLED WORKPLACE It has been a good start creating an IT infrastructure which engages employees at all levels of ST Engg to explore and exploit the enormous potential in cyberspace. In 2001, the Group began to build an Enterprise Information Portal across all its strategic business areas.

The portal is a central platform that allows employees access to applications, information, data management services and self-service human-resource transactions. By early 2002, access to the portal, at anytime, from anywhere, will become a reality.

For a start, the e-Human Resource system which was rolled out on the portal in September 2001, allows employees to check or apply for leave, read about corporate developments, refer to staff benefits, access the staff directory and update their own personal data. This system allows instantaneous and up-to-date access to information on company policies, news and announcements via the Intranet, and eventually the Internet.

"We believe that the ability to keep our employees current and keenly aware of important changes will help us shape our products and services to be globally-competitive and technologically-advanced so as to meet the increasingly demanding needs of our customers," explained Mr Tan.

Since its roll out, the e-Human Resource system has been receiving the thumbs-up from staff who enjoy the on-line convenience, speed and control. Besides that, the Group has also gained cost efficiencies, operational effectiveness and synergies. When fully deployed in March 2002, the system will free human resource executives from mundane paperwork and allow them to focus on the more strategic functions like talent attraction, development and retention.

E-ENABLED STAFF With the infrastructure in place, ST Engg has to ensure that its employees are skilled and empowered to use the new tools. The aim is to develop an IT-savvy workforce covering all levels of employees.

Since 1999, the Group has been giving out IT grants yearly to all full-time permanent employees to acquire personal computers and related peripherals, enjoy free Internet subscription and to sign up for IT training programmes. In 2001, the Group presented another grant of S$500 to each employee, bringing the total value of grants given to date to about S$3,500 per employee.

"These financial tokens are given with the aim of making our employees IT-savvy and comfortable with using technology," said Ms Lorraine Ng, Vice President and Assistant Director of Human Resource at ST Kinetics. "As technologies advance, these grants help to equip and educate our people so that they can apply innovation and technology to be more efficient at work."

Some employees used these grants to overcome their fear of learning how to use the computer. Others who were already IT-savvy used the grants to improve their knowledge and upgrade their existing equipment.

As Edward Loo described: "The grant allowed me to buy a handheld personal digital assistant last year, which stores addresses, music, graphics and task lists. It's a portable companion, not unlike the Aerobook I now use at work."

As the grants help to build up their confidence in technology, most employees took to the new Enterprise Information Portal with little problem. Those who had some difficulties could turn to the 'change agents', 'champions' and help-desk personnel appointed to help them make the transition.

Employees also tested their IT skills on an on-line Internet Proficiency Test. Almost all employees have participated in the test and passed. With a great majority attaining Internet proficiency, the ability of the employees, and hence the Group, to tap and exploit the wealth of information on the web is greatly enhanced. ST Engg believes that IT has empowered its people to do things independently, manage their own information and data, retrieve information and research solutions to work problems.

E-ENABLED FUTURE In the second phase scheduled for early 2002, this e-Human Resource system will be extended to include e-staff suggestions, e-claims, e-appraisals, e-training and e-share ownership/stock option modules.

On the business front, such investments will help ST Engg manage its cost, plan its resources in advance, provide skill-based resource management and cultivate knowledge workers. ST Engg already sees immediate productivity improvement with the implementation of the system and expects further benefits as it rolls out new electronic services in the future.

Hearts to Care

Ms Ellen Tong of ST Marine lends a helping hand to a patient at the Moral Welfare Home. She is among the countless employees who visited the Group's adopted homes during the year. Such spirit of volunteerism in supporting the less fortunate is promoted throughout the Group.

Viewpoints:

"It was a good move by the company to come up with IT grants to encourage employees to upgrade their IT skills. Both the company and I have benefitted from this scheme. As we become more IT proficient, we can apply the knowledge acquired in our work. We are all winners!"

Mohd Noor Bin Mamoo
Supervisor, ST Elect & Vice President of ST Elect Employees' Union

"I am glad that the company has given me many opportunities to learn and access the Internet. By taking the Internet Proficiency Test, I've learnt to overcome my fear of the Internet and make it a part of my life. These days, I surf regularly both at work and at home. And I'm getting pretty good at it … Thanks, ST Engg!"

Ting Pek Lin
Administrative Assistant
ST Kinetics/Singapore Test Services

"The e-Human Resource service is basically HR info and transactions at your fingertips. It's excellent that I am able to access my personal information so quickly and easily. I just viewed my payslip the other day, and now I'm going to check who's who for the new project committee that is meeting next week."

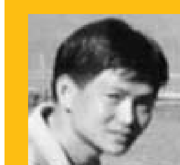
David Goh Peng Kiang
Engineering Manager
ST Aero/STA Engines

"Due to my age and lack of exposure to the Internet, it was a challenge taking the on-line Internet Proficiency Test. Having done the test, I am interested to explore further with the help of my colleagues and children."

Anthony Kam Thin Fook
Shipbuilder & Union Secretary of ST Marine

"The IT grant comes as an appreciation of my hard work. I am happy working for a company that cares to develop my IT skills. I bought a computer for my home and my family. My children have especially benefitted from its use for their homework, projects and of course, computer games!"

Leong Kai San
Senior Engineer
ST Dynamics



"With all my staff connected to the Internet, I find it easy to keep them informed of changes and share information with them. We can conduct brainstorming sessions even if we cannot meet."

Timothy Yap Teck Lim
Manager
ST Synthesis

AEROSPACE:

ST Aero is a leading third-party aerospace maintenance and engineering facility in Asia Pacific, providing a wide range of support services for military and commercial aircraft.

Capabilities: Airframe maintenance, structural modification, upgrade and conversion, component/engine maintenance, repair and overhaul, materials and spares supply and management.

Number of employees: 4,500

Taking Off to Global Markets

Re-structured for greater business growth potential and enhanced customer responsiveness, ST Aero extends its market reach, builds new capabilities and secures landmark contracts, ending the year with more than S$ 1 billion sales for the first time.

Despite the generally sluggish industry last year, ST Aero saw full utilisation of its capacities in its key facilities in Singapore and the US. Steady work flow into the various business segments, with new and repeat customers, allowed ST Aero to achieve sales value of more than S$1 billion in 2001.

Key to the company's success is flexibility and the ability to re-invent systems and processes to meet the demands of the dynamic business environment. The importance of understanding individual customer needs and endeavouring to exceed customer expectations in best quality standards, turnaround time and service support becomes imperative.

"We continue to focus on customer satisfaction by tailoring solutions to customers' specific requirements, from our broad spectrum of services, and at cost-competitive prices," said Mr Tay Kok Khiang, President of ST Aero. "Our commitment to establish long-term partnerships involves building upon the synergies of our specialist subsidiaries' expertise and complementing them with investments in new capabilities to meet our customers' requirements, and for ST Aero to stay abreast of market needs."

Tay Kok Khiang
President, Aerospace Sector

ST Aero's new organisation structure implemented in March reflects clearly its commitment towards market expansion, greater engagement with customer needs and enhanced operational efficiency. Under the new structure, ST Aero has been re-organised into three competency-based segments – Aircraft Maintenance and Modification (AMM), Component/Engine Repair & Overhaul (CERO) and Engineering and Materials Services (EMS).

The new structure preserves core competencies with distinct business dynamics in an operational structure which can be easily replicated as ST Aero expands. It allows the company to leverage on economies of scale in managing its resource utilisation, and to facilitate transfer of knowledge and sharing of best practices throughout the Aerospace Sector. There will also be further synergy in cross-fertilising skills and streamlining the supply chain.

CENTRE OF EXCELLENCE FOR PTF CONVERSIONS During the year in review, ST Aero continued to establish itself as a leading passenger-to-freighter (PTF) conversion centre, drawing customers including aircraft manufacturer like Boeing and major freight carriers such as Federal Express, United Parcel Service and DHL Worldwide, to its facilities.

ST Aero's facilities in Singapore and Mobile, Alabama continue to offer PTF conversion services for aircraft including B727, B757, DC-10, MD-11 and MD-10. With its proven ability to deliver fast turnaround solutions and consistency in quality and reliability, ST Aero was awarded numerous testimonials and recognition for its achievements.

Of key significance in 2001 is the re-delivery of the first MD-11 passenger-to-freighter conversion by SASCO, ST Aero's facility in Singapore. In this contract signed in January, ST Aero is required to carry out and perform heavy maintenance on the 13 MD-11s that United Parcel Service was purchasing from Boeing. Despite the aggressive ramp-up and challenging turnaround time, the first freighter was re-delivered in October, ahead of contractual schedule. Another two aircraft were delivered as planned by the end of 2001, and the remaining aircraft will be re-delivered over the next few years.

Another flagship freighter programme being performed by ST Aero is the conversion of B757s into Special Freighters for DHL Worldwide. This engineering development and conversion partnership with Boeing included obtaining a Supplemental Type Certificate for the conversion. ST Aero will continue to carry out the modification for 17 B757s at MAE, its facility in Mobile, Alabama in the US. By the end of 2001, two aircraft has been converted.

UNLEASHING FIGHTER PERFORMANCE ST Aero continues to design innovative and cost-effective upgrade solutions to provide maximum performance and survivability for fighter, transport and rotary-wing aircraft for air forces.

ST Aero Hits S$1 billion Sales

ST Aero scored a major milestone by chalking up more than S$1 billion sales in 2001. Various new initiatives including restructuring its operations into competency-based segments saw the expansion of its core capabilities whilst it forged closer ties with customers and extended its global reach.

ST Aero was re-organised from 'Commercial Business Group' and 'Military Business Group' into three competency-based segments; Aircraft Maintenance & Modification (AMM), Component/Engine Repair & Overhaul (CERO), and Engineering & Materials Services (EMS). The new structure demonstrated ST Aero's commitment to engage with customer needs, drive operational efficiencies and achieve greater business growth.

With intense competition in the global maintenance, repair and overhaul industry, ST Aero continues to seek improvements in all aspects of its operations to stay one step ahead. "Our competitive edge over others has been our ability to consistently achieve high standards in safety, quality, turnaround time and service support," said Mr Tay Kok Khiang, President of ST Aero. "Creating value for our customers is ST Aero's key focus."

ST Aero strengthened its global business base, providing premium aviation maintenance and engineering services to blue-chip industry players.

Some of the major commercial programmes started during the year included passenger-to-freighter conversion for 13 MD-11 aircraft for United Parcel Service, the induction of the first of 17 B757s to be converted into Special Freighters for DHL, and the performance of A320 maintenance for United Airlines.

The company's achievements in military programmes included the development of the F-16 technology demonstrator, the Multi-Point Refuelling System modification for the second KC-135 for the Republic of Singapore Air Force, the successful completion of the maiden flight for the upgraded F-5 for the Turkish Air Force, the awards for the Brazilian F-5 upgrade and the USN ARC 182 repair contracts.

With firm plans to expand its capabilities and leverage technology for customer-focused initiatives, the company will continue to strengthen its business base globally and position itself as a global leader in providing premium, value-added maintenance and engineering solutions for commercial and military aircraft.

Some of ST Aero's milestone upgrade and modification programmes for 2001, include the development of a technology demonstrator to showcase various possibilities for the F-16 avionics upgrade.

In October, ST Aero completed the design and development of a mission computer, and an operational flight programme which can be adapted for use on various aircraft types. As an integrated solutions package, the mission computer and operational flight programme provide an extensively tested system, designed to meet customer requirements of compressed schedules and enhanced performance, achieving greater time-efficiency and cost-effectiveness.

ST Aero re-delivered the first MD-11 converted freighter to UPS in October.

The year also saw the successful completion of the maiden flight of the newly-upgraded F-5 for the Turkish Air Force in April. This was part of another major avionics upgrade programme for a fleet of 48 F-5 fighter aircraft, awarded by the Turkish Ministry of Defence to a tripartite consortium which included ST Aero.

ST Aero's track record in fighter upgrades received a further boost with the award of another F-5 upgrade contract from the Brazilian Air Force through another consortium.

The company also started the second multi-point refuelling system installation on the KC-135 for the Republic of Singapore Air Force. The modification and installation works were completed successfully and ahead of schedule.

LOCAL CONSOLIDATION & INTERNATIONAL EXPANSION ST Aero's expansion strategy enables the company to enhance its global support for its customers and to reach out to new customers as well.

In Singapore, ST Aero consolidated the operations of SASCO and expanded its facilities by including two more wide-body hangars at Paya Lebar Airport. This provided SASCO with the capacity to meet the demands of customers who required their aircraft maintenance performed in Singapore. At the same time, ST Aero built a dedicated two-bay narrow-body aircraft hangar facility capable of accommodating aircraft up to the size of a C-130, as well as improving the efficiency of its support for narrow-body aircraft.

Building upon its track record for B747, B767, A300 and A310 maintenance, repair and overhaul support, SASCO will continue to enhance its services on MD-11 and DC-10 maintenance, repair, overhaul and PTF work. SASCO's major customers include Boeing, Federal Express, United Parcel Service, Northwest Airlines, Japan Airlines and All Nippon Airways. ST Aero will also be setting up A330 and A340 MRO capabilities at SASCO in 2002.

ST Aero counts amongst its core customers, major industry players such as United Airlines, FedEx, Boeing and Continental Airlines.

During the year, ST Aero also set up other new capabilities to provide maintenance, repair, overhaul, modification and upgrade services, including support for the Sikorsky S76 helicopter, enhancing its existing wide range of Bell and Eurocopter helicopter capabilities. Its facility in Singapore has been fully certified by Sikorsky as an Authorised Service Centre for the S76. ST Aero also expanded its capabilities on repair and overhaul of F-16 and Chinook components, as well as its commercial aircraft component support. In addition, the company installed a state-of-the-art test cell for the T55 engine used on the Chinook helicopter.

While ST Aero consolidated its local operations in Singapore, it also continued to expand its US operations. A memorandum of understanding was signed in September to lease a third US maintenance, repair and overhaul facility to be located in Corpus Christi, Texas.

Two new hangars were also added in MAE to meet demands from its customers. Having firmly established itself in the US over the last 10 years, MAE counts amongst its core customers, major industry players like Federal Express, United Airlines, Boeing and Continental Airlines.

DalFort, ST Aero's narrow-body aircraft specialist in Dallas, Texas, continues to serve leading aircraft operators including Federal Express, Southwest Airlines, and Triton. ST Aero's capabilities in DalFort include maintenance, repair and overhaul support for B727, B737, DC-8 and MD-80.

ST Aero has been contracted by Boeing to convert 17 B757s at MAE, its facility in Mobile, Alabama, for DHL.

In a further expansion move, ST Aero is reviewing options to expand operations in Europe and broaden its customer base. This has led to the signing of a joint-venture agreement to set up Bournemouth Aviation Services Company Limited. Based in Bournemouth in the UK, the company will provide third-party aviation maintenance and engineering services to aircraft operators based in Europe.

FUTURE PROSPECTS Commenting on the future, Mr Tay said: "ST Aero's proven track record in providing high quality services, reliability and safety, and ability to maintain a list of premium, blue-chip customers, have placed us in good stead to capitalise on future opportunities."

Describing the current downturn in the aviation industry, Mr Tay observed that this has been compounded by the slowdown in the global economy and aggravated by the September 11 event. He added that many airlines were now reviewing their operations in order to reduce cost and return to profitability. "As these operators decide on outsourcing, they will be looking for partners who can meet their maintenance, repair and overhaul needs, and suppliers who will continue to remain viable," he said.

ST Aero continues to design and develop cost-effective upgrade solutions for fighter, transport, and rotary-wing aircraft.

ST Aero believes the challenge is to provide a more comprehensive range of aviation maintenance and engineering services. Airlines looking to outsource their aircraft maintenance, repair and overhaul work will be looking for long-term partnerships with their service providers.

"The challenge ahead for ST Aero is to be ready to ride on the economic recovery when it happens," concluded Mr Tay. "We will continue to focus on strengthening our core competencies, improve customer service, pursue excellence and review plans for capacity and capability expansion."

ST Aero provides extensive maintenance and engineering services on a wide range of military and commercial helicopters.

All-Round Nod for Flexi-Time

Union and employees welcomed ST Aero's new flexi-time scheme as a way to enhance job security and eliminate inefficiency through the peaks and troughs of production.

The scheme, piloted at ST Aero's subsidiary, SASCO in September 2000, was extended across all ST Aero subsidiaries in July 2001. Letters of understanding were signed between management and union, signifying the excellent union-management relationship established over the years.

"The flexi-time scheme allows me to enjoy the benefits of a stable full-time job with time-off to pursue my own personal interests on workdays," said Mr Lim Cheng Lye, a principal technician with SASCO.

Mr Lim is one of 603 employees from five subsidiaries participating in this scheme which provides production employees time off work during a trough period while continuing to enjoy full salaries. Time-off for employees will be recovered from future work performed overtime, at the prevailing overtime rates. In addition, participating employees will receive an incentive payment of 15 percent of the dollar value of the total flexi-time recovered at the end of the financial period.

Industry Jargon

Flight Cycle:
Refers to one complete take-off and landing made by an aircraft.

Nose Dock:
A specially-designed docking/platform around the nose section of the aircraft to provide access to and to enable maintenance around the nose areas.

AOG:
Aircraft On Ground refers to an aircraft which is grounded and waiting for immediate maintenance/repair or parts/components to be replaced in order to get the aircraft back into service again.

A, B, C, D checks:
Refers to the periodic checks of varying depth, from simple, routine examinations and servicing to detailed, lengthy inspections of every part of the aircraft. The frequency and level of maintenance are usually divided into convenient check packages to satisfy the requirements of aircraft manufacturer and airworthiness regulatory authorities, and the operational needs and availability of the aircraft.

CUSTOMER SPEAK

ST Aero shares United's commitment towards achieving uncompromising safety, earning trust and confidence through the ability to deliver top quality and excellent customer value.

Ronald D. Utecht
Senior Vice President, Maintenance Operations
UNITED AIRLINES

ST Aero has been a supplier to United Airlines since 1996. Over the years, ST Aero has proved itself to be a valuable supplier, with impressive track records exceeding our cost and turnaround targets. Since the induction of the first airplane, a DC-10 into ST Aero's US facility for maintenance, ST Aero has successfully re-delivered 57 of such airplanes back to our revenue operations while the DC-10 was in our fleet. Having maintained and modified over 70B747-400s to date, ST Aero is still modifying the interior of our B747-400s and carrying out heavy maintenance on our Airbus A320s.

At United Airlines, our commitment and ability to deliver reliable and safe services are lynchpins for building our customers' trust in us. We believe in identifying and retaining effective suppliers who share the same values as us when it comes to addressing the needs of our customers and those of a larger operating environment.

We are confident that JAL and ST Aero will continue to harness the success and achievements of our partnership to bring greater mutual benefits for years to come.

Norio Ogo
Managing Director/Senior Vice President, Engineering & Maintenance Division
JAPAN AIRLINES

Japan Airlines' relationship with ST Aero began in 1991 when JAL selected ST Aero's subsidiary, SASCO to provide heavy maintenance on JAL's B747 aircraft. Since then, SASCO has also become our sole vendor for aircraft maintenance support on our MD-11 fleet.

ST Aero has proved to be a valuable partner, meeting our expectations on aircraft safety, quality, reliability and turnaround time. ST Aero's commitment to serve its customers' interests and its ability to deliver good quality and cost-effective solutions in a timely manner, has earned JAL's long-standing trust.

Human Factor Counts

While ST Aero continues to harness the latest and best technologies to extend its range of aircraft maintenance and engineering capabilities, it relentlessly seeks to improve its human-related processes to achieve the highest quality in its work performance.

ST Aero took the lead in June when it hosted 'Human Factors in Aircraft Maintenance', a two-day seminar held in Singapore to focus greater attention on the importance of human-related factors in ensuring high-quality, safety and reliability in aircraft maintenance. Attended by representatives from 13 aviation companies based in Singapore, the seminar included presentations and discussions on quality control, reduction of human errors, and evaluation and measurement of maintenance quality.

"Above and beyond ensuring safety, reliability and cost-effectiveness, there is a challenge for us to garner our expertise and resource to deliver innovative solutions that bring long term growth value to our customers. Meeting that challenge requires a holistic approach; leveraging on technology, and managing our human resource and work processes," said Mr Tay Kok Khiang, President of ST Aero.

Taking On Europe

Having established itself as a premium third-party aerospace maintenance and engineering company with strong presence in the US and Asia Pacific, ST Aero signed an agreement to set up a 60:40 joint-venture company in the UK with FR Aviation of Cobham plc in December. The joint-venture company, Bournemouth Aviation Services Company Limited (BASCO), will provide commercial aircraft heavy maintenance to customers in Europe.

Located at Bournemouth International Airport, BASCO will begin operations in 2002. It will initially provide maintenance and modification services on commercial narrow-body aircraft including Boeing 727, Boeing 737, MD80 and Airbus 320, employing a workforce of about 200 in the first year of its operations.

BASCO will be ST Aero's second company in Europe. The first, Airline Rotables Limited, has been providing management and supply of spares and components for Airbus and Boeing aircraft from its base in Stansted, Essex.

"Bournemouth Aviation Services Company demonstrates ST Aero's commitment to serve the European aviation market. It will complement ST Aero's facilities in the US and Asia, as well as Airline Rotables Limited in the UK, to provide aerospace maintenance, repair and overhaul services worldwide," said Mr Tay Kok Khiang, President of ST Aero.

He added that the new company will offer premium, value-added services at cost-competitive packages to aircraft operators in Europe, and ST Aero's other major customers who operate globally. BASCO will leverage on ST Aero's strong track record in commercial aircraft maintenance for the US and Asia-Pacific markets, and FR Aviation's reputation in providing high quality commercial and military aircraft system upgrades and conversion services.

"This is a major opportunity for two companies with high reputation in their complementary fields to build a new aircraft engineering business for the benefit of civil and military customers who demand best quality and value," said Mr Geoff Roe, Managing Director of FR Aviation. "It will provide strategic entry into the European aircraft maintenance market, and will create new jobs at Bournemouth International Airport, which is already a centre of excellence for aerospace engineering in the south of England."

Bournemouth is located in Dorset on the south coast of England. It was selected as a location for the development of ST Aero's aircraft maintenance, repair and overhaul activities in Europe, due to its suitability as an entry point to the Europe market, its competitive cost structure, and its potential for expansion to accommodate up to six new wide-body aircraft bays.

INDUSTRY VIEW

I am pleased to say that ST Aero has proved to be a valuable partner, meeting our expectations with excellent quality, attractive turnaround time and cost-effective solutions.

Suguru Omae
Executive Vice President, Engineering & Maintenance Division
ALL NIPPON AIRWAYS

ANA's relationship with ST Aero began in early 1997 when we selected ST Aero's subsidiary, SASCO to provide heavy maintenance and pylon modification on ANA's B747 Classic aircraft. This was a significant move for ANA to transfer the major airframe maintenance and modification works to a third-party facility such as ST Aero.

Over the years, both ST Aero and ANA have developed a strong bond from management to shop-floor production level. This special relationship is evident as our companies have been continuously seeking ways to further strengthen the close partnership between us. ST Aero has earned our longstanding trust and it is in this regard that we have decided to extend ST Aero's services to include the maintenance of our B747-400 aircraft.

From customer service to the skilled mechanics and engineers, ST Aero's people took excellent care of our one-of-a-kind aircraft.

Kathy Spahn
President & Executive Director
ORBIS

When ORBIS 1 required the most comprehensive maintenance project since its conversion from a passenger jet to a flying eye hospital in 1994, ORBIS turned to ST Aero's subsidiary, MAE. ST Aero's experts dis-assembled the aircraft, completed the examinations and repairs and re-assembled the plane ahead of schedule and below budget.

Completing a C-check on the world's only DC-10 configured as a flying hospital requires knowledge, skill and experience. On behalf of the crew, volunteer pilots, volunteer doctors and most importantly, the blind around the world who need our help, I express our deepest appreciation to ST Aero for a job well done.

ST Aero's Milestones

1975 : Began operations

1990 : Public-listed

: Expanded into commercial aviation maintenance by setting up SASCO (ST Aviation Services Co Pte Ltd) in Singapore

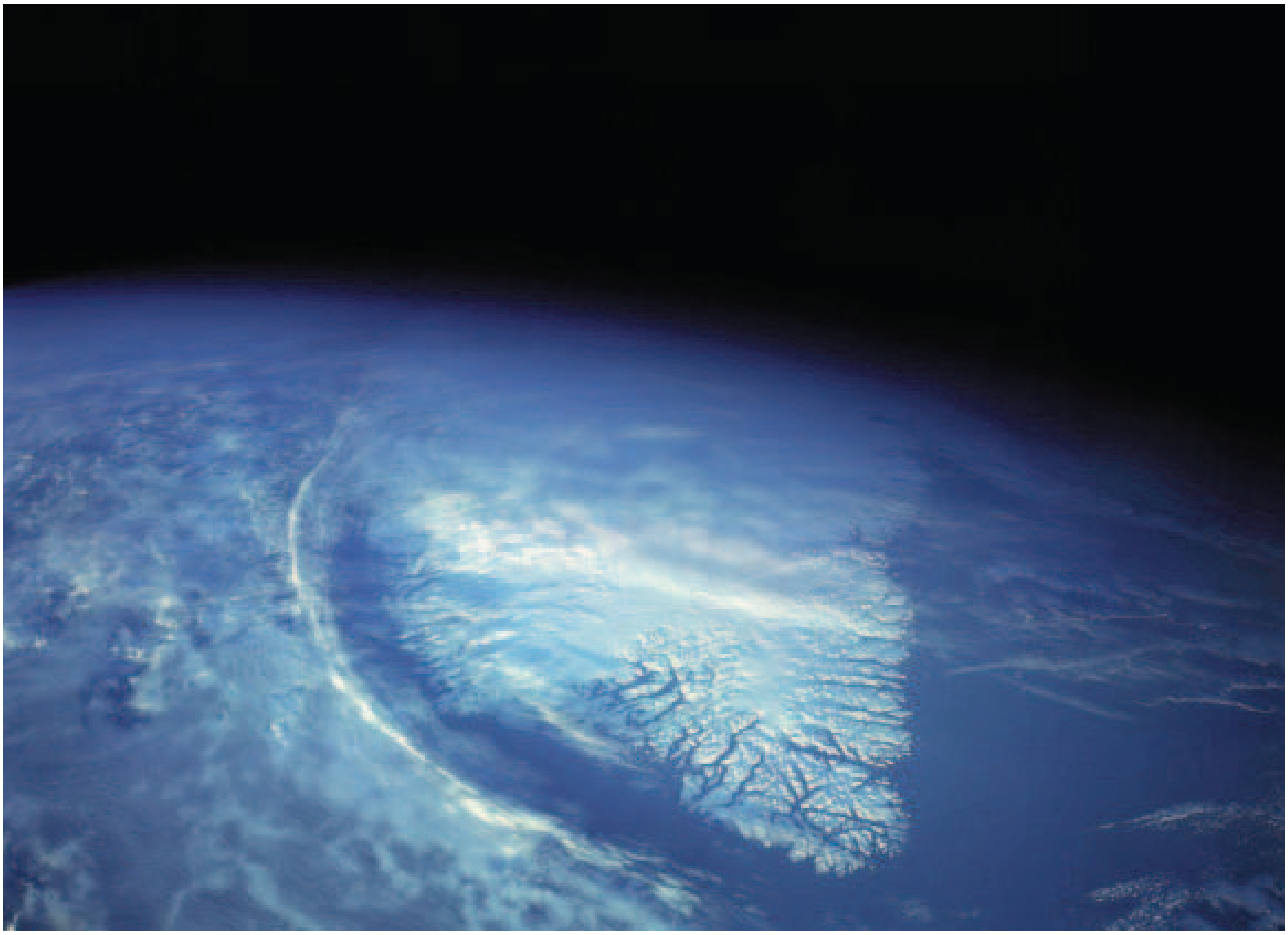
: Set up ARL (Airline Rotables Limited) in Stansted, UK

1991 : Set up MAE (ST Mobile Aerospace Engineering Inc) in Mobile, Alabama, US

1993 : Set up ST PAE (Perth Aerospace Engineering) in Perth, Western Australia

1997 : Merged with ST Auto (renamed ST Kinetics), ST Elect and ST Marine under Singapore Technologies Engineering Ltd.

: Acquired aviation maintenance facility in Dallas, Texas, US, and renamed it DalFort (DalFort Aerospace LP).



ELECTRONICS:

ST Elect is one of the largest system houses in the region, specialising in designing, implementing and delivering innovative system solutions for commercial and defence applications.

Capabilities: Design, development and integration of software and advanced electronics solutions for road and rail transportation, defence, training & simulation, intelligent building management and mobile commerce.

Number of Employees: 2547

Exploring Growth Horizons

The year saw ST Elect consolidating its position as an industry leader in the region while continuing to make strategic investments for future growth.

Rapid technological advancements in today's market have intensified the need for system houses to keep on building their capabilities. Rising to this challenge, ST Elect continued to enhance its capabilities and make strategic investments to expand its range of solutions offered to customers in 2001.

"As technologies converge, we need to integrate a comprehensive range of technological capabilities to meet market requirements," said Mr Seah Moon Ming, President of ST Elect. "The company is particularly focused on building resources to provide solutions for mobile commerce, real-time systems and wireless communications."

As such, the company has consolidated its position as an industry leader during the year, providing a comprehensive range of solutions through its Large-Scale Systems Group and subsidiaries: CET Technologies, Agilis Communication Technologies,

Seah Moon Ming
President, Electronics Sector

ST Training & Simulation and Singapore Engineering Software.

STRATEGIC INVESTMENTS Viewing strategic investments and partnerships as a means to build its capabilities and markets, ST Elect made selective investments that provided complementary technologies or enhanced geographical coverage.

In January, the company invested in e-Pen™ InMotion. This US-based company is engaged in the design and development of advanced wireless pens that do not require special sensing pads or tablets. This investment complements ST Elect's CETEON™ products – a range of mobile infocomm appliances.

Another investment made during the year was Trusted Hub, a company providing safe environments for secure electronic transactions in e-business. This new capability enhances ST Elect's suite of information security and digital watermarking products.

ST Elect also took a controlling stake in a joint-venture company with TeraForce Technology Corp in the US. The new company, Intelect Network Technologies, saw the merging of both parent companies' capabilities in delivering an integrated communications solution to rail and road transportation and airport system markets in the US and Asia.

In line with its intention to develop and deliver mobile payment solutions to the market, ST Elect acquired a stake in mPayment Pte Ltd which specialises in mobile payments and mobile commerce marketing solutions. mPayment has since closed a deal with the National Library Board on a project which will eventually allow library users to retrieve information and perform library transactions using GSM short-message service technology.

CAPABILITIES DEVELOPMENT ST Elect was able to expand the range of technologies and solutions available to its customers during the year. It built upon internal capabilities and leveraged on the strengths of its partners.

In July, Singapore Engineering Software joined hands with Silicon Graphics to set up Singapore's first Linux Knowledge Centre. The Centre will spearhead Linux's development by offering consultancy services, training courses, development and porting solutions to customers in Singapore and the Asia Pacific.

KnowledgeAlive, an e-learning division was launched by ST Training & Simulation to deliver one-stop, end-to-end, e-learning solutions. With partner InterWise Powers, KnowledgeAlive was selected to drive the e-learning programme for the Civil Service College in Singapore.

Apart from building such partnerships, ST Elect also invested in research and development with a firm belief that innovation would drive future growth. Through CET Technologies, the company was awarded three patents this year.

One of these was for the radio frequency transponder jointly developed with the Centre for Wireless Communications. This is used in passive radio frequency identification tags for asset tagging, tracking and security access. The second patent was awarded for watermarking digital data used in audio, image or video formats. The third award was for the Automatic Freeway Incident Detection System using Artificial Neural Networks and Genetic Algorithms. This system is used in the detection of traffic incidents.

In collaboration with the Institute of High Performance Computing, CET Technologies developed a new radiated immunity test facility utilising the reverberation testing technique. This facility will supply a reverberation chamber for the EMC National Laboratories, the first indigenous-

In-Train Vehicle Passenger Information System.

ly-designed and fabricated chamber in Singapore.

Another development by CET is a generic and rapid prototyping tool used in building prototype simulators for demonstration purpose as well as facilitating mobile payments through new innovative solutions.

BUSINESS MILESTONES During the year, while ST Elect continued enhancing its technological offerings, it also secured several contracts for design-and-build systems in Singapore and the region.

ST Training & Simulation also completed its state-of-the-art flight mission trainers for pilot training. This fully functional cockpit replica would provide precision-combat flight operations and mission-simulation training. It also delivered an Armour Gunnery & Tactical Simulator comprising six separate high level architecture compliant simulators, ideal for multiple vehicular platforms training.

CET Technologies was approached to provide a unified communications system for a MINDEF portal in January. The system which has been delivered now enables ministry personnel to manage their messages in various formats efficiently and effectively.

In February, THI Consultants Inc of Taipei awarded a contract to ST Elect to supply an Advanced Fleet Management System for 2,000 taxis in Taipei. This system was specially designed for advanced satellite-based taxi bookings and despatch management, all integrated to an intelligent call-centre. This highly successful programme may be expanded to cover all 10,000 taxis in the future.

In July, Singapore Engineering Software was awarded a contract to implement an Automated Fingerprint Identification System II in the Singapore Police Force. The system will capture images of fingerprints, palm prints and other identifying marks through

STTS Mission Trainer in 180 degrees Horizontal Field of View of Geo-Specific Terrain.

live booking stations available at all six police regional headquarters.

Agilis launched its K-band sensor modules, new state-of-the-art microwave digital radio transceivers and block-up convertors in Europe and the US to address the wireless communication and microwave markets. Its registration with the major service providers in China and India is expected to increase the demand for its Ku-Band satellite products.

Of particular significance was the number of major contracts won by ST Elect to support large-scale systems to support big infrastructure projects in Singapore and the region.

In Singapore, ST Elect won a S$233 million contract, jointly with Alstom Transport of France, to supply a world-class fully-automated medium capacity rail system to the 11 stations along the 10.6 kilometre Circle Line. This is for electrical and mechanical railway systems for Stage 2 of the Circle Line.

Another ST Elect solution poised to add a new dimension to the experience of taking a train ride in Singapore is the new Vehicle Passenger Information System. It will allow commuters to view displayed information in trains through LCD monitors and LED displays. This project will be completed progressively between 2001 and 2004.

BUSINESS OUTLOOK "The company ended the year on a good note. In the light of the current economic climate, we will move cautiously in 2002 and continue to deliver on our healthy order book," said Mr Seah. He explained that government-related contracts that form the bulk of this order book will proceed according to plan. The company will also step up its efforts to clinch new commercial orders.

Mr Seah said that ST Elect planned to focus on expanding into Greater China, supporting large projects with its systems in rail electronic, traffic management, public safety and info-communications solutions. Opportunities from major infrastructure projects are likely to continue in Greater China, where the company has already established a credible presence. ST Elect will also market its commercial solutions to the Asia Pacific and Middle East markets.

At the same time, the company will continue to invest in research and development and grow new revenue streams from new business opportunities such as wireless communications, radio frequency and microwave, mobile e-commerce, mobile payment and e-learning.

mBusiness - The New Initiative

Mobile business, or mBusiness, is the technology of the future, converging wireless and information technologies and offering easy-to-use, secure and flexible services anytime and anywhere.

ST Elect is at the forefront of mBusiness technology. The drive by the InfoComm Development Authority to promote mobile solutions was timely for ST Elect which led a consortium together with Green Dot Capital to clinch the award of a co-funding initiative by the Authority. This initiative will identify, promote and support collaboration efforts in the pilot development of a vital enabling component of mobile commerce infrastructure.

"We believe this award will pave the way for us to expand our product offering in other areas of mobile business in the region. We hope to roll out more pilot projects on wireless technologies that enable workforce mobility as well as develop interactive, multimedia applications using our range of communication devices," said Mr Lee Yiew Leng, Vice President – New Business, ST Elect.

ST Elect's strategic investments in mPayment Pte Ltd and WizVision.com Pte Ltd also provide a complementary suite of solutions to address the mobile payment space. These solutions extend the range of wireless communication devices developed to meet the needs of a new generation mobile community. CETEON™ was introduced during the year to provide an ideal mobile solution. Together with a GPRS card for wireless connectivity and a wireless e-pen which allows a natural input for handwritten characters, especially for Chinese and Arabic characters, it gives users true wireless data connectivity while running data-intensive applications on the move.

On the Right Track

When the Metro Manila Light Rail Transit Authority of the Philippines awarded the contract for Line 2 of its Manila Mass Rail Transit project to a consortium led by Marubeni Corporation of Japan, ST Elect was selected to deliver on the portion involving the US$23 million telecommunications, Automatic Fare Collection, SCADA and Management Information Systems.

This new 13.8 kilometre line which runs in an East-West direction, accommodates 10 aboveground and one underground station, is a depot and an Operations Control Centre.

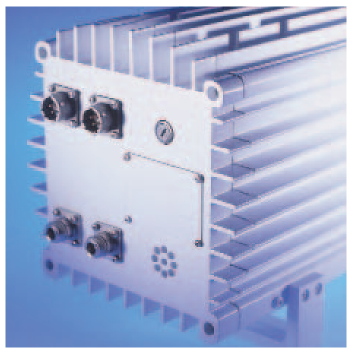
When completed in 2004, Manila's Line 2 will be safe and efficient, with fully-integrated telecommunications and state-of-the-art systems providing essential communications between trains, stations, depot and Operations Control Centre.

Mr Seah Moon Ming, President, ST Elect saw this as "a breakthrough for the company in the Asia-Pacific region outside of China and Taiwan. It gives ST Elect an opportunity to build its reference sites and to work with other world-class agencies."

CUSTOMER SPEAK

We believed that ST Elect's knowledge and vicinity to our market along with the competence displayed by their energetic team more than met our criteria for selection.

Zal Engineer
Executive Director
TATANET - NELCO LIMITED



"I have often believed that partners in a value chain of any business need to establish a relationship which not only mutually benefits the business of all the players, but is one that is based on trust and confidence in each other. Agilis Communications Technologies shares this belief. It has impressed us with its product reliability, level of professionalism and responsiveness. Agilis was always on hand to answer our queries and to attend immediately to any problems we face. Five years ago, when we looked at the connectivity requirements of our Tata Group Companies for mission critical applications such as SAP, we were not just looking at a "Box" for an ODU. We studied numerous providers before selecting Agilis because we believed that their knowledge and vicinity to our market, along with the competence displayed by their energetic team, more than met our criteria for selection."

We admire and appreciate the exquisite professional standard, indomitable spirit, professionalism and practical work attitudes of ST Elect.

Public Security Bureau of Suzhou Municipal Government
People's Republic of China
SUZHOU CITY FOR TRAFFIC MANAGEMENT SYSTEM

The setting up of the Road and Transportation Management and Control Centre for the Public Security Bureau of Suzhou City marks a new milestone in the road and transportation management of Suzhou City.

With sensible design and advanced technologies, the overall system achieved advanced standards internationally and set leading standards domestically. Throughout the period of construction, Chinese and foreign experts and engineers from various organisations put their heads and hearts together as one, overcoming challenges and displaying admirable team spirit.

We believe that continual improvements and widespread application of the system will further enhance the ability to improve modern scientific management of the urban transportation of our city.

SMRT would like to take this opportunity to thank STTS for its excellent commitment to the project and the timely delivery of the Cab Simulators.

Harry C H Tan
Senior Director, Maintenance
SINGAPORE MRT LTD

When SMRT decided to upgrade its existing operator simulator, we selected ST Training & Simulation, a subsidiary of ST Elect, to develop the best training solution to help us create, deliver and support the rigorous demands of cab driving.

Since the simulators became operational in January 2001, STTS has helped accelerate the learning curve of our train drivers, honing their skills in areas like precision-driving and handling of emergencies.

We are very pleased with the quality of workmanship and the support demonstrated by their staff. STTS has proved to be a valuable partner in our business and we look forward to future collaboration in the region.

LAND SYSTEMS:

ST Kinetics offers design and engineering services for land system products and a range of commercial and industrial test services.

Capabilities: Design and development of automotive platforms, weapon systems and munitions including manufacture and upgrades to maintenance and life cycle management.

Number of employees: 2,800

Breaking New Ground

ST Kinetics positions itself as a major player in land systems engineering solutions.

In recent years, consolidation of the defence industry in the West has witnessed the emergence of fewer but bigger and stronger players. Although the land systems industry is still largely fragmented, especially in Europe, there is a noticeable increase in joint participation and technological development across national borders. Such alliances and partnerships have since become a necessity for defence companies wanting to participate in the current major programmes in the West.

ST Kinetics has continued to seek alliances with major Western defence companies. After acquiring Chartered Industries of Singapore in 2000, the company is now capable of providing an integrated range of land systems engineering solutions. Additionally, ongoing investments in related technologies and companies have helped to further enhance its core businesses, as well as attract alliances with other leading industry players.

BUSINESS RATIONALISATION "We faced an initial challenge after our merger in early 2000 to

Wu Tzu Chien
President, Land Systems Sector

rationalise our operations and tap on our synergies as a group," said Mr Wu Tzu Chien, President of ST Kinetics. "We had to focus and streamline our systems and technology developments to move up the value chain and stay relevant to the industry."

In March, ST Kinetics regrouped into three operating divisions – Automotive; Munitions and Weapons; and Services, Trading and Others – allowing for better business focus as well as utilisation of resources. International marketing, for example, was centralised in early 2001.

These improvements to business structure and processes have allowed ST Kinetics to enjoy a successful 2001.

The rationalisation exercise will not stop there. The company plans to centralise all its defence operations at Jalan Boon Lay, retaining its Bukit Timah premises only for explosive-related work. Piling work will begin in mid 2002 and the new facility is expected to be completed by early 2005.

NEW INITIATIVES In 2001, the company invested in the Six Sigma methodology, and progressively introduced other productivity programmes into all business operations. These programmes allow the company to benchmark and improve its work processes over time.

The company made significant efforts to enhance safety awareness in the workplace, investing in safety management programmes such as Behavioural Based Safety, System Safety and OHSAS 18001. However, two unfortunate accidents happened at its Bukit Timah and Portsdown facilities in 2001. So, to further improve workplace and product safety, a Safety Steering Committee comprising senior management staff was formed to monitor issues on system and industrial safety, as well as promote a safety awareness culture among staff.

BUSINESS MILESTONES A highlight in ST Kinetics' business milestones is the delivery of Bronco, the first all terrain tracked carrier vehicle to the Singapore Armed Forces. Also received were orders from a European country for a 40 mm air bursting grenade system that is still under development. The SAR 21 continues to impress world markets with small quantities being purchased for trials by several countries worldwide.

Now, the company is in talks with partners to team up for the various major land systems programmes such as the Future Rapid Effects System programme in the UK and the Future Combat Systems programme in the US.

Looking ahead, ST Kinetics recognises the importance of designing and developing value-adding products, as well as investing in technological know-how in order to move the company up the value chain. With a more streamlined organisation structure, the company can now focus on developing new integrated defence systems of the future – systems which are faster, lighter, more mobile, more deployable, more lethal and more user-friendly to the fighting force.

"Our efforts to rationalise our core businesses and investments in technologies will strengthen our capability to develop new platforms, niche weapon systems and improved conventional munitions for the future battlefield," explained Mr Wu.

STRATEGIC ACQUISITIONS AND ALLIANCES ST Kinetics continues to seek alliances and acquisitions which will expand its own technological and marketing capabilities, allowing the company to compete more effectively at an international level.

In January, through Chartered Ammunition Industries, the company increased its shareholding in Takata CPI from 25 to 49 percent.

This move allowed greater participation and involvement by ST Kinetics in Takata's pyrotechnics activities. Both companies have been working jointly since 1999, to develop and produce pyrotechnics-related automotive safety components.

Through Mobility Systems, ST Kinetics acquired a 54-percent equity interest in Siamant GmbH and Co. KG in March. This acquisition widened ST Kinetics' capabilities in the development and manufacture of specialty engineering ceramics suitable for both military and high-end non-military applications.

ST Kinetics also increased its shareholding in STA Detroit Diesel-Allison, acquiring the balance 40-percent shareholding for S$1.68 million in November. STA Detroit Diesel-Allison distributes, repairs and maintains heavy-duty Detroit Diesel engines, MTU engines, Allison transmission and related products. As a wholly-owned subsidiary, it can better serve existing customers while expanding into other related businesses.

In addition to strategic investments, ST Kinetics forged worldwide alliances for joint technology and product development. In March, it signed a Memorandum of Understanding with Otobreda of Italy to co-develop a variant for its new 155 mm Light Weight Self Propelled Howitzer. ST Kinetics is also developing the 40 mm Air Bursting Munition System in collaboration with Oerlikon Contraves of Switzerland. Additionally, the company signed a development agreement with Innovonics of Australia for the installation of fleet management and vehicle monitoring systems in its Bronco all terrain tracked vehicles.

INTERNATIONAL MARKETING

In order to achieve its mission of becoming a market leader, ST Kinetics continues in its efforts to raise its international profile and presence. These included the company's participation in major defence events around the world such as International Defence Exhibition (IDEX) in Abu Dhabi, Defence Systems and Equipment International (DSEi) in the UK, Latin America Defentech (LAD) in Brazil and the Armor Conference in the US among others.

Such events allowed ST Kinetics to showcase its range of innovative new generation products especially demonstrated in the world debut of its first foray into wheeled fighting vehicles – the Terrex AV81 – at DSEi. Such exposure has placed ST Kinetics on the world map as a major land systems player, attracting interest from competitors, partners and major armed forces alike.

Commercial Highlights:

ST Kinetics continues to serve a diversified customer base in commercial automotive, testing and other services, as well as invest in new capabilities.

STAR Automotive Centre is appointed Quality Workshop by major insurance companies in Singapore.

Commercial Automotive Business

STAR Automotive Centre became the first repair centre in Singapore to attain ISO 9001:2000 certification during the year. It was also appointed Quality Workshop for three new insurance companies. The Centre invested further in a comprehensive safety programme to enhance the working environment for its employees.

Opel maintained its market share, increasing consumer interest with the launch of the new Opel Corsa. The Opel Zafira was voted the best multi-purpose vehicle for the second consecutive year by Wheels Asia.

The year saw STA Inspection Centre achieving OHSAS 18000 certification, attesting to the high quality standards maintained at the Centre.

CityCab

CityCab expanded its fleet to more than 5,000 vehicles during the year. Catering to larger groups of commuters, it launched the 12-seater MaxiTaxi – Singapore's largest taxi. To improve the efficiency of taxi services, CityCab will be developing a taxi dispatching system utilising a wireless platform. It also stepped up its driver training through programmes such as Service Excellence Training. A new COnSULT (CityCab Online Skills Upgrading through Lifelong Training) Centre provides drivers with another avenue to upgrade their skills on-line.

Test Services

Singapore Test Services secured major contracts during the year and launched a portal offering customers greater convenience. Building up its capabilities, the company expanded its range of facilities to include a microbiological laboratory and a flow calibration laboratory. It also set up facilities for electro-static discharge testing and radio frequency calibration. During the year, the company became one of the first laboratories in Singapore to be accredited with the new ISO/IEC 17025 quality standards for testing and calibration.

INDUSTRY VIEW

The company's determination to make its presence felt on the "other side" of the Pacific will surely be a "win-win" situation.

John Roos
Editor
ARMED FORCES JOURNAL INTERNATIONAL

The year 2001 marked a new beginning in ST Kinetics' resolve to make its corporate presence felt in the lucrative American defence market. A new, first-rate management/marketing team is now in place in the US, poised to capitalise on sales opportunities throughout North and South America. Those who are familiar with the world-class weapon systems that have long been produced in Singapore look forward to the increased visibility of ST Kinetics' products in contract competitions and open demonstrations. The company's determination to make its presence felt on the "other side" of the Pacific will surely be a "win-win" situation – both for the company and for the military forces that purchase its rugged, dependable materiel.

The company's ability to develop new systems of varying nature is impressive.

Eric H. Biass
Editor-in-Chief
ARMADA INTERNATIONAL

I must confess that in 2001, ST Kinetics ranks top on my list of companies that have demonstrated a deep awareness of the need for rapid deployment forces equipment able to match the new demands that the world is now imposing.

Gearing Up for the Future Battlefield

ST Kinetics' new generation defence products have scored many firsts, positioning the company as a market leader in the design and development of land systems products. Showcased at major defence exhibitions during the year, these products have been specifically developed to address future army requirements for rapid deployment, mobility, and reliability, as well as light weight and compact designs.

40 mm Super Light Weight Automatic Grenade Launcher

At only 14 kilogrammes, the 40 mm Super Light Weight Automatic Grenade Launcher is the lightest 40 mm automatic grenade launcher in the world. Made of durable light weight materials, it is significantly more compact, easier to carry than conventional systems, and requires less manpower for operation.

40 mm Air Bursting Munition System

This light weight upgrade kit fits new and existing 40 mm automatic grenade launchers to improve target effectiveness. Providing multiplier effects at minimum cost, the 40 mm Air Bursting Munition System combats concealed and defilade targets both day and night, and with very low recoil impulse.

120 mm Super Rapid Advanced Mortar System

This is the world's first 120 mm mortar system that is able to achieve the highest continuous firing rate of up to 18 rounds per minute. With a recoil of less than 20 tonnes, it enables operations even from onboard 4x4 vehicles. The mortar is also designed with patented features to enhance troop safety.

Light Weight Self Propelled Howitzer

This is world's first and only 39 calibre 155 mm self propelled howitzer that is mounted on a light weight powered chassis and air-transportable by C130s, CH47Ds and CH 53s. The Light Weight Self Propelled Howitzer combines firepower and mobility, offering an unprecedented capability for future light forces.

Terrex AV81

Representing a new class of vehicles that are mission-driven with a rapid response capability, the Terrex AV81 8x8-wheeled armoured infantry fighting vehicle is air-deployable, fast, mobile, reliable and survivable. It is modularly designed with an 11-tonne payload, incorporating tremendous potential for technology insertions.

MARINE:

ST Marine is a turnkey provider of shipbuilding, ship conversion and shiprepair services with proven capabilities to design, build and repair a wide spectrum of commercial and naval vessels for its global client base.

Capabilities: Shipbuilding, Ship Conversion and Shiprepair

Number of Employees: 948

Making Waves in Niche Markets

In this highly challenging year, ST Marine was successful in securing a major shipbuilding contract and strengthening its leading position in niche segments of the international shiprepair market.

As global competition heightened in 2001, ST Marine once again proved itself to be the choice partner in shipbuilding, ship conversion and shiprepair for international customers.

The company's proven track record for delivering high-quality products and superior services has stood the shipyard in good stead. Through strong customer confidence in our proven capabilities, the company was able to expand the shipbuilding and shiprepair businesses and secure contracts from internationally renowned companies.

"It has always been our strategy to stay ahead by leveraging on our technical capabilities to deliver sophisticated products and high value-added services," said Mr See Leong Teck, President of ST Marine. "Our unwavering commitment to product quality and customer satisfaction is the cornerstone of this strategy."

See Leong Teck
President, Marine Sector

SHIPBUILDING In shipbuilding, the year began on a high note with ST Marine securing a S$98 million contract to construct three units of Platform Supply Vessels (PSVs) for Tidewater Inc., the world's largest operator of support vessels for the offshore oil and gas industry. These new generation vessels will be used to support the offshore oil and gas exploration and development fields in deeper waters. Construction work for all the PSVs commenced during the year, and all the vessels are expected to be delivered by the end of 2002.

In March, the company also completed and delivered the fourth and last Landing Ship Tank (LST) to the Republic of Singapore Navy (RSN).

With this milestone, ST Marine has, once again, reaffirmed its capabilities to design and construct innovative vessels, as well as its ability to apply leading-edge technologies ingeniously to suit specific customer requirements.

"To strengthen our position as a premier shipbuilder, we continued to invest heavily in human resource development, product development, and upgrading of our facilities in order to embrace modern production equipment and work methods." said Mr See.

During the year, ST Marine invested in new technologies and equipment to enhance the company's shipbuilding capabilities significantly. At the company's main yard in Benoi, decisions were made to upgrade its physical facilities such as the construction of new workshops. When completed, ST Marine will be able to construct large naval vessels within covered workshops. Also in the pipeline are sheltered outfitting areas, a new piping workshop, upgraded CNC machines, as well as an enclosed blasting chamber. These world-class facilities and technologies will facilitate more efficient production around the clock.

To complement the upgrading of its shipbuilding facilities, ST Marine has also successfully upgraded its Management Information System. The new Electronic Resource Management (ERM) system integrates the existing CAD/CAM system with the new material management system which also includes e-procurement, manpower management system, space management system and an Oracle financial system. Together, they serve to reduce building lead time and costs.

SHIPREPAIR AND CONVERSION Leveraging off its design and shipbuilding capabilities, ST Marine continues to focus on providing high value-added shiprepair services which offer high engineering content. Having established itself as a leading international player, ST Marine enjoyed a good year in shiprepair. The shipyard repaired 367 ships in 2001, compared to 343 in the previous year.

The company continued to strengthen its leading position in niche market segments.

In the dredger repair market, ST Marine continues to enjoy a strong reputation as a specialist yard for dredger repairs, maintaining its leading position in this market segment. If its customer base is any indication, the company is a clear leader in providing services for world-renowned companies in the industry.

The year saw the completion of several major dredging repairs. The HD 'Lelystad' for Ballast Nedam Dredging was modified and its hopper dredger's trunk deck was renewed. Other dredgers worked on during the year included the 'Pearl River' and 'Nile River' for Dredging International, 'Volvox Hollandia' and 'Volvox Hansa' for Van Oord

The construction of three Platform Supply Vessels for Tidewater Inc. commenced during the year.

ACZ, 'Barent Zanen' for Boskalis International as well as 'Ham 316', 'Ham 309' and 'Geopotes 10' for H.A.M. B.V.

ST Marine also maintained a prominent presence in the repair market for chemical tankers. The company enjoyed a steady stream of tank coating and repair projects for chemical tankers from international companies such as Stolt-Nielsen of USA, Odfjell ASA, Bergesen DY ASA as well as Vista Shipmanagement of Norway, Rederi AB Sunship of Sweden, MTM Shipmanagement of Singapore among others.

The company achieved a significant milestone during the year with the completion of its 14th tank coating project for Stolt-Nielsen since 1998. This record achievement was clearly a boost to ST Marine's impressive track record in providing tank coating services of notable standards.

ST Marine achieved a significant milestone with the completion of the 14th tank coating project for Stolt-Nielsen since 1998.

ST Marine also continues to make its mark in the quality-exacting cruise vessel repair market. During the year, the company converted a cruise ferry to a naval training ship for Pelangi Shipping from Malaysia. In this project, the amusement deck of the 'Fajar Samudera' was transformed into a bridge deck complete with navigation and communications equipment for training purposes. The accommodation area was further converted for additional bunks, classrooms, a computer room as well as a prayer room. Refurbishment work was also carried out for the dining areas and the newly-converted officer's wardroom.

ST Marine also repaired other cruise vessels, namely the 'Hakkha' for Five Star Line of Myanmar, 'Spirit of Oceanus' for V.Ship of Monaco and 'Doulous' for Gate Bucher Fur Alle E.V. of Germany.

To gear the shipyard to provide better shiprepair services, the company's second shipyard at Tuas has also been upgrading its facilities with the erection of additional cranes, dock arms, a new workshop and the addition of new machinery. According to Mr See, "these investments will significantly improve ST Marine's shiprepair capabilities and enhance our competitiveness."

BUSINESS OUTLOOK While the world economic outlook remains uncertain, ST Marine is cautiously optimistic of its business prospects for 2002.

"Overall, Singapore yards are still competitive. The sizeable capacities of the shipyards are capable of catering to different shiprepair types and services," said Mr See.

"We also see opportunities in the replacement of the ageing fleet of offshore support vessels, which will be needed despite the ups and downs of economic cycles. And with the current demand for offshore drilling equipment for deep-water exploration, we expect a corresponding demand for bigger platform supply vessels with greater capacities." Mr See added that ST Marine will continue to actively market its indigenously-designed LST to the international naval market.

The company will build on its successful track record established so far and intensify its marketing efforts to maintain its leading position in niche markets in the coming year.

Stealth Ship Designs Unveiled

ST Marine unveiled its range of innovative ship designs incorporating advanced stealth capabilities at Imdex Asia 2001. The 81m Stealth Offshore Patrol Vessel and the 27m Stealth Interceptor have been extensively model-tested to derive optimal hull designs to provide the best speed performance and sea-keeping capabilities. Incorporating innovative design features to achieve low Radar Cross Section (RCS) objectives, these designs, including that of the 57m Stealth Patrol Vessel, are a fine testimony of ST Marine's capabilities to stay on the forefront of naval technology to deliver leading edge products to meet the demands of the modern navy.

81m Stealth Offshore Patrol Vessel

- Capable of sustained operations up to sea state 5.
- Includes a platform for landing and take-off operations for a range of helicopters up to 10 tonnes.
- Capable of speeds ranging from 23 to 30 knots depending on the propulsion configuration.

27m Stealth Interceptor

- A very unique Vee-hull to provide optimal performance even in prolonged operation in rough sea conditions.
- Can be configured for various missions from light coastal patrol to littoral warfare.
- Capable of speeds in excess of 35 knots.

CUSTOMER SPEAK

ST Marine has clearly demonstrated that your yard does possess the capabilities as well as the competency to handle cruise vessel repairs.

Ronald Strom
Director Technical Operations
TECHNICAL SUPERINTENDENT

Star Cruises is a leading operator of a fleet of world-class, modern and luxurious cruise vessels. Together with our other branches, NCL and Orient Lines, we are one of the leading companies in the cruise market.

We take pride in delivering top-notch services to our customers with the highest efficiency. As such, we expect no less from our business partners and service providers.

In the area of cruise vessel repair and refurbishment work, we firmly believe that stringent standards of project management skills are key to delivering repair services of immaculate standards.

With the successful completion of repairs and refurbishment work for our cruise vessel, Norwegian Star, ST Marine has clearly demonstrated that your yard does possess the capabilities as well as the competency to handle cruise vessel repairs.

Although this is the first time Star Cruises has worked with ST Marine, I am very pleased to say the yard's shiprepair services have fully met our expectations. There is a high level of enthusiasm and commitment displayed throughout all levels at the yard; from the management to the working level.

It has been pleasant working with ST Marine. Star Cruises looks forward to working with your yard again.

Highlights of the Year

2001 was an exciting year for ST Engg. Many project milestones were achieved and several major contracts were secured. Throughout the year, its Aerospace, Electronics, Land Systems and Marine sectors were involved in activities that attest to the drive and synergies in their respective businesses. THE FOCUS captures some of the year's highlights in the calendar below.

January

08/01: ST Marine secured a S$98 million contract to construct three new generation Platform Supply Vessels for Tidewater Inc., the world's largest operator of support vessels for the offshore oil and gas industry.

ST Elect won a S$6.4 million Land Transport Authority contract to provide Junction Electronic Eyes Systems in Singapore for surveillance at road junctions to capture real-time traffic conditions.

18/01: ST Aero was selected by Boeing and United Parcel Service to perform modifications and maintenance on 13 MD-11 passenger aircraft. The first MD-11 freighter was re-delivered to UPS on 1 October.

22/01: ST Elect secured a US$23 million contract to supply a telecommunications system, automatic fare collection system, supervisory control and data acquisition system and management information system for Line 2 of the Manila Mass Rail Transit project.

February

06/02: ST Elect clinched an NT$202 million (about S$10 million) contract to provide an advanced fleet management system to THI Consultants for its fleet of 2,000 taxis in Taipei.

March

02/03: ST Aero and Boeing jointly rolled out the first B757 Special Freighter prototype to DHL.

09/03: ST Aero's subsidiary, ST Mobile Aerospace Engineering (MAE), celebrated its 10th anniversary in Mobile, Alabama. MAE also commemorated the completion of its new two-bay hangar.

18 - 22/03: ST Kinetics launched the Terrex AV 81, 40 mm Air Bursting Munition System and 155 mm Light Weight Self Propelled Howitzer at the International Defence Exhibition (IDEX) 2001 in Abu Dhabi.

21/03: ST Engg rationalised the business groupings of its Aerospace and Land Systems sectors in accordance with the sectors' capabilities and services rendered.

27/03: ST Elect secured a US$56 million contract from the Hong Kong Fire Services Department to implement its Third Generation Mobilising System.

30/03: ST Marine delivered the last of four Landing Ship Tanks to the Republic of Singapore Navy.

April

17/04: The tripartite upgrade programme in which ST Aero was party to, successfully completed the maiden flight of the newly-upgraded F-5 for the Turkish Air Force.

May

01/05: Mr Lim Neo Chian joined ST Engg as Deputy CEO and Board Director. He succeeded Mr Boon Swan Foo as Deputy Chairman and CEO on 1 June.

02/05: ST Kinetics delivered its first All Terrain Tracked Carrier to the Singapore Armed Forces at a roll out ceremony officiated by the Deputy Prime Minister and Minister for Defence, Dr Tony Tan.

08 – 11/05: IMDEX 2001
ST Marine showcased its latest innovative designs incorporating stealth capabilities – the 81m Offshore Patrol Vessel and the 27m Interceptor.

ST Elect unveiled its new range of Standard Operating Common Consoles which are designed to operate in harsh environments in surface ships and submarines.

June

01/06: ST Elect, in consortium with Alstom, secured the option to supply electrical and mechanical railway systems for Stage 2 of the Circle Line (MRT). ST Elect's share of this contract is S$66 million.

12/06: Keel laying for the first of three Platform Supply Vessels for Tidewater Inc.

July

26/07: ST Elect partnered with SGI Singapore to set up the country's first Linux Knowledge Centre to promote the use of Linux operating platform and convert customers' systems to Linux-base.

August

09/08: ST Engg participated in the 36th National Day Parade.

15/08: ST Elect acquired a 19.8 percent equity stake in mPayment which specialises in mobile-payment, mobile-commerce and mobile-marketing solutions.

17/08: ST Elect entered a joint venture with Texas-based Teraforce Technology Corporation to form Intelect Network Technologies. The JV saw the coupling of both partners' respective capabilities in delivering an integrated communications solution to the rail transportation and airport systems market in the US and Asia.

September

11 – 14/09: ST Kinetics participated in Defence Systems & Equipment International (DSEi) held in the UK. It launched the 120 mm Super Rapid Advanced Mortar System (SRAMS) and 40 mm Super Light Weight Automatic Grenade Launcher. The Terrex AV81 also made its debut at DSEi.

17/09: Keel laying for the second of three Platform Supply Vessels for Tidewater Inc.

18/09: ST Aero signed an MOU with the Corpus Christi Regional Economic Development Corporation to lease its third aircraft repair facility in Corpus Christi, Texas. The MOU outlined ST Aero's intent to lease a two-bay hangar as part of its expansion in aircraft maintenance activities in the US.

October

12/10: Commemoration of the 50th aircraft input from Japan Airlines to ST Aero, in conjunction with JAL's 50th anniversary.

15/10: ST Elect-Green Dot Capital consortium was shortlisted by Infocomm Development Authority to participate in its Call for Collaboration (CFC) on Mobile Payment Solutions. The CFC is a co-funding initiative to encourage the development of vital enabling components of a mobile commerce infrastructure.

16/10: ST Aero and FedEx celebrated the re-delivery of the 1500th aircraft to FedEx.

November

19/11: ST Aero and Boeing delivered the first production of B757 special freighter to DHL Worldwide Express from MAE in Mobile, Alabama. The aircraft is the first of 17 aircraft to be converted by ST Aero.

30/11: ST Engg appointed former US Army General, John Coburn, as Chairman and CEO of its US operations, VT Systems.

December

19/12: Keel laying for the last of three Platform Supply Vessels for Tidewater Inc.

21/12: ST Aero signed a JV agreement with FR Aviation to establish a commercial aircraft heavy maintenance facility in Bournemouth, UK.

An Award-Winning Group

ST Engg was voted the Overall Best Managed Company in Singapore in Asiamoney's 2001 Poll.

ST Engg bagged the SIAS Golden Circle and the Most Transparent Company (Multi-Industry) Awards for the second consecutive year.

ST Engg won the Best Annual Report (mainboard) and the Best Corporate Governance Report Awards in the 28th Annual Report Award Competition.

ST Aero won the Aviation Week award for Best Asia Pacific Independent MRO Operation of the Year.


Imagination...
the beginning of creation
Imagination inspires us to change. To move out of comfort zones. To build solutions where none existed before.
Across continents, our people embrace the spirit of imagination to create a future by challenging the impossible.
Talk to us. We will show you how we turn dreams into reality.
Singapore Technologies Engineering
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Annual Report 2001

Focus Finance

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Established 1997

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Where details matter, this section of the Annual Report provides a comprehensive breakdown of the ST Engg Group's financial numbers.

TURNOVER

Year 2000	Year 2001
S$2.26B	S$2.47B

9%

NET PROFIT AFTER TAX

Year 2000	Year 2001
S$288.1M	S$350.1M

22%

GROUP FINANCIAL PERFORMANCE

1. RATIONALISATION OF SECTORS' BUSINESS GROUPINGS

On 21 March 2001, ST Engg announced the rationalisation of the business groupings of its sectors in accordance with the sectors' capabilities and services rendered. The review of the business groupings of the sectors was in line with the Group's move towards a competency-based organisation structure within the sector reflecting the sector's business approach. The result of the review showed the need for new business groupings for Aerospace and Land Systems sectors. The Aerospace sector's new business grouping comprises Aircraft Maintenance & Modification (AMM), Component/ Engine Repair & Overhaul (CERO) and Engineering & Materials Services (EMS) business groups. The new business grouping reflects the way the sector's management organises and manages the business, focusing more on capabilities and services, instead of military and commercial segregation. For Land Systems sector, the new business grouping comprises Automotive (Auto), Munitions and Weapon (M&W) and Services, Trading and Others (S&T) business groups. The new business grouping reflects the way the sector's management organises and manages the business by consolidating common or related capabilities and resources under each sub-unit.

2. FINANCIAL PERFORMANCE

2.1 SELECTED QUARTERLY FINANCIAL DATA

	2001				2000			
IN $'000 EXCEPT PER SHARE AMOUNTS	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Turnover	691,447	586,672	600,969	590,979	589,053	501,092	492,992	675,890
Profit after tax after minority interest	83,079	83,843	85,883	97,286	64,836	67,407	69,096	86,799
Basic earnings per share (cents) before extraordinary items *	2.9	5.8	8.8	12.2	2.3	4.6	7.1	10.1
Net tangible assets per share (cents) *	35.3	38.4	41.4	44.7	31.3	34.7	36.4	39.4

Note: The quarterly data are unaudited
* Basic earnings per share and net tangible assets per share are computed based on period-to-date figures

GROUP FINANCIAL PERFORMANCE *(continued)*

2.2 TURNOVER

The Group's turnover grew by 9% or $211 million from $2.26 billion in 2000 to $2.47 billion in FY2001. All sectors except Marine sector contributed to the increase in turnover.

The Aerospace sector grew 8% or $74 million over FY2000. Higher sales was generated by all three business groups. AMM business group's sales increased by $30 million mainly due to increased capacities in ST Aviation Services Co Pte Ltd (SASCO) and ST Mobile Aerospace Engineering Inc. (MAE). The sales growth of $23 million for CERO business group was the result of increased deliveries of components while the increased sales in Airline Rotables Ltd (ARL) and the completion of project milestones accounted for the increase in sales of $21 million for the EMS business group.

Electronics sector's turnover for FY2001 increased by 19% or $77 million to $489 million. The increase in sales was contributed by all three business groups. The increase in sales of the Communication & Sensor Systems Group (CSG) came mainly from the milestone completion in Ministry of Home Affairs' (MHA) communications project and the supply of radio communications equipment. Within Software Systems Group (SSG), sales growth came mainly from milestone completion of the Hong Kong Fire Services project, MHA's Command & Control System project and aircraft simulator projects. Higher sales from milestone completion of Land Transport Authority's (LTA) North-East Line MRT project and Sengkang/Punggol LRT project accounted for the higher sales of the Large-Scale Systems Group (LSG).

Turnover for the Land Systems sector increased by 15% or $77 million compared to FY2000. The increase was largely contributed by the Auto and M&W business groups. Higher sales of the Auto business group came mainly from Bronco, electric vehicles business and ordnance aftersales services. Increase in sales of the M&W business group was attributable to munitions and weapon spares sales.

Turnover for Marine sector of $335 million was 7% or $23 million lower than that achieved in FY2000. Shipbuilding sales decreased by 29% or $70 million as the business group delivered only one Landing Ship Tank (LST) in FY2001 plus follow-on LST variation orders versus two LSTs in FY2000. However, the decrease was partially offset by higher Shiprepair sales as more higher value added shiprepair jobs from international customers were secured and completed.

2.3 PROFIT

On a full year basis, the Group's profit before tax improved by 7% or $27.6 million to $440.1 million from $412.5 million in FY2000. Growth came from all sectors except the Marine sector.

The Aerospace sector achieved a 3% or $6.7 million increase in profit before tax over that of FY2000. All three business groups registered higher profit due mainly to higher turnover. The increase in CERO business group's profit was due to higher sales but partially offset by a reduction in contributions from associated companies, namely, Turbine Overhaul Services Pte Ltd. EMS business group's profit improvement was due to higher sales despite the absence of Asian Aerospace exhibition.

The Electronics sector's profit before tax increase by 12% or $5.6 million to $52.2 million over FY2000. All three business groups recorded increases in profit with major contribution coming from SSG due to higher sales. CSG recorded a slightly lower profit as a result of a provision made in respect of an investment in a GPRS solutions company.

Profit before tax for the Land Systems sector grew 15% or $12.4 million. The increase was contributed by the M&W and S&T business groups. Higher profit of the M&W business group was mainly from higher sales, while the increase in profit of the S&T business group was mainly due to higher investment income from the maturity of externally managed funds and startup costs of JuzclickCar not repeated this year. Auto business group's profit was lower despite higher sales as a result of Bronco startup costs, higher spending on R&D, e-initiatives and consultancy, but offset by contribution from higher sales and reversal of provision for an investment.

Profit before tax from the Marine sector of $62.6 million was marginally lower than FY2000 by 2% or $1.3 million. The lower Shipbuilding profit was mainly due to lower sales, while the lower Engineering profit was due mainly to share of higher associated companies' losses. The lower Shipbuilding and Engineering profits were substantially offset by the improved Shiprepair profit and higher investment income.

2.4 CASH AND CASH EQUIVALENTS

The Group had a healthy cash balance of $2.7 billion, largely unchanged over 2000. Majority of the funds were held in liquid assets such as fixed deposits, floating rate notes, placements with a related corporation and with professional fund managers on a principal-guaranteed basis.

2.5 EARNINGS PER SHARE (EPS)

Both basic and diluted EPS showed an improvement of 20% over 2000. Basic EPS increased from 10.12 cents to 12.19 cents in 2001 while diluted EPS increased from 10.01 cents to 12.10 cents in 2001.

2.6 CAPITAL EXPENDITURE

Capital expenditure amounted to $92 million. The details are shown in note 8 to the financial statements.

2.7 DIVIDEND

The Directors are pleased to recommend for shareholders' approval, the payment of gross dividends totalling 108% (i.e. $0.108 for each share of par value $0.10) for the year ended 31 December 2001. The recommended dividends consist of a gross ordinary dividend of 25% (i.e. $0.025) and a gross special dividend of 83% (i.e. $0.083). The recommended special dividend reflected the Group's commitment to creating shareholders' value through the EVA approach to managing its business. The recommended dividends take into consideration the Group's present cash position, positive cashflow generated from operations, tax credit balances and projected capital requirements.

2.8 ECONOMIC VALUE ADDED (EVA)

EVA for the full year 2001 was $160.9 million, a decrease of $28.4 million or 15% over FY2000. The weighted average cost of capital was 9.4% for 2001 (2000: 9.9%).

3.REVIEW OF BUSINESS ACTIVITIES

AEROSPACE

Year 2002 is expected to be a challenging year for the aviation industry. The slowdown of the US economy since the end of 2000, coupled with the tragic events of 11 September 2001 continue to have an adverse impact on the aviation industry. The worst hit are the US airlines and the freight market, though the global aviation industry is also seriously affected. There are, however, indications that both the global economy and the performance of the airline and freight industries may be recovering. Whilst the Aerospace sector will continue to observe necessary caution and prudence, the sector remains confident about the long term prospects of the aviation industry. The Aerospace sector will, therefore, take a long term view and will continue to invest in new maintenance capabilities and engineering developments to generate new services and products for the future.

ELECTRONICS

The Electronics sector will continue to deliver on its healthy order book in 2002. Government-related contracts such as those from MINDEF, MHA and the LTA should progress according to plan.

LAND SYSTEMS

The defence industry in the West continued both in its consolidation and its further domination of the global defence market. Defence budgets, having trended downwards in most countries in the last decade, are now forecasted to stabilise albeit at low rates of growth. The incident of 11 September 2001 may see further increases in defence spending although exact requirements will take time to realise. In general, there was a noticeable increase in cross-border and consortia approaches to collaboration in major defence programs like the Multi Role Armoured Vehicles (MRAV), Future Combat Systems (FCS) and Future Rapid Effect System (FRES). It has now become a necessity to be part of a larger alliance in order to be able to participate in these major programs. The Land Systems sector has thus continued to look for partnerships to strengthen itself in the international market.

The Land Systems sector continued to position itself as a major player in the global land systems market in 2001. The acquisition of Founders Industries Pte Ltd in 2000 allowed the sector to provide an integrated range of land systems engineering solutions. This is aided by ongoing investments in related technologies and companies that will further enhance its core defence businesses as well as attract alliances with other leading players in the defence industry.

MARINE

The difficulties facing the world's major economies would impact the world's seaborne trade. Decline in shipping demand would lead to fewer newbuilding orders for shipyards. However, when the economy starts to recover, the increase in global energy demand is likely to sustain the current utilisation of offshore drilling equipment and present opportunities for replacement of ageing offshore support vessels.

As classification societies and port organisations enforce more stringent standards of maintenance, the demand for shiprepair services would increase. Moreover, the weakening Singapore Dollar will enable Singapore yards to better compete for VLCC repairs vis-à-vis the Middle East yards. Major yards in Singapore have healthy order book and the Marine sector expects capacities to be well utilised. The Marine sector envisages that the repair markets for chemical tankers, gas carrier, dredgers and offshore vessels will continue to stay relatively buoyant.

GROUP FINANCIAL PERFORMANCE *(continued)*

4. PROSPECTS

Based on current outlook, the Directors expect the Group to maintain the same level of earnings for FY2002.

Earnings for 1Q2002 are expected to be comparable to 4Q2001, not taking into account the tax provision write-back in 4Q2001.

AEROSPACE

The Aerospace sector expects its performance in 1Q2002 to be weaker than 4Q2001 due to market conditions and higher year-end deliveries. Overall performance in FY2002 is expected to be comparable to FY2001. However, there remains uncertainties in the airline and freight business. Asian Aerospace 2002 exhibition will see the launch of new development initiatives to further enhance future business opportunities. FY2002 will see the continuation of the MD11 and B757 PTF conversion for UPS and DHL respectively. Maintenance programmes for the core blue chip clientele should be sustained and development initiatives will be increased to enhance core business growth.

ELECTRONICS

The turnover and profit of the Electronics sector for 1Q2002 are projected to be lower than 4Q2001. In 1Q2002, the Electronics sector expects to complete the project milestones in Hong Kong Fire Services' project, an aircraft simulator project and milestone delivery of ship consoles under SSG; LTA's MRT/LRT electronic systems and visual passenger information system under LSG; MHA's Communication Network system and various defence communication projects under CSG. However, the value of these milestones are expected to be less than that of 4Q2001.

For year 2002, the Electronics sector expects to see additional milestone completion for the rail electronic systems in the LTA's Circle Line project and the Manila LRT Project in the Philippines; the Hong Kong Fire Services project for the Hong Kong Fire Services Department; and various electronic projects. The sector will continue to invest resources in new product development and in regional market development. Overall, the performance for FY2002 is expected to be better than that of FY2001.

LAND SYSTEMS

The Land Systems sector's sales and profit before tax for 1Q2002 are expected to be better than the preceding quarter.

The sector's performance for FY2002 is expected to be better than FY2001. The sector will continue to deliver Bronco, SAR21 and other projects under its contractual obligations.

MARINE

The Marine sector expects higher turnover in 1Q2002 compared to 4Q2001 due to a change in accounting policy to the percentage of completion method for recognition of Shipbuilding sales. Profit is expected to be higher due to the maturity of a fund under management. With the completion of the LST project in FY2001 and the absence of a comparable size shipbuilding project in FY2002, the Marine sector expects lower Shipbuilding sales and profit in FY2002. The Marine sector will commence preparatory work for the Frigate programme. For Shiprepair, the sector will continue the successful strategy of pursuing high value jobs and building the international customer base. Funds under management will also contribute to profit for the year. Overall, the Marine sector's performance is expected to be weaker.

DIRECTORS' REPORT

31 DECEMBER 2001
(Currency – Singapore dollars unless otherwise stated)

We, the undersigned directors, on behalf of all the directors of the Company, submit this annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2001.

DIRECTORS

The directors of the Company in office at the date of this report are as follows:

Ho Ching *(Chairman)*

Lim Neo Chian *(Deputy Chairman and CEO)*
(appointed as director on 1 May 2001)

Tan Pheng Hock *(appointed on 1 May 2001)*

Philip Tan Yuen Fah

Tan Guong Ching

Teo Chan Eddie @ Teo Chan Seng Eddie
(appointed on 20 February 2001)

Peter Ong Boon Kwee *(appointed on 20 February 2001)*

LG Lim Chuan Poh

Professor Lui Pao Chuen

Dr Philip Nalliah Pillai

Winston Tan Tien Hin

Lucien Wong Yuen Kuai

PRINCIPAL ACTIVITIES

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 9 to the financial statements. There were no significant changes in the nature of such activities during the financial year, except for newly incorporated and acquired subsidiaries.

EMPLOYEES

The total number of employees in the Company and the Group at the end of the financial year was 51 and 11,170 (2000: 39 and 10,325) respectively.

RESULTS FOR THE FINANCIAL YEAR

Results of the Group and of the Company for the financial year are as follows:

	GROUP $'000	COMPANY $'000
Profit after taxation	354,444	222,040
Minority interests	(4,353)	–
Profit attributable to the shareholders of the Company	350,091	222,040
Unappropriated profit brought forward	686,703	387,504
Profit available for appropriation	1,036,794	609,544
Additional final dividend paid in respect of the previous financial year due to the issue		
of shares under the ST Engg Share Option Scheme before books closure date	(1,086)	(1,086)
Final dividend paid in respect of the previous financial year of 2.5 cents per share less tax at 24.5%	(53,901)	(53,901)
Special dividend paid in respect of the previous financial year of 5.5 cents per share less tax at 24.5%	(118,583)	(118,583)
Special tax exempt dividend paid in respect of the previous financial year of 1.5 cents per share	(42,836)	(42,836)
Goodwill on acquisition of subsidiary written off	(11,051)	–
Transfer from unappropriated profit to statutory reserve	(65)	–
Unappropriated profit carried forward	809,272	393,138

MATERIAL TRANSFERS TO OR FROM RESERVES AND PROVISIONS

Except as shown in the financial statements, there were no material transfers to or from reserves or provisions during the financial year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) During the financial year, the Group acquired the following subsidiaries:

NAME OF COMPANY	INTEREST ACQUIRED %	INTEREST AFTER ACQUISITION %	CONSIDERATION $	NET TANGIBLE ASSETS (LIABILITIES) ACQUIRED $
Siamant Verfahrensentwicklung im Bereich keramischer				
Werkstoffe Verwaltung GmbH	54	54	1	23,338
Siamant Verfahrensentwicklung im Bereich keramischer				
Werkstoffe GmbH & Co. KG	54	54	704,771	(1,162,565)
			704,772	(1,139,227)

(b) During the financial year, the Group acquired additional equity interests in the following subsidiaries:

NAME OF COMPANY	INTEREST ACQUIRED %	INTEREST AFTER ACQUISITION %	CONSIDERATION $	NET TANGIBLE ASSETS $
Interactive Visual Simulation Laboratory Pte Ltd	35	100	72,602	72,602
STA Detroit Diesel-Allison (Singapore) Pte Ltd	40	100	1,680,000	2,458,203

Except as disclosed above, there were no other acquisitions or disposals of subsidiaries during the financial year.

ISSUE OF SHARES OR DEBENTURES

The Company issued 22,554,586 ordinary shares of $0.10 each for cash at the respective price per share upon the exercise of options granted by the Company under the Singapore Technologies Engineering Executives' Share Option Scheme ("ESOS"):

GRANT NO.	NO. OF ORDINARY SHARES ISSUED	PRICE PER ORDINARY SHARE ($)
9601	329,732	0.905
9605	100,000	0.373
94R3	28,634	0.873
94R4	228,096	0.473
94R5	17,585	0.522
95R1	84,536	0.905
95R3	258,920	0.467
95R4	86,306	0.401
95R5	20,000	0.357
96R1	325,613	0.905
96R3	135,625	0.471
96R4	57,268	0.747
96R5	180,226	0.373
96R6	46,235	0.465
97R1	810,964	0.422
97R2	574,911	0.629
97R5	143,941	0.720
98R1	4,069,250	1.390
98R3	547,794	1.290
99R1	14,070,450	1.418
9902	438,500	2.000

ISSUE OF SHARES OR DEBENTURES *(continued)*

During the financial year, the subsidiaries issued the following shares:

NAME OF COMPANY	SHARES ISSUED AND CONSIDERATION	PURPOSE
Autonomous Technology Pte Ltd	2 ordinary shares of $1 each, at par for cash	For incorporation and initial working capital
Intelect Technologies Incorporated	Paid-in capital of US$3,750,000	For incorporation and initial working capital

Except as disclosed above, neither the Company nor its subsidiaries issued any shares or debentures during the financial year.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except for the ST Engg Share Option Plan, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company or of related corporations either at the beginning (or date of appointment, if later) or at the end of the financial year and on 8 January 2002.

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year in shares or debentures in the Company and its related corporations were as follows:

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN 1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
THE COMPANY		
Ordinary Shares of $0.10 each		
Tan Pheng Hock	13,059	64,864
Philip Tan Yuen Fah	25,686	25,686
Professor Lui Pao Chuen	161,444	161,444
Winston Tan Tien Hin	200,000	200,000

	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001	EXERCISE PRICE ($)	EXERCISABLE PERIOD
Options to Subscribe for Ordinary Shares of $0.10 each				
Ho Ching	–	100,000	2.72	20.2.2002 to 19.2.2006
Lim Neo Chian	–	452,500	2.68	11.8.2002 to 10.8.2011
Tan Pheng Hock	171,805	–	0.629	18.5.1999 to 7.4.2007
	300,000	–	1.39	30.4.2000 to 29.4.2008
	5,000	5,000	1.29	8.8.2000 to 7.8.2008
	400,000	400,000	1.418	10.2.2001 to 9.2.2009
	5,000	5,000	2.00	11.8.2001 to 10.8.2009
	400,000	400,000	2.26	10.2.2002 to 9.2.2010
	–	225,000	2.72	20.2.2002 to 19.2.2011
	–	227,500	2.68	11.8.2002 to 10.8.2011
Philip Tan Yuen Fah	–	95,000	2.72	20.2.2002 to 19.2.2006
Dr Philip Nalliah Pillai	–	75,000	2.72	20.2.2002 to 19.2.2006
Winston Tan Tien Hin	–	115,000	2.72	20.2.2002 to 19.2.2006
Lucien Wong Yuen Kuai	–	75,000	2.72	20.2.2002 to 19.2.2006

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN 1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
Conditional Award of 110,000 performance shares to be delivered after 2002		
Tan Pheng Hock	0 to 220,000#	0 to 220,000#
Conditional Award of 150,000 performance shares to be delivered after 2003		
Lim Neo Chian	–	0 to 300,000*
Tan Pheng Hock	–	0 to 300,000*

RELATED CORPORATIONS

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN 1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
SEMBCORP MARINE LIMITED		
Ordinary Shares of $0.10 each		
Professor Lui Pao Chuen	–	60,000

	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001	EXERCISE PRICE ($)	EXERCISABLE PERIOD
Options to Subscribe for Ordinary Shares of $0.10 each				
Tan Pheng Hock	–	20,000	0.66	28.9.2002 to 27.9.2006

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN 1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
SEMBCORP LOGISTICS LIMITED		
Ordinary Shares of $0.25 each		
Teo Chan Eddie @ Teo Chan Seng Eddie	300	300
Professor Lui Pao Chuen	21,300	95,200

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

RELATED CORPORATIONS *(continued)*

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN	
	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
CHARTERED SEMICONDUCTOR MANUFACTURING LTD		
Ordinary Shares of $0.26 each		
Ho Ching	60,000	–
Tan Pheng Hock	7,000	7,000
Tan Guong Ching	2,000	2,000

	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001	EXERCISE PRICE ($)	EXERCISABLE PERIOD
Options to Subscribe for Ordinary Shares of $0.26 each				
Ho Ching	120,000	120,000	16.69	6.4.2001 to 6.4.2005
	120,000	120,000	11.86	3.10.2001 to 3.10.2005
	–	60,000	4.74	28.3.2002 to 28.3.2006
	–	60,000	4.99	15.8.2002 to 15.8.2006

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN	
	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
SEMBCORP INDUSTRIES LTD		
Ordinary Shares of $0.25 each		
Professor Lui Pao Chuen	40,415	40,415

	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001	EXERCISE PRICE ($)	EXERCISABLE PERIOD
Options to Subscribe for Ordinary Shares of $0.25 each				
Ho Ching	100,000	100,000	1.99	27.6.2001 to 26.6.2005
	–	70,000	1.55	20.4.2002 to 19.4.2006

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN	
	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
VERTEX INVESTMENT (II) LTD		
Ordinary Shares of US$1.00 each		
Professor Lui Pao Chuen	20	20
RAFFLES HOLDINGS LIMITED		
Ordinary Shares of $0.50 each		
Tan Pheng Hock	8,000	8,000
Tan Guong Ching	2,000	2,000
VERTEX TECHNOLOGY FUND LTD		
Ordinary Shares of US$1.00 each		
Ho Ching	100†	100†
Winston Tan Tien Hin	10	10
Redeemable Preference Shares of US$0.01 each		
Ho Ching	5†	–
ST ASSEMBLY TEST SERVICES LTD		
Ordinary Shares of $0.25 each		
Ho Ching	35,000	35,000
Tan Pheng Hock	6,000	6,000
Tan Guong Ching @	–	20,000
Lucien Wong Yuen Kuai	30,000	30,000
VERTEX VENTURE HOLDINGS LTD		
Ordinary Shares of $0.20 each		
Tan Guong Ching	10,681**	10,681
Professor Lui Pao Chuen	4,836**	4,836
VERTEX TECHNOLOGY FUND (II) LTD		
Ordinary Shares of US$1.00 each		
Ho Ching	100†	100†
Tan Pheng Hock	5†	5†
Winston Tan Tien Hin	20	20
Redeemable Preference Shares of US$0.01 each		
Ho Ching	100†	100†
Winston Tan Tien Hin	20	20

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

RELATED CORPORATIONS *(continued)*

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN	
	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
SINGAPORE TELECOMMUNICATIONS LIMITED		
Ordinary Shares of $0.15 each		
Ho Ching	3,510	3,510
Lim Neo Chian	3,110	3,110
Tan Pheng Hock	3,510	3,510
Philip Tan Yuen Fah	3,510	3,510
Tan Guong Ching	3,510	3,510
Teo Chan Eddie @ Teo Chan Seng Eddie	3,110	3,110
Peter Ong Boon Kwee	2,550	2,550
LG Lim Chuan Poh	1,490	1,490
Professor Lui Pao Chuen	3,510	3,510
Dr Philip Nalliah Pillai	3,510	3,510
Winston Tan Tien Hin	5,520	5,520
Lucien Wong Yuen Kuai	3,110	3,110
SINGAPORE AIRLINES LIMITED		
Ordinary Shares of $1.00 each		
Tan Guong Ching	–	2,000
Professor Lui Pao Chuen	8,000	8,000
Winston Tan Tien Hin	4,000	4,000
Lucien Wong Yuen Kuai	25,000	–
SINGAPORE FOOD INDUSTRIES LIMITED		
Ordinary Shares of $0.05 each		
Ho Ching	50,000	50,000
Philip Tan Yuen Fah	20,000	20,000

	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001	EXERCISE PRICE ($)	EXERCISABLE PERIOD
Options to Subscribe for Ordinary Shares of $0.05 each				
Philip Tan Yuen Fah	20,000	20,000	0.78	29.10.2001 to 28.10.2004
	100,000	100,000	0.55	24.8.2001 to 23.8.2005
	–	70,000	0.69	28.7.2002 to 27.7.2006

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN	
	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
SMRT CORPORATION LTD		
Ordinary Shares of $0.10 each		
Tan Guong Ching	11,000	11,000
Lucien Wong Yuen Kuai	40,000	–
SINGAPORE AIRPORT TERMINAL SERVICES LTD		
Ordinary Shares of $0.10 each		
Professor Lui Pao Chuen	10,000	20,000
SIA ENGINEERING COMPANY LTD		
Ordinary Shares of $0.10 each		
Professor Lui Pao Chuen	10,000	20,000
THE ASCOTT GROUP LIMITED		
Ordinary Shares of $0.20 each		
Philip Tan Yuen Fah	35,181	35,181

	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001	EXERCISE PRICE ($)	EXERCISABLE PERIOD
Options to Subscribe for Ordinary Shares of $0.20 each				
Ho Ching	16,000	16,000	0.37	20.12.2001 to 19.12.2005
	–	12,000	0.32	30.6.2002 to 29.6.2006

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN	
	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
CAPITALAND LIMITED		
Ordinary Shares of $1.00 each		
Professor Lui Pao Chuen	34,600	34,600
Winston Tan Tien Hin	25,000	–

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

RELATED CORPORATIONS *(continued)*

	1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001	EXERCISE PRICE ($)	EXERCISABLE PERIOD
Options to Subscribe for Ordinary Shares of $1.00 each				
Lucien Wong Yuen Kuai	53,850	53,850	2.54	13.6.2001 to 11.6.2005
	–	100,000	2.50	19.6.2002 to 18.6.2006

	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN 1 JANUARY 2001 OR DATE OF APPOINTMENT IF LATER	31 DECEMBER 2001
SNP CORPORATION LTD		
Ordinary Shares of $0.50 each		
Winston Tan Tien Hin	94,495	94,495

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

The actual number of performance shares delivered will depend on the achievement of set targets over a three-year period from 2000 to 2002. Achievement of targets below 80% level will mean no performance shares will be delivered, while achievement up to 200% will mean up to twice the number of conditional performance shares awarded could be delivered.

* The actual number of performance shares delivered will depend on the achievement of set targets over a three-year period from 2001 to 2003. Achievement of targets below 80% level will mean no performance shares will be delivered, while achievement up to 200% will mean up to twice the number of conditional performance shares awarded could be delivered.

** During the financial year, Vickers Capital Limited ("VCap"), the holders of ordinary shares of $0.25 each in the capital of VCap and Vertex Venture Holdings Ltd ("VVH") entered into a Scheme of Arrangement under Section 210 of the Companies Act, Chapter 50. The Scheme took effect on 8 November 2001 whereupon VCap became a wholly-owned subsidiary of VVH. Upon the Scheme taking effect, VVH issued new shares in exchange for previous holdings of shares in VCap in accordance with the terms of the Scheme. On 12 November 2001, VCap was delisted and the shares of VVH were listed on the Singapore Exchange Securities Trading Limited.

@ As at 8 January 2002, the number of shares in ST Assembly Test Services Ltd held by Mr Tan Guong Ching decreased to 10,000 due to a subsequent disposal of 10,000 shares after the balance sheet date.

The SGX's Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interests of each director of the Company in the share capital of the Company. As the Directors' Report of the Company is dated 8 January 2002, the Company is unable to comply with the 21 days' requirement.

There was no change in any of the abovementioned directors' interests in the Company and related corporations between the end of the financial year and 8 January 2002, except as disclosed above.

DIRECTORS' INTERESTS IN CONTRACTS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from related corporations and share options granted pursuant to the ST Engg Share Option Plan) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for professional fees paid to a firm of which a director is a member as shown in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid a final dividend of 2.5 cents per share less tax at 24.5% amounting to $53,901,000 and a special dividend of 5.5 cents per share less tax at 24.5% amounting to $118,583,000 and a special tax exempt dividend of 1.5 cents per share amounting to $42,836,000 in respect of the previous financial year. In addition, the Company paid a net dividend of $1,086,000 in respect of the previous year due to the issue of shares under the ST Engg Share Option Scheme before books closure date.

The directors propose a final dividend of 2.5 cents per share less tax at 24.5% amounting to $54,327,000 and a special dividend of 6.5 cents per share less tax at 24.5% amounting to $141,250,000 and a special tax exempt dividend of 1.8 cents per share amounting to $51,808,000 in respect of the year ended 31 December 2001.

OTHER STATUTORY INFORMATION

(A) BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to writing off bad debts and providing for doubtful debts of the Company. The directors have satisfied themselves that all known bad debts had been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off as bad debts or provided for as doubtful debts in the consolidated financial statements inadequate to any substantial extent.

(B) CURRENT ASSETS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values and that adequate provision has been made for the diminution in value of such current assets.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report which would render the values attributable to current assets in the consolidated financial statements misleading.

(C) CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Since the end of the financial year:

(i) no charge on the assets of the Company or any corporation in the Group which secures the liabilities of any other person has arisen; and

(ii) no contingent liability of the Company or any corporation in the Group has arisen.

(D) ABILITY TO MEET OBLIGATIONS

No contingent or other liability of the Company or any corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(E) OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the consolidated financial statements or financial statements of the Company misleading.

(F) UNUSUAL ITEMS

In the opinion of the directors, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Group or of the Company during the financial year.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

OPTIONS GRANTED BY SUBSIDIARY TO SUBSCRIBE FOR UNISSUED SHARES

During the financial year, except as disclosed below, there were no options granted by the subsidiaries to any person to take up unissued shares of the subsidiaries:

Pursuant to an agreement signed between Singapore Technologies Kinetics Ltd and NTUC Income Insurance Co-operative Ltd ("The Agreement") in which Singapore Technologies Kinetics Ltd transferred its rights and obligations under the Agreement to a subsidiary of Singapore Technologies Kinetics Ltd, an option was granted to NTUC Income Insurance Co-operative Ltd to subscribe for another 5% stake in the subsidiary either in the form of share capital or a proportional Loan Stock subject to the following terms and conditions:

(a) The option is only exercisable when the subsidiary's annual commission-based revenue exceeds $4 million in the preceding year;

(b) The 5% referred to above shall be calculated based on accumulated expenses of the subsidiary since inception and shall include the full capital charges on portal hardware.

(c) The exercise period of the option shall not be more than 2 years from the date of incorporation of the subsidiary or such other period as shall be mutually agreed by the Parties.

SHARE PLANS

The Executive Resource and Compensations Committee ("ERCC") is responsible for administering the Singapore Technologies Engineering Share Option Plan ("ESOP"), the Singapore Technologies Engineering Performance Share Plan ("Performance Share Plan") and the Singapore Technologies Engineering Restricted Stock Plan (collectively "Share Plans").

SHARE PLANS *(continued)*

The Committee members are Ms Ho Ching (Chairman), Mr Tan Guong Ching, Dr Philip Nalliah Pillai and Mr Ng Kee Choe (co-opted member).

Following approval of the new Share Plans by shareholders at the Extraordinary General Meeting held on 23 November 2000, the Singapore Technologies Engineering Executives' Share Option Scheme ("ESOS") was terminated.

During the financial year, except as disclosed below, there were no options granted by the Company to any person to take up unissued shares of the Company:

(A) OPTIONS GRANTED UNDER THE ST ENGG EXECUTIVES' SHARE OPTION SCHEME/ST ENGG SHARE OPTION PLAN

(i) During the financial year, the following options were granted under the ESOP. The fair value of options granted at the date of grant is estimated using the Black-Scholes option-pricing model on the basis of the following assumptions on dividend yield, risk-free interest rate, expected volatility and expected lives:

DATE OF GRANT	EXERCISABLE PERIOD	NO. OF SHARES GRANTED UNDER OPTIONS	FAIR VALUE OF OPTIONS $	EXERCISE PRICE $	DIVIDEND YIELD %	RISK-FREE INTEREST RATE %	VOLATILITY RATE %	EXPECTED LIVES YEARS
19.2.2001	20.2.2002 to 19.2.2006	1,455,000	0.78	2.72	0.93	3.51	40.18	3
19.2.2001	20.2.2002 to 19.2.2011	11,449,413	0.78	2.72	0.93	3.51	40.18	3
10.8.2001	11.8.2002 to 10.8.2006	30,000	0.72	2.68	0.91	3.58	33.17	3
10.8.2001	11.8.2002 to 10.8.2011	15,648,886	0.72	2.68	0.91	3.58	33.17	3

(ii) The options granted to directors under the ESOS/ESOP are as follows:

NAME OF PARTICIPANT	OPTIONS GRANTED DURING THE FINANCIAL YEAR UNDER REVIEW	AGGREGATE OPTIONS GRANTED SINCE COMMENCEMENT OF SCHEME/PLAN TO END OF FINANCIAL YEAR	AGGREGATE OPTIONS EXERCISED SINCE COMMENCEMENT OF SCHEME/PLAN TO END OF FINANCIAL YEAR	AGGREGATE OPTIONS OUTSTANDING AS AT END OF FINANCIAL YEAR
Director of the Company				
ESOS				
Tan Pheng Hock	–	1,699,864	889,864	810,000
ESOP				
Ho Ching	100,000	100,000	–	100,000
Lim Neo Chian	452,500	452,500	–	452,500
Tan Pheng Hock	452,500	452,500	–	452,500
Philip Tan Yuen Fah	95,000	95,000	–	95,000
Dr Philip Nalliah Pillai	75,000	75,000	–	75,000
Winston Tan Tien Hin	115,000	115,000	–	115,000
Lucien Wong Yuen Kuai	75,000	75,000	–	75,000

(iii) As at 31 December 2001, no options have been granted to controlling shareholders of the Company or associates of the Company and no employees have received 5% or more of the total options available under the ESOP.

(iv) In respect of options granted to employees of related corporations, a total of 60,000 options were granted during the financial year, making it a total of 60,000 options granted from the commencement of the ESOP to the end of the financial year.

(v) The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

(vi) Proforma Financial Effect under United States Financial Accounting Standard No. 123.

Strictly for information purposes only, the proforma profit after taxation and minority interest but before extraordinary items and the earnings per share would have been as follows had the Company accounted for the fair value of the options granted under United States Financial Accounting Standard 123:

	2001 $'000	2000 $'000
Profit after taxation and minority interests but before extraordinary items:		
As reported	350,091	288,138
Proforma	335,347	273,379
Earnings per share (in cents):		
As reported	12.19	10.12
Proforma	11.68	9.61
Diluted earnings per share (in cents):		
As reported	12.10	10.01
Proforma	11.59	9.50

These proforma amounts may not be representative of future disclosures of the financial impact of share options granted since the estimated fair value of share options is determined in respect of grants made and accepted from financial years ended 31 December 2000 and 2001. The estimated fair value of the share options is amortised over the vesting period and additional options may be granted in future years.

(B) ISSUE OF SHARES UNDER OPTION

During the financial year, 22,554,586 ordinary shares of $0.10 each in the Company were issued pursuant to the exercise of options to take up unissued shares of the Company.

(C) PERFORMANCE SHARE PLAN

The Performance Share Plan was established with the objective of motivating senior executives to strive for

(C) PERFORMANCE SHARE PLAN *(continued)*

superior performance and sustaining long-term growth for ST Engg and its subsidiaries ("the ST Engg group"). Awards of performance shares, which are released to recipients free of payment, are granted conditional on performance targets set based on medium-term corporate objectives.

Pursuant to the Performance Share Plan, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a three-year performance period. The performance shares will only be released to the recipient at the end of the performance qualifying period. The final number of performance shares given will depend on the level of achievement of those targets over the three-year performance period. A specified number of performance shares shall be released by the ERCC to the recipient at the end of the performance period, provided the minimum level of targets achieved is not less than 80% of targets set.

Recipients who do not meet at least 80% of the targets set at the end of the performance period will not be given any performance shares. On the other hand, if targets set are exceeded by more than 100%, more performance shares than the original award could be delivered up to a maximum of 200% of the original award.

The medium term stretched targets are set over a three-year performance period based on long-term corporate objectives. The three targets which have been set for the first and second awards are Total Shareholders' Return, Value Added per Employment Cost and EVA Spread.

During the financial year, the first grant of conditional awards aggregating 734,000 performance shares was made to seven key executives of the ST Engg group on 20 February 2001, as part of the incentives plan to motivate key executives of the ST Engg group. The key executives included Mr Tan Pheng Hock, an executive Director of the Board, who was conditionally awarded 110,000 performance shares. This first conditional award was for the performance qualifying period of 2000 to 2002.

The award numbers are assumed to represent a 100% achievement of the targets set. If the executives exceed the targets set by a higher margin as indicated above, they could each be eligible for up to twice the number of performance shares stated in the conditional awards. On the other hand, if the target achievement is below the threshold level (<80%), they will not receive any performance shares.

A second grant of conditional awards totaling 780,000 performance shares was made to eight key executives on 6 June 2001 for a different performance qualifying period covering 2001 to 2003. 2001 was the only year where two grants were made and this was designed to meet the ERCC's objective of granting conditional awards on an annual basis with the first performance qualifying period commencing from 2000. Mr Lim Neo Chian and Mr Tan Pheng Hock, both executive Directors of the Board, were each conditionally awarded 150,000 performance shares. By way of illustration, each could receive up to a maximum of 300,000 performance shares if the ST Engg group exceeded targets by 200% or no performance shares if targets fell below the threshold level. The targets set were for Total Shareholders' Return, Value Added per Employment Cost and EVA Spread.

The release of the performance shares can take the form of either a new issue of shares or purchase of existing shares as permitted under the Performance Share Plan.

To date, no release of awards has been made as the three-year performance cycle of the first grant of awards will end in 2002 and any release of performance shares will be made in 2003. The total number of performance shares in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2001 was 1,514,000. Based on the multiplying factor, the actual release of the awards could range from zero performance shares to a maximum of 3,028,000 performance shares.

This number, aggregated with the share options granted and accepted under ESOP during the year would total a minimum of 26,901,788 shares representing shares under options and 29,929,788 shares representing shares under options and awards and is within the 15% limit allowed under the Share Plans.

In accordance with the accounting policy of the Group, the Group has provided $1,132,000 (2000: $683,000) of performance shares in the current financial year.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Audit Committee at the date of this report are as follows:

Philip Tan Yuen Fah *(Chairman)*
Dr Philip Nalliah Pillai
Lucien Wong Yuen Kuai

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board of Directors acting through the Audit Committee. The Audit Committee met during the year to review the scope of the internal audit functions and the scope of work of the statutory auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The Audit Committee also reviewed the assistance given by the Company's officers to the auditors. The consolidated financial statements of the Group and the financial statements of the Company were reviewed by the Audit Committee prior to their submission to the directors of the Company for adoption.

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

The Audit Committee has recommended to the Board of Directors that the auditors, Arthur Andersen, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

Arthur Andersen have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

HO CHING
Director

LIM NEO CHIAN
Director

Singapore
8 January 2002

STATEMENT BY DIRECTORS

We, Ho Ching and Lim Neo Chian, being directors of Singapore Technologies Engineering Ltd, do hereby state that in our opinion:

(a) the financial statements set out on pages 12 to 47 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the results of the business and changes in equity of the Company and of the Group and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

HO CHING
Director

LIM NEO CHIAN
Director

Singapore
8 January 2002

AUDITORS' REPORT TO THE MEMBERS OF SINGAPORE TECHNOLOGIES ENGINEERING LTD

We have audited 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 2001 and for the year then ended set out on pages 12 to 47. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard in Singapore and so as to give a true and fair view of:

(i) the state of affairs of the Company and of the Group as at 31 December 2001 and of the results and changes in equity of the Company and of the Group and cash flows of the Group for the year then ended; and

(ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and, where they are required by the laws of the country of incorporation, the auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in Note 9 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

Arthur Andersen
Certified Public Accountants

Singapore
8 January 2002

BALANCE SHEETS

AS AT 31 DECEMBER 2001
(Currency – Singapore dollars)

	NOTE	GROUP 2001 $'000	GROUP 2000 $'000 (NOTE 48)	COMPANY 2001 $'000	COMPANY 2000 $'000
SHARE CAPITAL AND RESERVES					
Share capital	3	287,825	285,569	287,825	285,569
Share premium	4	57,103	30,117	57,103	30,117
Capital reserve	5	115,948	115,948	–	–
Foreign currency translation reserve		16,986	6,980	–	–
Statutory reserve	6	65	–	–	–
Unappropriated profit	7	809,272	686,703	393,138	387,504
		1,287,199	1,125,317	738,066	703,190
Minority interests		25,100	23,495	–	–
		1,312,299	1,148,812	738,066	703,190
FIXED ASSETS	8	365,691	348,933	146	44
SUBSIDIARIES	9	–	–	265,852	265,852
ASSOCIATED COMPANIES AND JOINT VENTURES	10	176,223	153,475	–	–
LONG-TERM INVESTMENTS	11	646,694	645,015	102,500	210,750
INTANGIBLE ASSETS	12	1,001	–	–	–
LOAN RECEIVABLES, NON-CURRENT	13	2,276	5,285	11	14
CURRENT ASSETS					
Stocks and work-in-progress	14	541,478	427,170	–	–
Debtors, deposits and prepayments	15	1,443,865	1,408,740	194,934	112,041
Loan receivables, current	13	1,975	4,462	15	15
Short-term investments	16	–	25,206	–	–
Other investment	17	289	–	–	–
Amounts under fund management	18	429,860	545,468	–	–
Bank balances and other liquid funds	19	862,469	819,293	206,511	132,648
		3,279,936	3,230,339	401,460	244,704
CURRENT LIABILITIES					
Advance payments from customers, current		540,328	620,634	–	–
Creditors and accruals	24	1,240,466	1,091,570	28,088	14,940
Provisions	25	215,369	276,045	–	–
Progress billings in excess of work-in-progress	14	104,871	71,598	–	–
Provision for taxation		171,886	182,753	3,815	3,234
Short-term bank loans (unsecured)		7,240	7,325	–	–
Floating rate bonds (unsecured), current	31	19,369	–	–	–
Lease obligations, current	26	1,117	990	–	–
Long-term bank loan, current	27	7,676	6,950	–	–
Bank overdrafts (unsecured)		503	1,489	–	–
		2,308,825	2,259,354	31,903	18,174
NET CURRENT ASSETS		971,111	970,985	369,557	226,530
NON-CURRENT LIABILITIES					
Advance payments from customers, non-current		826,004	920,496	–	–
Deferred income	29	3,012	2,703	–	–
Deferred taxation	30	3,896	8,372	–	–
Provision for staff retirement benefits		342	323	–	–
Floating rate bonds (unsecured), non-current	31	–	19,072	–	–
Lease obligations, non-current	26	16,750	16,965	–	–
Long-term bank loan, non-current	27	693	6,950	–	–
		1,312,299	1,148,812	738,066	703,190

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER 2001
(Currency – Singapore dollars)

	NOTE	GROUP 2001 $'000	GROUP 2000 $'000	COMPANY 2001 $'000	COMPANY 2000 $'000
Turnover	32	2,470,067	2,259,027	282,111	235,256
Cost of sales		(1,830,243)	(1,693,793)	–	–
Gross profit		639,824	565,234	282,111	235,256
Other operating income	33	103,050	92,948	33,556	16,325
Distribution and selling expenses		(35,907)	(56,268)	(1,018)	(6,160)
Administration expenses		(224,101)	(191,573)	(26,067)	(8,021)
Other operating expenses		(90,876)	(48,859)	(1,967)	(436)
Profit from operations	34	391,990	361,482	286,615	236,964
Other income, net	36	15,540	11,944	366	240
Financial expenses	37	(3,205)	(3,983)	–	–
Exceptional item	38	–	–	–	103,612
Profit before taxation		404,325	369,443	286,981	340,816
Share of results of associated companies and joint ventures		35,859	43,066	–	–
Amortisation of goodwill on acquisition of associated company		(27)	–	–	–
		440,157	412,509	286,981	340,816
Taxation	39	(85,713)	(121,013)	(64,941)	(53,348)
Profit after taxation		354,444	291,496	222,040	287,468
Minority interests		(4,353)	(3,358)	–	–
Net profit attributable to shareholders		350,091	288,138	222,040	287,468
EARNINGS PER SHARE (CENTS)	41				
Basic		12.19	10.12		
Diluted		12.10	10.01		

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2001
(Currency – Singapore dollars)

	SHARE CAPITAL $'000	SHARE PREMIUM $'000	MERGER RESERVE $'000	CAPITAL RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	STATUTORY RESERVE $'000	UNAPPROPRIATED PROFIT $'000	TOTAL $'000
THE GROUP								
As at 1.1.2000 as previously stated	283,869	13,420	1,538	114,863	8,252	–	418,543	840,485
Change in accounting policy (Note 2)	–	–	–	–	–	–	195,359	195,359
	283,869	13,420	1,538	114,863	8,252	–	613,902	1,035,844
Foreign currency translation differences	–	–	–	–	(1,272)	–	–	(1,272)
Issue of shares	1,700	16,697	–	–	–	–	–	18,397
Goodwill realised upon disposal of associated company	–	–	–	–	–	–	3,992	3,992
Net profit for the year	–	–	–	–	–	–	288,138	288,138
Dividends (Note 40)	–	–	–	–	–	–	(196,798)	(196,798)
Goodwill on acquisition of subsidiary written off	–	–	(1,538)	–	–	–	(22,531)	(24,069)
Movement in capital reserve	–	–	–	1,085	–	–	–	1,085
As at 31.12.2000	285,569	30,117	–	115,948	6,980	–	686,703	1,125,317
As at 31.12.2000 as previously stated	285,569	30,117	–	115,948	6,980	–	473,666	912,280
Change in accounting policy (Note 2)	–	–	–	–	–	–	213,037	213,037
	285,569	30,117	–	115,948	6,980	–	686,703	1,125,317
Foreign currency translation differences	–	–	–	–	10,006	–	–	10,006
Issue of shares	2,256	26,986	–	–	–	–	–	29,242
Net profit for the year	–	–	–	–	–	–	350,091	350,091
Dividends (Note 40)	–	–	–	–	–	–	(216,406)	(216,406)
Adjustment of goodwill on acquisition of associated								
companies due to subsequent identification (Note 10)	–	–	–	–	–	–	(11,051)	(11,051)
Transfer from unappropriated profit to statutory reserve	–	–	–	–	–	65	(65)	–
As at 31.12.2001	287,825	57,103	–	115,948	16,986	65	809,272	1,287,199

STATEMENTS OF CHANGES IN EQUITY *(continued)*

	SHARE CAPITAL $'000	SHARE PREMIUM $'000	UNAPPROPRIATED PROFIT $'000	TOTAL $'000
THE COMPANY				
As at 1.1.2000 as previously stated	283,869	13,420	101,475	398,764
Change in accounting policy (Note 2)	–	–	195,359	195,359
	283,869	13,420	296,834	594,123
Issue of shares	1,700	16,697	–	18,397
Net profit for the year	–	–	287,468	287,468
Dividends (Note 40)	–	–	(196,798)	(196,798)
As at 31.12.2000	285,569	30,117	387,504	703,190
As at 31.12.2000 as previously stated	285,569	30,117	174,467	490,153
Change in accounting policy (Note 2)	–	–	213,037	213,037
	285,569	30,117	387,504	703,190
Issue of shares	2,256	26,986	–	29,242
Net profit for the year	–	–	222,040	222,040
Dividends (Note 40)	–	–	(216,406)	(216,406)
As at 31.12.2001	287,825	57,103	393,138	738,066

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2001
(Currency – Singapore dollars unless otherwise stated)

	2001 $'000	2000 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation including share of results of associated companies and joint ventures	440,157	412,509
Adjustment for items not involving outlay of funds:		
Share of results of associated companies and joint ventures	(35,859)	(43,066)
Depreciation of fixed assets	74,922	76,143
Amortisation of discount on floating rate bonds	297	297
(Write-back) provision for diminution in value of long-term investments	(3,817)	8,457
Fixed assets written off	89	25
Impairment of fixed assets	2,105	–
Profit on disposal of fixed assets	(1,545)	(379)
Profit on disposal of investments	(1,871)	(1,741)
Profit on disposal of associated companies and joint ventures	–	(6,300)
Provision for loss from divestment of an associated company	3,750	–
Interest expense	2,908	3,686
Interest income	(62,747)	(70,491)
Dividends from investments	(203)	(1,750)
Amortisation of goodwill	884	–
Operating profit before working capital changes	419,070	377,390
(Increase) decrease in working capital:		
Stocks and work-in-progress	(114,192)	(715)
Progress billings in excess of work-in-progress	33,273	24,010
Trade debtors	16,905	(27,091)
Advance payments to suppliers	73,906	85,355
Other debtors, deposits and prepayments	(6,431)	12,045
Holding company and related corporations balances	(6,529)	11,386
Associated companies balances	(250)	11,012
Joint ventures balances	(3,812)	4,271
Trade creditors	97,619	(30,693)
Advance payments from customers	(174,798)	(68,795)
Other creditors, accruals and provisions	(3,790)	150,497
Minority shareholders' balances	(1,073)	(2,500)
Cash generated from operations	329,898	546,172
Interest received	62,604	70,491
Interest paid	(2,990)	(3,686)
Income tax paid	(93,976)	(87,633)
Deferred income	(75)	(5,917)
Exchange difference on operating activities	4,314	(2,170)
Net cash from operating activities	299,775	517,257

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

	NOTE	2001 $'000	2000 $'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		2,923	1,543
Proceeds from sale of associated companies		219	112,031
Dividends from associated companies		3,728	3,838
Dividends from investments		203	1,750
Proceeds from sale and maturity of investments		35,291	22,692
Capital contribution from minority shareholders of a subsidiary		2,188	2,726
Purchase of fixed assets		(91,648)	(56,664)
Purchase of investments		(15,914)	(48,754)
Proceeds from capital redemption of long-term investments		630	–
Loan to an investee company		(289)	–
Additional investment/acquisition of associated companies and joint ventures		(5,587)	(61,045)
Acquisition of subsidiaries		(672)	200,723
Acquisition of additional interest in subsidiaries		(1,753)	–
Loans to associated companies and joint ventures		(844)	–
Loans to staff and third parties		5,496	4,082
Loans to minority shareholders		–	976
Exchange difference on investing activities		(3,204)	(3,063)
Net cash (used in) from investing activities		(69,233)	180,835
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		29,242	18,397
Repayment of long-term bank loan		(6,620)	(6,182)
Repayment of lease obligations		(88)	(25)
Proceeds from short-term bank loans, net of repayment		(85)	(684)
Dividend paid to shareholders of the Company		(216,406)	(196,798)
Dividend paid to minority shareholders of subsidiaries		(2,764)	(5,708)
Exchange difference on financing activities		1,340	746
Net cash used in financing activities		(195,381)	(190,254)
NET INCREASE IN CASH AND CASH EQUIVALENTS		35,161	507,838
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,616,642	2,107,786
EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,328	1,018
CASH AND CASH EQUIVALENTS AT END OF YEAR	43	2,653,131	2,616,642

SUMMARY OF EFFECT OF CHANGES ON ACQUISITION OF SUBSIDIARIES:
During the financial year, the Group acquired 54% of the issued and paid-up share capital of Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe Verwaltung GmbH ("Siamant GmbH") and Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe GmbH & Co. KG ("Siamant KG") for an aggregate cash consideration of $704,772 (DM860,003).

The attributable net assets acquired of Siamant KG and Siamant GmbH are as follows:

	DM	$
Net Assets acquired:		
Goodwill on acquisition	2,250	1,844
Fixed assets	721	591
Current assets	219	180
Current liabilities	(718)	(589)
Loan payables, non-current	(1,143)	(937)
Non-current liabilities	(469)	(384)
Purchase consideration	860	705
Less cash and cash equivalents acquired:		
Cash and bank balances, net of bank overdrafts	(40)	(33)
Cash outflow on acquisition, net of cash and cash equivalents acquired	820	672

The acquisition in respect of prior year relates to Singapore Technologies Kinetics Ltd acquiring a 100% equity interest in Founders Industries Pte Ltd and its subsidiaries from Singapore Technologies Pte Ltd for an aggregate cash consideration of $268 million.

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

SUMMARY OF EFFECT OF CHANGES ON ACQUISITION OF SUBSIDIARIES *(continued)*

	2000 $'000
Net Assets acquired:	
Minority interest	38
Goodwill on acquisition	23,883
Fixed assets	57,485
Long-term investments	144,639
Associated companies and joint ventures	6,528
Loan receivable, non-current	347
Current assets	837,428
Current liabilities	(780,865)
Non-current liabilities	(21,483)
Purchase consideration	268,000
Less cash and cash equivalents acquired:	
Cash and bank balances, net of bank overdrafts	(19,067)
Fixed deposits with financial institutions	(59,144)
Floating rate notes	(142,000)
Short-term loans to a related corporation	(248,512)
Cash flow on acquisition, net of cash and cash equivalents acquired	(200,723)

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2001
(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 Singapore 229469.

The Company's immediate holding company and ultimate holding company are Singapore Technologies Pte Ltd and Temasek Holdings (Private) Limited respectively, both 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 9 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 2001 and for the year then ended were authorised for issue in accordance with a directors' resolution dated 8 January 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF FINANCIAL STATEMENTS PREPARATION

The financial statements, expressed in Singapore dollars, are prepared in accordance with Statements of Accounting Standard in Singapore and the historical cost convention, modified by the revaluation of certain fixed assets.

(B) BASIS OF CONSOLIDATION

(i) The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. 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 intercompany 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 ("the Act") 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. During the previous financial year, the merger reserve had been utilised to partially write off the goodwill on acquisition of Founders Industries Pte Ltd and its subsidiaries.

(ii) 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 profit and loss account. 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, unaudited financial statements are used.

(iii) 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. Goodwill arising on consolidation is capitalised and amortised on a straight line basis to the consolidated profit and loss account over a period up to a maximum of 20 years.

Negative goodwill (i.e. the excess of the fair value of the net identifiable assets acquired over the cost of acquisition) that does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition and does not exceed the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

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.

(iv) 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 the Foreign Currency Translation Reserve.

(C) LONG-TERM INVESTMENTS

(I) SUBSIDIARIES

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

Investments in subsidiaries are stated in the financial statements of the Company at cost.

(II) ASSOCIATED COMPANIES AND JOINT VENTURES

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 percent 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 percent of the equity and has joint control over the investee company's financial and operating policies.

Investments in associated companies and joint ventures are stated in the financial statements of the Company at cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(III) OTHER LONG-TERM INVESTMENTS

Other investments held for long-term purposes are stated at cost. Distributions from unquoted equity investments of a venture fund nature are treated as reductions in investment costs until the costs are fully recovered, after which the distributions are recognised as income.

(IV) QUOTED INVESTMENTS

Quoted investments excluding quoted bonds, are stated at the lower of cost and market value determined on a portfolio basis.

Quoted bonds held on a long-term basis are stated at the lower of cost, adjusted for amortisation of premiums and accretion of discounts, and market value determined on a portfolio basis.

Provision for diminution in value of long-term investments (other than quoted bonds) is made when, in the opinion of the directors, there has been a decline, other than a temporary decline in the value of the investments.

(D) SHORT-TERM INVESTMENTS

(i) Short-term investments, excluding bonds, are stated at the lower of cost and market value determined on a portfolio basis. Cost is determined on the weighted average method.

(ii) Bonds are stated at the lower of cost, adjusted for the amortisation of premium and accretion of discount, and market value determined on a portfolio basis. Cost is determined on the weighted average method.

Premium or discount on purchase of investment is amortised over the period of investment.

(iii) Other investment refers to a short-term convertible loan receivable from an investee company. Principal loan amount is stated at cost whereas the value of the option to convert the loan into equity is not recognised in the financial statements.

(E) AMOUNTS UNDER FUND MANAGEMENT

Amounts under fund management are stated at the principal sums net of impairment loss and/or provision for diminution in value on an individual fund basis.

Provision for diminution in value is made up to the non-guaranteed returns of the principal sums by the fund managers when the market value of the fund is below cost.

(F) MEMBERSHIP RIGHTS

Transferable corporate club memberships are stated at cost. Provision for diminution in value is made when in the opinion of the directors, there has been a decline, other than temporary, in the value of the membership rights.

(G) FIXED ASSETS AND DEPRECIATION

Fixed assets 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:

FIXED ASSETS	ESTIMATED USEFUL LIVES
Freehold land and building	30 years
Leasehold land and buildings	Over the period of the lease of between 6.25 to 30 years
Buildings on rented properties	30 years
Improvements to premises	3 to 30 years
Wharves and slipways	10 to 16 years
Syncrolift and floating docks	10 years
Boats and barges	5 years
Plant and machinery	2 to 5 years
Production tools and equipment	3 to 5 years
Furniture, fittings, office equipment and computers	1 to 5 years
Transportation equipment and vehicles	4 to 5 years
Aircraft and aircraft engines	5 to 7 years

Low value assets costing less than $1,000 individually are written off to the profit and loss account.

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.

(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. Provision 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 anticipated losses on uncompleted contracts is made in the year in which such losses are determined.

(I) TRADE AND OTHER DEBTORS

Trade and other debtors are recognised and carried at original invoiced amount less provision for doubtful debts.

Known bad debts are written off. Specific provisions are made for accounts considered to be doubtful. In addition, an amount is set aside as a general provision for doubtful debts to cover potential losses which, although not separately identified, can be present in any portfolio of debtors.

(J) CASH AND CASH EQUIVALENTS

Cash consists of cash on hand and cash with banks or financial institutions, including fixed deposits and bank overdrafts. 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.

(K) LOAN RECEIVABLES

Loan receivables are carried at cost less provision for doubtful loans.

(L) IMPAIRMENT OF ASSETS

Fixed assets, intangible assets and long-term investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account for items of fixed assets, intangible assets and long-term investments carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased. The reversal is recorded in income.

(M) TRADE AND OTHER CREDITORS

Trade and other creditors are carried at cost.

(N) BORROWINGS

Borrowings are carried at cost net of transaction costs.

(O) 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.

(P) DEFERRED TAXATION

Deferred taxation is provided using the liability method on all material timing differences resulting from the different treatment of certain items for accounting and taxation purposes. Deferred tax benefits are, however, recognised only when there is a reasonable expectation of their realisation.

(Q) EMPLOYEE BENEFITS

(I) EMPLOYEE EQUITY COMPENSATION BENEFITS

Pursuant to the ST Engg Share Option Plan, certain directors and employees are granted non-transferable options to purchase the Company's shares. There are no charges to the profit and loss account upon the grant or exercise of options. When the options are exercised, equity is increased by the amount of the proceeds received.

Pursuant to the ST Engg Performance Share Plan and ST Engg Restricted Stock Plan (for executives only), the Company's shares can be awarded to certain employees and directors of the Group. An initial estimate would be made for the cost of compensation under the Performance Share Plan based on the number of shares expected to be awarded at the end of the performance period, valued at market price at the date of grant of the award. The cost is charged to the profit and loss account on a basis that fairly reflects the manner in which the

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(Q) EMPLOYEE BENEFITS *(continued)*

(I) EMPLOYEE EQUITY COMPENSATION BENEFITS *(continued)*

benefits will accrue to the employee under the plan over the service period to which the performance criteria relate. At each reporting date, the compensation cost is re-measured based on the latest estimate of the number of shares that will be awarded considering the performance criteria and the market price of the shares at the reporting date. Any increase or decrease in compensation cost over the previous estimate is recorded in that reporting period. The final measure of compensation cost is based on the number of shares ultimately awarded and the market price at the date the performance criteria are met.

(II) DEFINED BENEFITS PLANS

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff retirement benefit plan.

(R) INCOME RECOGNITION

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) Where goods and services are supplied under a long-term contract, profit is recognised as and when goods and services, representing part of a contract, are delivered completed and billed. Provision for foreseeable losses on uncompleted contracts is made as soon as such losses are determinable.

(iii) Income from long-term contracts is recognised on the percentage of completion method. The stage of completion is measured by the proportion of costs incurred to estimated total costs to complete the contracts and is restricted by progress billings received or receivable. Losses, if any, are recognised immediately when their existence is foreseen.

(iv) Income on shipbuilding, rebuild, repair, engineering, overhaul and service work is recognised when the work is completed. Provision is made for material losses anticipated on uncompleted contracts.

(v) Dividend income is recognised when the shareholder's rights to receive payment is established.

(vi) Management fee income is recognised on an accrual basis upon which management services are rendered.

(vii) For certain subsidiaries, the first 25 percent of the total commission receivable for each contract is treated as downpayment and is deferred and taken up in the profit and loss account only upon the discharge of specified contractual obligations. Commission income in respect of each contract in excess of the first 25 percent of the total amount receivable is taken up in the profit and loss account as and when it is billed. For certain back to back contracts, commission income is recognised upon delivery of goods and services.

(viii) Any surplus arising from amounts under fund management can only be determined at the end of the relevant fund management period. Such surplus, if any, will be recognised as income then.

(ix) Finance charges from hire purchase financing is recognised based on the sum of digits method over the finance period.

(x) Interest income is recognised on accrual basis.

(S) FOREIGN CURRENCY TRANSLATION

(i) The accounting records of the companies in the Group are maintained in their respective measurement currencies. Transactions in foreign currencies during the financial year are recorded in the respective measurement currencies using exchange rates approximating those ruling at transaction dates, except for hedged transactions which are recorded at the contracted forward exchange rates.

(ii) Monetary assets and liabilities in foreign currencies, except for foreign currency assets and liabilities hedged by forward exchange contracts, are translated into the respective measurement currencies at rates of exchange approximating those ruling at the balance sheet date. Foreign currency assets and liabilities hedged by forward exchange contracts are translated into the respective measurement currencies at the contracted forward exchange rates. All resultant exchange differences are dealt with through the profit and loss account.

(T) RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is charged to the profit and loss account as and when incurred.

(U) HIRE PURCHASE AND FINANCE LEASES

(i) Assets acquired on hire purchase arrangements are capitalised in the financial statements and the corresponding obligation treated as a liability. The total interest, being the difference between the total instalments payable and the capitalised amount, is charged to the profit and loss account 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.

(ii) 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 treated as if they had been purchased outright at the present value of the minimum lease payments and the corresponding leasing commitments are shown as obligations to the lessors. Lease payments are treated as consisting of capital and interest elements and interest is charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding. All other leases are operating leases and the annual rentals are charged to the profit and loss account as and when incurred.

(iii) Assets acquired under hire purchase and finance lease arrangements are depreciated in accordance with the policy set out in (G) above.

(V) GOVERNMENT GRANTS

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

(W) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

(X) SEGMENTS

For management purposes, the Group is organised on a world-wide basis into four major operating businesses which is the basis on which the Group reports its primary segment information.

Segment revenue, expenses and results include transfers between business segments and between geographical segments. Such transfers are accounted for on an arm's length basis.

(Y) CHANGES IN ACCOUNTING POLICY

(i) On adoption of SAS 22 with effect from 1 January 2001, the Group has changed the accounting policy on the treatment of goodwill and negative goodwill arising on acquisition of businesses (refer to Note 2(B)(iii)). The Group has adopted the transitional provision of not restating the goodwill (negative goodwill) that has previously been written off against revenue reserves, with the view of including the previously written off goodwill (negative goodwill) in the determination of profit and loss when the businesses are disposed of or discontinued. The result of adopting this choice of transitional provision is that the adoption of SAS 22 has no effect on the comparatives or the opening balances of accumulated profits.

(ii) With effect from 1 January 2001, the Group retroactively changed its accounting policy from recognising dividends proposed or declared after the balance sheet date as a liability to disclosing such dividends as a subsequent event in accordance with SAS 10, Events after the Balance Sheet Date. As a result of the change, the revenue reserve of the Group as at 1 January 2001 was increased by $213,037,000 (2000: $195,359,000).

	GROUP		COMPANY	
	31 DECEMBER 2000 BALANCE AS RESTATED $'000	31 DECEMBER 2000 BALANCE AS PREVIOUSLY REPORTED $'000	31 DECEMBER 2000 BALANCE AS RESTATED $'000	31 DECEMBER 2000 BALANCE AS PREVIOUSLY REPORTED $'000
BALANCE SHEET				
Proposed dividend	–	213,037	–	213,037
STATEMENTS OF CHANGES IN EQUITY				
Unappropriated profit brought forward	613,902	418,543	296,834	101,475
Unappropriated profit carried forward	686,703	473,666	387,504	174,467
SEGMENT INFORMATION				
Unallocated liabilities *	248,325	461,362		
Total liabilities *	3,303,812	3,516,849		

* These restated figures are before reclassification of $69,577,000 to progress billings and restatement of "Unallocated liabilities" to separately present "Loans and other financial liabilities" as disclosed in Note 48. Unallocated liabilities and total liabilities after reclassification are $145,481,000 and $3,234,235,000 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(Z) ACCOUNTING STANDARDS NOT EFFECTIVE UNTIL AFTER THE FINANCIAL YEAR

Statement of Accounting Standard (SAS) No. 12, Income Taxes, was issued in March 2001 and is effective for financial years beginning on or after 1 April 2001.

SAS 12 requires deferred tax to be calculated using the balance sheet liability method, for all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and the amounts used for income tax purposes. Deferred tax assets should be recognised when it is probable that sufficient taxable profit will be available against which the deferred tax assets can be utilised.

Had SAS 12 been applied to the current financial year, the deferred tax asset of the Group as at 31 December 2001 would have been $89,515,000.

3. SHARE CAPITAL

	GROUP AND COMPANY 2001 $'000	2000 $'000
AUTHORISED:		
4,999,999,999 (2000: 4,999,999,999) ordinary shares of $0.10 each and 1 special share of $0.10 each	500,000	500,000
ISSUED AND FULLY PAID:		
At beginning of the year		
2,855,694,045 (2000: 2,838,689,213) ordinary shares of $0.10 each and 1 special share of $0.10 each	285,569	283,869
Issued during the year		
22,554,586 (2000: 17,004,832) ordinary shares of $0.10 each	2,256	1,700
At end of the year		
2,878,248,631 (2000: 2,855,694,045) ordinary shares of $0.10 each and 1 special share of $0.10 each	287,825	285,569

Included in share capital is a special share of $0.10 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.

During the financial year, the Company issued 22,554,586 (2000: 17,004,832) ordinary shares of $0.10 each for cash upon the exercise of the options under the ESOS.

At the end of the financial year, unissued ordinary shares of $0.10 each of the Company under options granted to eligible employees and a director of the Company are as follows:

(I) OPTIONS OUTSTANDING UNDER ST ENGG EXECUTIVES' SHARE OPTION SCHEME/ST ENGG SHARE OPTION PLAN

	NUMBER OF SHARES 2001	2000
ESOS		
At beginning of the year	94,054,226	66,229,756
Granted	–	46,242,080
Exercised	(22,554,586)	(17,004,832)
Lapsed	(755,080)	(1,412,778)
At end of the year	70,744,560	94,054,226
ESOP		
At beginning of the year	–	–
Granted	26,901,788	–
Lapsed	(48,624)	–
At end of the year	26,853,164	–

3. SHARE CAPITAL *(continued)*

(II) DETAILS OF SHARE OPTIONS

Details of share options to subscribe for ordinary shares of $0.10 each pursuant to ESOS are as follows:

DATE OF GRANT	BALANCE AS AT 1.1.2001 OR DATE OF GRANT IF LATER	OPTIONS LAPSED	OPTIONS EXERCISED	BALANCE AS AT 31.12.2001	NO. OF HOLDERS AT 31.12.2001	EXERCISE PRICE ($)	EXERCISABLE PERIOD
2001							
6.12.1997	329,732	–	329,732	–	–	0.905	5.4.1998 to 3.4.2001
6.12.1997	100,000	–	100,000	–	–	0.373	30.8.1998 to 30.8.2001
29.4.1998	36,000	–	–	36,000	1	1.390	30.4.2000 to 29.4.2003
7.8.1998	5,000	–	–	5,000	1	1.290	8.8.2000 to 7.8.2003
9.2.1999	24,480	–	–	24,480	1	1.418	10.2.2001 to 9.2.2004
6.12.1997	45,056	–	–	45,056	1	0.566	18.5.1999 to 28.6.2004
6.12.1997	51,944	–	28,634	23,310	4	0.873	18.5.1999 to 7.11.2004
6.12.1997	228,096	–	228,096	–	–	0.473	18.5.1999 to 13.12.2004
6.12.1997	85,170	–	17,585	67,585	2	0.522	18.5.1999 to 24.12.2004
6.12.1997	119,300	–	84,536	34,764	4	0.905	18.5.1999 to 2.6.2005
6.12.1997	90,113	–	–	90,113	1	0.422	18.5.1999 to 17.6.2005
6.12.1997	258,920	–	258,920	–	–	0.467	18.5.1999 to 16.7.2005
6.12.1997	86,306	–	86,306	–	–	0.401	18.5.1999 to 4.12.2005
6.12.1997	112,641	–	20,000	92,641	2	0.357	18.5.1999 to 6.12.2005
6.12.1997	525,310	–	325,613	199,697	8	0.905	18.5.1999 to 3.4.2006
6.12.1997	394,545	–	135,625	258,920	1	0.471	18.5.1999 to 22.4.2006
6.12.1997	57,268	–	57,268	–	–	0.747	18.5.1999 to 18.8.2006
6.12.1997	495,622	–	180,226	315,396	2	0.373	18.5.1999 to 30.8.2006
6.12.1997	297,962	–	46,235	251,727	4	0.465	18.5.1999 to 16.10.2006
6.12.1997	1,774,285	–	810,964	963,321	7	0.422	18.5.1999 to 2.4.2007
6.12.1997	746,627	–	574,911	171,716	8	0.629	18.5.1999 to 7.4.2007
6.12.1997	380,160	–	–	380,160	3	0.492	18.5.1999 to 24.4.2007
6.12.1997	436,765	–	143,941	292,824	5	0.720	11.9.1999 to 9.9.2007
29.4.1998	8,600,750	–	4,069,250	4,531,500	113	1.390	30.4.2000 to 29.4.2008
7.8.1998	1,172,794	5,000	547,794	620,000	156	1.290	8.8.2000 to 7.8.2008
9.2.1999	27,916,400	280,240	14,070,450	13,565,710	333*	1.418	10.2.2001 to 9.2.2009
10.8.1999	3,838,500	25,000	438,500	3,375,000	557*	2.000	11.8.2001 to 10.8.2009
10.8.1999	5,000	–	–	5,000	1	2.000	11.8.2001 to 10.8.2004
9.2.2000	34,006,480	444,840	–	33,561,640	681**	2.260	10.2.2002 to 9.2.2010
9.2.2000	1,250,000	–	–	1,250,000	2***	2.260	10.2.2002 to 9.2.2005
9.2.2000	7,794,000	–	–	7,794,000	187	1.808	10.2.2002 to 9.2.2010
9.2.2000	100,000	–	–	100,000	1	1.808	1.10.2000 to 31.3.2002
6.9.2000	2,689,000	–	–	2,689,000	90	2.390	7.9.2002 to 6.9.2010
Total	94,054,226	755,080	22,554,586	70,744,560			

Details of share options to subscribe for ordinary shares of $0.10 each pursuant to ESOP are as follows:

DATE OF GRANT	BALANCE AS AT 1.1.2001 OR DATE OF GRANT IF LATER	OPTIONS LAPSED	OPTIONS EXERCISED	BALANCE AS AT 31.12.2001	NO. OF HOLDERS AT 31.12.2001	EXERCISE PRICE ($)	EXERCISABLE PERIOD
2001							
19.2.2001	1,000,000	–	–	1,000,000	16#	2.720	20.2.2002 to 19.2.2006
19.2.2001	10,757,003	48,624	–	10,708,379	1,025##	2.720	20.2.2002 to 19.2.2011
10.8.2001	30,000	–	–	30,000	1	2.680	11.8.2002 to 10.8.2006
10.8.2001	15,114,785	–	–	15,114,785	1,111##	2.680	11.8.2002 to 10.8.2011
Total	26,901,788	48,624	–	26,853,164			

* Includes 1 executive Director and 1 past Director of the Company
** Includes 1 executive Director of the Company
*** Includes 1 past Director of the Company
\# Includes Directors of the Company and its subsidiaries and 1 past Director of the Company
\## Includes 2 executive Directors of the Company

3. SHARE CAPITAL *(continued)*

(II) DETAILS OF SHARE OPTIONS *(continued)*

Details of share options to subscribe for ordinary shares of $0.10 each pursuant to ESOS are as follows:

DATE OF GRANT	BALANCE AS AT 1.1.2000 OR DATE OF GRANT IF LATER	OPTIONS LAPSED	OPTIONS EXERCISED	BALANCE AS AT 31.12.2000	NO. OF HOLDERS AT 31.12.2000	EXERCISE PRICE ($)	EXERCISABLE PERIOD
2000							
6.12.1997	85,902	–	85,902	–	–	0.905	6.12.1997 to 2.6.2000
6.12.1997	18	18	–	–	–	0.467	6.12.1997 to 16.7.2000
6.12.1997	379,732	–	50,000	329,732	3	0.905	5.4.1998 to 3.4.2001
6.12.1997	100,000	–	–	100,000	1	0.373	30.8.1998 to 30.8.2001
29.4.1998	25,000	–	25,000	–	–	1.390	20.2.1999 to 20.8.2000
7.8.1998	5,000	–	5,000	–	–	1.290	20.2.1999 to 20.8.2000
9.2.1999	30,240	–	30,240	–	–	1.418	20.2.1999 to 20.8.2000
29.4.1998	36,000	–	–	36,000	1	1.390	30.4.2000 to 29.4.2003
7.8.1998	5,000	–	–	5,000	1	1.290	8.8.2000 to 7.8.2003
9.2.1999	24,480	–	–	24,480	1	1.418	10.2.2001 to 9.2.2004
6.12.1997	45,056	–	–	45,056	1	0.566	18.5.1999 to 28.6.2004
6.12.1997	765,110	–	713,166	51,944	5	0.873	18.5.1999 to 7.11.2004
6.12.1997	228,096	–	–	228,096	2	0.473	18.5.1999 to 13.12.2004
6.12.1997	125,170	–	40,000	85,170	2	0.522	18.5.1999 to 24.12.2004
6.12.1997	999,958	–	880,658	119,300	7	0.905	18.5.1999 to 2.6.2005
6.12.1997	90,113	–	–	90,113	1	0.422	18.5.1999 to 17.6.2005
6.12.1997	394,545	–	135,625	258,920	1	0.467	18.5.1999 to 16.7.2005
6.12.1997	314,402	–	228,096	86,306	1	0.401	18.5.1999 to 4.12.2005
6.12.1997	112,641	–	–	112,641	2	0.357	18.5.1999 to 6.12.2005
6.12.1997	1,319,425	–	794,115	525,310	14	0.905	18.5.1999 to 3.4.2006
6.12.1997	450,568	–	450,568	–	–	0.380	18.5.1999 to 8.4.2006
6.12.1997	394,545	–	–	394,545	2	0.471	18.5.1999 to 22.4.2006
6.12.1997	57,268	–	–	57,268	1	0.747	18.5.1999 to 18.8.2006
6.12.1997	882,826	–	387,204	495,622	4	0.373	18.5.1999 to 30.8.2006
6.12.1997	318,511	–	20,549	297,962	4	0.465	18.5.1999 to 16.10.2006
6.12.1997	3,418,854	–	1,644,569	1,774,285	14	0.422	18.5.1999 to 2.4.2007
6.12.1997	1,284,029	–	537,402	746,627	14	0.629	18.5.1999 to 7.4.2007
6.12.1997	642,161	–	262,001	380,160	3	0.492	18.5.1999 to 24.4.2007
6.12.1997	57,268	–	57,268	–	–	0.640	23.8.1999 to 21.8.2007
6.12.1997	668,128	–	231,363	436,765	9	0.720	11.9.1999 to 9.9.2007
29.4.1998	17,380,050	250,400	8,528,900	8,600,750	234	1.390	30.4.2000 to 29.4.2008
20.5.1998	1,000,000	–	1,000,000	–	–	1.210	21.5.2000 to 20.5.2008
7.8.1998	2,135,000	65,000	897,206	1,172,794	269	1.290	8.8.2000 to 7.8.2008
9.2.1999	28,516,160	599,760	–	27,916,400	563*	1.418	10.2.2001 to 9.2.2009
10.8.1999	3,938,500	95,000	–	3,843,500	642*	2.000	11.8.2001 to 10.8.2009
9.2.2000	35,610,080	353,600	–	35,256,480	687*	2.260	10.2.2002 to 9.2.2010
9.2.2000	7,943,000	49,000	–	7,894,000	187	1.808	10.2.2002 to 9.2.2010
6.9.2000	2,689,000	–	–	2,689,000	90	2.390	7.9.2002 to 6.9.2010
Total	112,471,836	1,412,778	17,004,832	94,054,226			

* Includes 1 executive Director of the Company.

(III) DETAILS OF SHARE OPTIONS EXERCISED

EXERCISE PERIOD	NO. OF SHARES	EXERCISE PRICE $	PROCEEDS FROM SHARE ISSUE $'000	SHARE PRICE $
2001				
January to March	13,503,134	0.373 – 1.418	17,222	2.52 – 2.76
April to June	3,697,035	0.422 – 1.418	4,916	2.54 – 2.69
July to September	4,273,224	0.357 – 2.000	6,013	2.01 – 2.76
October to December	1,081,193	0.401 – 2.000	1,091	2.10 – 2.55
	22,554,586			
2000				
January to March	1,591,588	0.373 – 0.905	867	2.01 – 2.39
April to June	4,708,219	0.373 – 1.390	5,933	2.30 – 2.60
July to September	6,956,397	0.373 – 1.418	7,071	2.32 – 2.68
October to December	3,748,628	0.422 – 1.390	4,526	2.62 – 2.83
	17,004,832			

4. SHARE PREMIUM

The share premium account may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares.

During the financial year, the movement in the share premium account arises from the issuance of 22,554,586 (2000: 17,004,832) ordinary shares of $0.10 each at between $0.357 to $2.000 (2000: $0.373 to $1.418) per share for cash upon the exercise of options under the ESOS.

5. CAPITAL RESERVE

This amount relates 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.

6. STATUTORY RESERVE

A subsidiary follows the accounting principles and relevant financial regulations of the People's Republic of China ("PRC GAAP") applicable to wholly foreign-owned enterprises and Sino-foreign equity joint venture enterprises in the preparation of the accounting records and statutory financial statements. The subsidiary is required to appropriate 10% of the profit arrived at under PRC GAAP for each year to a statutory reserve. The appropriation to statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the subsidiary. The statutory reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

7. UNAPPROPRIATED PROFIT

	GROUP 2001 $'000	2000 $'000
Retained by:		
The Company	393,138	387,504
Subsidiaries	355,087	271,325
Associated companies and joint ventures	61,047	27,874
	809,272	686,703

Included in unappropriated profit of the Company is an amount of $98,595,254 received from a subsidiary representing the distribution of the subsidiary's share premium as a result of a capital reduction as described in Note 38 to the financial statements. The distribution of this amount is restricted by certain provisions of the Companies Act.

8. FIXED ASSETS

	VALUATION/COST						
	AS AT 1.1.2001 $'000	ADDITIONS $'000	ARISING FROM ACQUISITION OF SUBSIDIARIES $'000	DISPOSALS $'000	RECLASSI–FICATIONS $'000	TRANSLATION DIFFERENCE $'000	AS AT 31.12.2001 $'000
THE GROUP							
AT 1972 VALUATION							
Leasehold land and buildings	3,365	–	–	(1,446)	–	–	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	653	–	–	(374)	–	–	279
AT COST							
Freehold land and building	1,147	–	–	–	–	–	1,147
Leasehold land and buildings	366,375	7,669	–	(408)	6,116	1,799	381,551
Buildings on rented properties	34,457	5,248	–	–	–	–	39,705
Improvements to premises	5,313	1,548	–	(16)	–	29	6,874
Wharves and slipways	19,631	–	–	–	–	–	19,631
Syncrolift and floating docks	61,624	–	–	–	–	–	61,624
Boats and barges	3,239	–	–	–	–	–	3,239
Plant and machinery	289,850	19,673	559	(6,396)	(11,955)	3,573	295,304
Production tools and equipment	75,257	15,355	–	(6,245)	25,808	188	110,363
Furniture, fittings, office equipment and computers	135,692	18,657	17	(10,525)	(12,863)	734	131,712
Transportation equipment and vehicles	15,806	1,153	13	(6,054)	(128)	56	10,846
Aircraft and aircraft engines	6,750	17,363	–	–	–	–	24,113
Construction in progress	6,149	4,982	331	–	(6,978)	(403)	4,081
	1,033,095	91,648	920	(31,464)	–	5,976	1,100,175

	ACCUMULATED DEPRECIATION							
	AS AT 1.1.2001 $'000	DEPRECIATION CHARGE FOR THE YEAR $'000	IMPAIRMENT LOSS $'000	ARISING FROM ACQUISITION OF SUBSIDIARIES $'000	DISPOSALS $'000	RECLASSI–FICATIONS $'000	TRANSLATION DIFFERENCE $'000	AS AT 31.12.2001 $'000
THE GROUP								
AT 1972 VALUATION								
Leasehold land and buildings	3,365	–	–	–	(1,446)	–	–	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	653	–	–	–	(374)	–	–	279
AT COST								
Freehold land and building	551	46	–	–	–	–	–	597
Leasehold land and buildings	159,002	17,726	–	–	(400)	(10)	370	176,688
Buildings on rented properties	15,431	1,003	–	–	–	–	–	16,434
Improvements to premises	3,689	464	–	–	(16)	–	14	4,151
Wharves and slipways	10,380	1,025	–	–	–	–	–	11,405
Syncrolift and floating docks	31,038	6,358	–	–	–	–	–	37,396
Boats and barges	3,239	–	–	–	–	–	–	3,239
Plant and machinery	251,025	18,453	–	300	(6,143)	(11,021)	1,405	254,019
Production tools and equipment	63,937	9,943	–	–	(6,213)	23,448	145	91,260
Furniture, fittings, office equipment and computers	114,807	18,405	364	3	(10,149)	(12,288)	917	112,059
Transportation equipment and vehicles	12,508	1,238	–	13	(5,247)	(129)	116	8,499
Aircraft and aircraft engines	6,750	261	1,741	–	–	–	–	8,752
	684,162	74,922	2,105	316	(29,988)	–	2,967	734,484

8. FIXED ASSETS *(continued)*

	DEPRECIATION CHARGE 2000 $'000	NET BOOK VALUE 2001 $'000	2000 $'000
THE GROUP			
AT 1972 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 building	46	550	596
Leasehold land and buildings	20,440	204,863	207,373
Buildings on rented properties	995	23,271	19,026
Improvements to premises	232	2,723	1,624
Wharves and slipways	1,025	8,226	9,251
Syncrolift and floating docks	6,358	24,228	30,586
Boats and barges	398	–	–
Plant and machinery	21,718	41,285	38,825
Production tools and equipment	5,951	19,103	11,320
Furniture, fittings, office equipment and computers	16,580	19,653	20,885
Transportation equipment and vehicles	2,021	2,347	3,298
Aircraft and aircraft engines	2,823	15,361	–
Construction in progress	–	4,081	6,149
	78,587	365,691	348,933

	AT COST			
	AS AT 1.1.2001 $'000	ADDITIONS $'000	DISPOSALS $'000	AS AT 31.12.2001 $'000
THE COMPANY				
Furniture, fittings, office equipment and computers	442	170	(4)	608

	ACCUMULATED DEPRECIATION			
	AS AT 1.1.2001 $'000	DEPRECIATION CHARGE FOR THE YEAR $'000	DISPOSALS $'000	AS AT 31.12.2001 $'000
THE COMPANY				
Furniture, fittings, office equipment and computers	398	66	(2)	462

	DEPRECIATION CHARGE 2000 $'000	NET BOOK VALUE 2001 $'000	2000 $'000
THE COMPANY			
Furniture, fittings, office equipment and computers	72	146	44

Included in the above are fixed assets acquired under finance leases with a net book value of:

	GROUP 2001 $'000	2000 $'000
Leasehold land and building	6,239	6,512
Plant and machinery	–	1
	6,239	6,513

THE GROUP

(a) Assets 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.

(b) The buildings on rented properties relate to buildings constructed by one of the subsidiaries on properties rented from the Ministry of Defence on leases which are renewable every three years. In view of the relationship between the landlord and the subsidiary, the cost of the buildings on rented properties is depreciated over 30 years.

8. FIXED ASSETS *(continued)*

(c) The major properties of the Group comprise:

(I) FREEHOLD LAND AND BUILDINGS

LOCATION	DESCRIPTION	LAND AREA (SQ. M.)	NET BOOK VALUE 2001 $'000	NET BOOK VALUE 2000 $'000
MALAYSIA				
Awana Chalet				
8th mile, Genting Highlands, 69000	Staff recreation and			
Genting Highlands, Pahang	apartment unit	117	212	236

(II) LEASEHOLD LAND AND BUILDINGS

LOCATION	DESCRIPTION	TENURE	LAND AREA (SQ. M.)	NET BOOK VALUE 2001 $'000	NET BOOK VALUE 2000 $'000
SINGAPORE					
501 Airport Road	Factory and office building	20 years from 1.6.1993	23,899	5,218	5,622
503 Airport Road	Factory and office building	20 years from 1.6.1993	7,175	1,551	1,683
540 Airport Road	Warehouse and office building	30 years from 15.8.1985	5,850	2,126	2,280
	Hangar and office building	30 years from 1.1.1984	18,918	6,470	6,978
8 Changi North Way	Hangar and office building	30 years from 1.1.1992	75,713	49,723	52,209
	Hangar and office building	22.5 years from 16.6.1999	14,860	4,660	4,893
5 Portsdown Road	Industrial and commercial	3 years from 1.12.1996,			
	buildings	renewable to 2010	88,400	2,517	2,974
5 Ubi Close	Car showroom cum workshop	30 years from 1.8.1994	6,274	21,868	23,146
33 Tuas Avenue 2	Factory and office building	30 years from 1.4.1996	6,669	3,555	3,702
16 Benoi Crescent	Industrial and commercial				
	buildings	30 years from 16.7.1989	6,981	4,743	5,013
24 Ang Mo Kio Street 65	Industrial and commercial	30 years from 1.12.1982,			
	buildings	renewable to 2042	34,699	15,396	15,626
16 Benoi Road	Administrative offices	56 years from 1.6.1969	20,224	–	–
7 Benoi Road	Buildings, foreshore and				
	workshops	56 years from 1.6.1969	103,802	6,167	3,912
60 Tuas Road	Buildings, foreshore and				
	workshops	30 years from 1.12.1992	125,262	11,608	12,366
249 Jalan Boon Lay	Industrial and commercial				
	buildings	27 years from 1.10.2001			
		to 31.12.2028			
		(renewable to 10.10.2065)	120,000	9,308	9,985
2D Ayer Rajah Crescent	Industrial and commercial				
	buildings	3 years from 1.4.2001			
		to 31.3.2004	29,404	6,194	8,545
14 & 16 Tuas Avenue 7	Industrial buildings	30 years from 16.8.1983	24,059	3,517	3,814
601 Rifle Range Road	Industrial buildings	Renewable every year *	1,380,983	8,478	10,734
15 Chin Bee Drive	Industrial building	60 years from 1.8.1973	39,640	7,290	8,064
USA					
2100 9th Street Brookley Complex,					
Mobile, Alabama	Hangar and office building	22 years from 1.1.1991	103,825	23,182	14,383
7701 Lemmon Avenue Dallas, Texas	Hangar and office building	$68\frac{1}{4}$ years from 10.6.1955	71,227	11,228	10,821

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

(III) BUILDINGS ON RENTED PROPERTIES

LOCATION	DESCRIPTION	TENURE	LAND AREA (SQ. M.)	NET BOOK VALUE 2001 $'000	NET BOOK VALUE 2000 $'000
540 Airport Road	Hangars and office building	3 years lease from			
		20.11.2000	38,414	17,717	19,026
	Hangars and office building	3 years lease from			
		20.11.2000	5,557	5,554	–

9. SUBSIDIARIES

	COMPANY 2001 $'000	COMPANY 2000 $'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.	25,859	25,859
Singapore Technologies Dynamics Pte Ltd	2,800	2,800
ST Synthesis Pte Ltd	2,156	2,156
Vision Technologies Kinetics, Inc.	3	3
	265,852	265,852

9. SUBSIDIARIES *(continued)*

Details of the subsidiaries are as follows:

NAME OF SUBSIDIARY	EFFECTIVE EQUITY INTEREST HELD BY THE GROUP 2001 %	EFFECTIVE EQUITY INTEREST HELD BY THE GROUP 2000 %
(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
ST Aerospace Engines Pte Ltd	100	100
ST Aerospace Systems Pte Ltd	100	100
ST Aerospace Supplies Pte Ltd and its subsidiary:	100	100
iShopAero Pte Ltd	65	65
ST Aerospace International Structures Pte Ltd	100	100
ST Aviation Resources Pte Ltd and its subsidiary *:	50	50
ST Aviation Resources 1 Limited	50	50
ST Aviation Services Co Pte Ltd	80	80
Visiontech Investment Pte Ltd	100	100
Singapore Aerospace (UK) Investments Pte Ltd and its subsidiaries:	100	100
Singapore Technologies Engineering (Europe) Ltd	100	100
Airline Rotables Limited	100	100
Singapore Aerospace Kabushiki Kaisha	100	100
Visiontech Engineering Pte Ltd	51	51
ST Airport Ground Services Pte Ltd	100	100
(B) SINGAPORE TECHNOLOGIES ELECTRONICS LIMITED AND ITS SUBSIDIARIES	100	100
SEEL Electronic & Engineering Sdn Bhd	100	100
Singapore Engineering Software Pte Ltd	100	100
ST Training & Simulation Pte Ltd and its subsidiary:	100	100
Interactive Visual Simulation Laboratory Pte Ltd	100	65
CET Technologies Pte Ltd and its subsidiaries:	100	100
DigiSAFE Pte Ltd and its subsidiaries:	100	100
DataMark Technologies Pte Ltd	51	51
DigiSAFE, Inc.	100	100
Agilis Communication Technologies Pte Ltd	100	100
ST Electronics (Shanghai) Co., Ltd	100	100
iTS Technologies Pte Ltd	100	100
ST Electronics (Taiwan) Limited	100	100
Intelect Technologies Incorporated	66.67	–
(C) SINGAPORE TECHNOLOGIES KINETICS LTD AND ITS SUBSIDIARIES	100	100
Singapore Ordnance Engineering Pte. Ltd.	100	100
Mobility Systems Pte Ltd and its subsidiaries:	100	100
Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe Verwaltung GmbH	54	–
Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe GmbH & Co. KG	54	–
STA Inspection Pte Ltd and its subsidiary:	100	100
JuzclickCar.com Pte Ltd	90	90
Singapore Commuter Private Limited	100	100
ST Automotive Industrial Pte Ltd	100	100
STA Investment Pte Ltd	100	100
ST Automotive (Vietnam) Pte Ltd	100	100
STA Detroit Diesel-Allison (Singapore) Pte Ltd	100	60
Shanghai Elite Electric Vehicles Co., Ltd	100	100
Founders Industries Pte Ltd and its subsidiaries:	100	100
Expert Systems Pte Ltd	100	100
Singapore Test Services Private Limited and its subsidiary:	100	100
SAO Industrial Services Pte Ltd	100	100
Chartered Ammunition Industries Pte Ltd and its subsidiary:	100	100
Chartered Pyrotechnic Industries 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 (Private) Limited and its subsidiary:	100	100
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	100	100
Autonomous Technology Pte Ltd †	100	–
(D) SINGAPORE TECHNOLOGIES MARINE LTD AND ITS SUBSIDIARY	100	100
STSE Engineering Services Pte Ltd	100	100
(E) VISION TECHNOLOGIES SYSTEMS, INC. AND ITS SUBSIDIARIES	100	100
Singapore Technologies Engineering (USA) Inc.	100	100

9. SUBSIDIARIES *(continued)*

NAME OF SUBSIDIARY	EFFECTIVE EQUITY INTEREST HELD BY THE GROUP 2001	2000
(E) VISION TECHNOLOGIES SYSTEMS, INC. AND ITS SUBSIDIARIES *(continued)*		
Vision Technologies Aerospace Inc. and its subsidiaries:	100	100
ST Mobile Aerospace Engineering, Inc.	100	100
DalFort Aerospace, L.P.	100	100
DalFort Aerospace GP, Inc.	100	100
SA Supplies (USA) Inc.	100	100
Vision Technologies Marine Inc.	100	100
VT Systems, Inc.	100	100
(F) SINGAPORE TECHNOLOGIES DYNAMICS PTE LTD	100	100
(G) ST SYNTHESIS PTE LTD	100	100
(H) VISION TECHNOLOGIES KINETICS, INC.	100	100

* ST Aviation Resources Pte Ltd is deemed to be a subsidiary of Singapore Technologies Aerospace Ltd through the control of the composition of its board of directors.
† Shares of this subsidiary are held in trust by Directors of the subsidiary.

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
ST Aerospace Engines Pte Ltd	Repair and overhaul of aircraft engines	Singapore
ST Aerospace Systems Pte Ltd	Service, repair and overhaul of aircraft components	Singapore
ST Aerospace Supplies Pte Ltd	Trading and providing warehousing services for aircraft equipment, parts and components	Singapore
iShopAero Pte Ltd	E-commerce exchange for aerospace industry	Singapore
ST Aerospace International Structures Pte Ltd	Designing, developing and manufacturing aircraft, engines, equipment, accessories, components and such other parts	Singapore
ST Aviation Resources Pte Ltd	Investment holding	Singapore
ST Aviation Resources 1 Limited #	Investment holding and aircraft leasing business	British Virgin Islands
ST Aviation Services Co Pte Ltd	Repair, maintenance, modification and servicing of commercial aircraft	Singapore
Visiontech Investment Pte Ltd	Investment holding and dealing	Singapore
Singapore Aerospace (UK) Investments Pte Ltd *	Investment holding	UK
Singapore Technologies Engineering (Europe) Ltd*	Providing marketing and investment services to the Group	UK
Airline Rotables Limited *	Providing component management and support services for aircraft	UK
Singapore Aerospace Kabushiki Kaisha #	Providing marketing services to the Group	Japan
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	Investment holding and provision of airport ground cargo and passenger handling services	Singapore
Singapore Technologies Electronics Limited	Systems integration, core product design and development and maintenance operations, in the areas of industrial automation, simulation, and defence electronics	Singapore

9. SUBSIDIARIES *(continued)*

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION/PLACE OF BUSINESS
SEEL Electronic & Engineering Sdn Bhd *	Sales of electronic instruments and equipment, electronic engineering and systems integration services for infrastructure projects as well as maintenance and calibration of electronic equipment	Malaysia
Singapore Engineering Software Pte Ltd	Design, development and supply of real-time/mission critical systems and provision of related maintenance services	Singapore
ST Training & Simulation Pte Ltd	Design, development, supply, integration and maintenance of training and simulation systems	Singapore
Interactive Visual Simulation Laboratory Pte Ltd	Design, development and manufacture of computers and data processing systems, as well as provision of services for the processing and maintenance of data and information	Singapore
CET Technologies Pte Ltd	Design, development, systems integration, manufacturing and sale of communication equipment, GPS-based fleet management system, traffic management system, info appliances and defence electronics	Singapore
DigiSAFE Pte Ltd	Design, development and sale of internet, electronic commerce and network based information security solutions and services	Singapore
DataMark Technologies Pte Ltd	Develop and provide digital water marking and related solutions	Singapore
DigiSAFE, Inc. #	Marketing and provision of technical support for information security products and services	USA
Agilis Communication Technologies Pte Ltd	Manufacture of microwave components and sub-system, system integration and provision of related repairs and maintenance for the telecommunications and defence electronics industries	Singapore
ST Electronics (Shanghai) Co., Ltd *	Development and manufacturing of computer control and management systems, microwave control systems, simulation and training systems and related software. Provision of related technical consultation and aftersales services and sale of in-house products.	People's Republic of China
iTS Technologies Pte Ltd	Development, marketing and maintenance of advance simulation and training systems for the aircraft and other industries	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
Singapore Technologies Kinetics Ltd	Provision of automotive engineering repair services, maintenance, assembly, upgrading and manufacturing of heavy vehicles, automotive design and engineering services, and trading in motor vehicles, equipment, vehicle spares and related accessories	Singapore
Singapore Ordnance Engineering Pte. Ltd.	Workshop and provision of engineering services	Singapore
Mobility Systems Pte Ltd	Investment holding	Singapore
Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe Verwaltung GmbH	Dormant	Germany
Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe GmbH & Co. KG	Development and manufacturing of high-end engineering ceramics applicable for military as well as high-end non-military applications	Germany

9. SUBSIDIARIES *(continued)*

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION/PLACE OF BUSINESS
STA Inspection Pte Ltd	Inspection of heavy goods vehicles, light vehicles, buses, motorcycles and cars	Singapore
JuzclickCar.com Pte Ltd	Commission agent for the sale and purchase of quality used vehicles via the internet through on-line bidding and bargaining as well as a host of other automotive related activities to cater to the needs of the general motorists	Singapore
Singapore Commuter Private Limited	Dormant	Singapore
ST Automotive Industrial Pte Ltd	Provision of material handling equipment and systems design, fabrication and integration services, equipment and specialised vehicles trading and spares supplies	Singapore
STA Investment Pte Ltd	Investment dealing	Singapore
ST Automotive (Vietnam) Pte Ltd	Dormant	Singapore
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
Shanghai Elite Electric Vehicles Co., Ltd *	Manufacture and sale of electric bicycles and provision of vehicle repairs and consultancy services	People's Republic of China
Founders Industries Pte Ltd	Investment holding and provision of management services to subsidiaries	Singapore
Expert Systems Pte Ltd	Dormant	Singapore
Singapore Test Services Private Limited	Providing professional engineering consultancy, tests, inspection, certification and related services	Singapore
SAO Industrial Services Pte Ltd	Dormant	Singapore
Chartered Ammunition Industries Pte Ltd	Manufacture and sale of munition products	Singapore
Chartered Pyrotechnic Industries Private Limited	Manufacture and sale of pyrotechnic products	Singapore
Unicorn International Pte Limited	Trading and marketing of military products	Singapore
Allied Ordnance of Singapore (Pte) Limited	Manufacture and dealing in explosives and assembly and maintenance of guns	Singapore
Ordnance Development and Engineering Company of Singapore (Private) Limited	Investment holding	Singapore
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	Manufacture and sale of weapons, weapon magazines, spares and military equipment	Singapore
Autonomous Technology Pte Ltd ##	Designing, developing and building of autonomous/adaptive industrial and/or customized robotic systems	Singapore
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	Contractor, developer and sub-contractor of engineering and engineering related works and provider of turnkey engineering solutions	Singapore
Vision Technologies Systems, Inc. #	Investment holding	USA
Singapore Technologies Engineering (USA) Inc. #	Providing marketing services to the Group	USA
Vision Technologies Aerospace Inc. #	Investment holding and providing investment services to the Aerospace Sector	USA

9. SUBSIDIARIES *(continued)*

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION/PLACE OF BUSINESS
ST Mobile Aerospace Engineering, Inc. *	Repair and maintenance of aircraft	USA
DalFort Aerospace, L.P. *	Repair and maintenance of aircraft	USA
DalFort Aerospace GP, Inc. #	Investment holding	USA
SA Supplies (USA) Inc. #	Dormant	USA
Vision Technologies Marine Inc. #	Investment holding and providing investment services to the Marine Sector	USA
VT Systems, Inc. #	Investment holding and providing investment services to the Group	USA
Singapore Technologies Dynamics Pte Ltd	Systems integration, core product design and development of aeronautic defence systems	Singapore
ST Synthesis Pte Ltd	Providing one-stop total integrated logistic support services	Singapore
Vision Technologies Kinetics, Inc. #	Investment holding and providing investment services to Land Systems Sector	USA

* Audited by associated firms of Arthur Andersen, Singapore
\# Not required to be audited under the law in the country of incorporation
\#\# Shares of this subsidiary are held in trust by directors of the subsidiary

ACQUISITIONS AND DISPOSALS

During the financial year, the Group acquired a 54% interest in Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe Verwaltung GmbH and Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe GmbH & Co. KG and an additional 35% and 40% equity interest in Interactive Visual Simulation Laboratory Pte Ltd ("IVLab") and STA Detroit Diesel-Allison (Singapore) Pte Ltd ("SDDA") respectively, thereby increasing the Group's shareholding in IVLab and SDDA from 65% to 100% and 60% to 100% respectively. The profit after taxation and extraordinary items of the acquired subsidiaries amounts to approximately $1,145,000 for the year ended 31 December 2001, of which $785,000 arose during the period from the respective acquisition dates to 31 December 2001.

10. ASSOCIATED COMPANIES AND JOINT VENTURES

	NOTE	GROUP 2001 $'000	GROUP 2000 $'000
Unquoted shares, at cost		128,994	124,442
Provision for diminution in value of investments		(2,188)	(6,440)
Adjustment of goodwill on acquisition of associated companies due to subsequent identification		(15,303)	–
Goodwill on acquisition written off		(1,737)	(1,737)
Goodwill on acquisition of associated companies and joint ventures	12	(819)	–
		108,947	116,265
Share of post-acquisition:			
Profits		61,047	29,611
Reserves		(2,567)	(353)
		167,427	145,523
Loan to an associated company		1,166	–
Loan to a joint venture		9,663	9,663
Provision for doubtful loans		(2,033)	(1,711)
		176,223	153,475

The loan to an associated company is secured, bears interest at 7% per annum and will be fully repaid by 31 January 2003.

The loan to a joint venture is interest-free, unsecured and not repayable within the next 12 months.

SUBSEQUENT ADJUSTMENT

This relates to goodwill arising from acquisition of associated companies in the prior year where the exact fair values were not determinable at the time of acquisition. The resulting goodwill is adjusted against unappropriated profits brought forward as it relates to the acquisition of associated companies in the prior year and the accounting policy then was to write off goodwill on acquisition immediately against reserve.

Movements in adjustment of goodwill on acquisition of associated companies due to subsequent identification during the year are as follows:

	GROUP 2001 $'000	GROUP 2000 $'000
At beginning of the year	–	–
Reclassified from provision for diminution in value of investments	4,252	–
Adjustment made to unappropriated profit	11,051	–
At end of the year	15,303	–

10. ASSOCIATED COMPANIES AND JOINT VENTURES *(continued)*

PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS

Movements in provision for diminution in value of investments during the year are as follows:

		GROUP	
	NOTE	2001 $'000	2000 $'000
At beginning of the year		6,440	2,919
Provision utilised		–	(731)
Reclassified from long-term investments @	11	–	4,252
Reclassified to adjustment of goodwill on acquisition of associated companies due to subsequent identification		(4,252)	–
At end of the year		2,188	6,440

@ During the previous financial year, the Group increased its shareholdings in a non-related corporation, thereby making it into an associated company. Accordingly, the corresponding provision for diminution in value of the investment has also been reclassified from long-term investments.

PROVISION FOR DOUBTFUL LOANS

Movements in provision for doubtful loans during the year are as follows:

	GROUP	
	2001 $'000	2000 $'000
At beginning of the year	1,711	1,896
Charge to profit and loss account	322	315
Provision utilised	–	(500)
At end of the year	2,033	1,711
The Group's share of the joint ventures' results and assets and liabilities are as follows:		
RESULTS		
Turnover	21,315	38,126
Net (loss) profit for the year	(1,773)	442
ASSETS AND LIABILITIES		
Non-current assets	12,848	17,923
Current assets	29,053	74,939
Current liabilities	(21,514)	(72,644)
Non-current liabilities	(14,573)	(9,688)
	5,814	10,530

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

NAME OF ASSOCIATED COMPANY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST HELD BY THE GROUP 2001 %	2000 %
Turbine Overhaul Services Pte Ltd	Repair and servicing of gas and steam turbine components	Singapore	49	49
Asian Aerospace Pte Ltd	Promoting and organising trade exhibitions in Singapore for systems, equipment, products and services in aerospace and defence-related applications on a biennial basis	Singapore	50	50
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	32	32
Singapore-China Merchants Aviation Holdings Limited #	Investment holding	Hong Kong	–	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
Singapore Precision Repair and Overhaul Pte Ltd	Repair and overhaul of aircraft and helicopter landing gears and its related components	Singapore	50	50
Aerospace Engineering Services Pty Ltd	Trustee of unit trust fund	Australia	50	50
Aerospace Engineering Services Pty Ltd Unit Trust	Maintenance and servicing of aircraft	Australia	50	50
Changi Aviation Services Pte Ltd	Investment holding	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
CityCab Pte Ltd	Rental of taxis	Singapore	46.5	46.5

10. ASSOCIATED COMPANIES AND JOINT VENTURES *(continued)*

NAME OF ASSOCIATED COMPANY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST HELD BY THE GROUP 2001 %	2000 %
Asia-Pacific Training and Simulation Pte Limited	Provision of simulator training services	Singapore	32.68	32.68
ST LogiTrack Pte Ltd	Promote, market and distribute the use of RFID technology in logistics management	Singapore	50	50
Silvatech Global Systems Limited	Owns the intellectual property right of manufacturing off-highway equipment using hydro-mechanical drive technology	British Virgin Islands	20	20
Int. Silvatech Industries Inc.	Research and development of off-highway equipment using hydro-mechanical drive technology	Canada	20	20
Silvatech Systems Corporation Pte Ltd	Marketing and managing licenses of products using hydro-mechanical drive technology	Singapore	20	20
Solectria Corporation	Design, engineering and manufacture of advanced electric, hybrid electric and fuel cell vehicle drives system and related components	USA	44.1	44.1
Defence Electronics of Singapore Pte Ltd	Manufacture and marketing of military fuses	Singapore	49	49
Sino-Singapore Medical Disposables (Pte) Ltd @	Dormant	Singapore	40	40
Nusantara Technologies Sdn. Bhd.	Provision of non-destructive testing services, ultrasonic flaw detection and gauging survey and pressure gauge calibration	Malaysia	49	49
CIS - Oerlikon Pte Ltd	Dormant	Singapore	50	50
Stegami Pte Ltd	Develop and provide internet-marketing solutions and services	Singapore	37.6	37.6
Sentry Technologies Pte Ltd	Design, development and sale of computer security products	Singapore	35	35
WizVision.com Pte Ltd	Providing information technology services and trading of computer accessories	Singapore	22	–
Anchorville Pte Ltd	Construction, operation and maintenance of desalination projects and provision of related consultancy services on desalination plants	Singapore	30	30
PT SSE-Van der Horst Indonesia	Provision of precision engineering services	Indonesia	37	37
AquaGen International Pte Ltd	Provision of water treatment services	Singapore	25	25

@ Sino-Singapore Medical Disposables (Pte) Ltd is in the process of being liquidated.
# Singapore-China Merchants Aviation Holdings Limited was liquidated in February 2001.

(b) Details of joint ventures are as follows:

NAME OF JOINT VENTURE	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST HELD BY THE GROUP 2001 %	2000 %
Joint Shipyard Management Services Pte Ltd	Construction of and managing workers' dormitories	Singapore	30	30
Joint Shipyard Technologies Pte Ltd	Undertaking, organising and promotion of research and development of new marine technologies	Singapore	14	14
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	24.99
GFM Electronics S.A. de C.V.	Promotion, distribution and sale of electronic and high technology products and services	Mexico	50	50
TranSys Pte Ltd	Market in-house developed railway products in Singapore and the targeted regions. Undertake large-scale system integration railway projects in Singapore and the targeted regions.	Singapore	50	–

11. LONG-TERM INVESTMENTS

	GROUP 2001 $'000	2000 $'000
QUOTED INVESTMENTS - AT COST		
Singapore Government Securities	4,250	4,250
Equity shares:		
Related corporation	1,085	1,085
Non-related corporations	11,316	6,997
	16,651	12,332
Provision for diminution in value of investments	(711)	(7,339)
Total quoted investments	15,940	4,993
UNQUOTED INVESTMENTS - AT COST		
Equity shares:		
Related corporation	8,662	4,302
Non-related corporations	38,568	50,994
Venture capital funds	10,917	–
	58,147	55,296
Floating rate notes	600,655	609,846
Membership rights	1,015	1,132
	659,817	666,274
Provision for diminution in value of investments	(29,063)	(26,252)
Total unquoted investments	630,754	640,022
Total long-term investments	646,694	645,015
QUOTED INVESTMENTS - MARKET VALUE		
Singapore Government Securities	4,568	4,548
Equity shares:		
Related corporation	10,385	842
Non-related corporations	7,515	27,307
	22,468	32,697

PROVISION FOR DIMINUTION IN VALUE OF QUOTED INVESTMENTS

Movements in provision for diminution in value of quoted investments during the year are as follows:

	GROUP 2001 $'000	2000 $'000
At beginning of the year	7,339	75
(Write-back) charge to profit and loss account	(6,628)	534
Reclassified from unquoted investments	–	6,730
At end of the year	711	7,339

PROVISION FOR DIMINUTION IN VALUE OF UNQUOTED INVESTMENTS

Movements in provision for diminution in value of unquoted investments during the year are as follows:

	NOTE	GROUP 2001 $'000	2000 $'000
At beginning of the year		26,252	27,141
Charge to profit and loss account		2,811	7,923
Provision utilised		–	(3,696)
Reclassified to quoted investments		–	(6,730)
Reclassified to associated companies	10	–	(4,252)
Arising from acquisition of subsidiary		–	3,949
Share of post-acquisition losses and reserves and goodwill of an associated company reclassified as provision for diminution in value of long-term investment		–	1,917
At end of the year		29,063	26,252

THE GROUP AND/OR COMPANY

(a) The investments of the Company consist of Floating Rate Notes stated at cost.

The Floating Rate Notes ("FRNs") of the Group and the Company are issued by a related corporation, ST Treasury Services Limited, and guaranteed by the immediate holding company, Singapore Technologies Pte Ltd. As at 31 December 2001, these FRNs have a remaining maturity period of approximately 4 years and interest rates are fixed on a 3 or 6 months basis at the respective repricing dates. Interest rates range from 0.93% to 3.21% (2000: 2.55% to 3.13%) per annum, which are also the effective interest rates.

The holders of these FRNs have the option to redeem the FRNs at each repricing date. Accordingly, these FRNs are classified as cash and cash equivalents in the consolidated statement of cash flows (See Note 43).

(b) The Singapore Government Securities mature on 15 May 2003. The effective interest rate is 6.25%.

12. INTANGIBLE ASSETS

	NOTE	GOODWILL $'000	NEGATIVE GOODWILL $'000	TOTAL $'000
GROUP				
COST				
At beginning of the year		–	–	–
Acquisition of subsidiary		1,844	–	1,844
Acquisition of associated companies and joint ventures	10	819	–	819
Additional investment in a subsidiary		–	(778)	(778)
At end of the year		2,663	(778)	1,885
ACCUMULATED AMORTISATION				
At beginning of the year		–	–	–
Amortisation for the year		949	(65)	884
At end of the year		949	(65)	884
NET BOOK VALUE				
At 31 December 2001		1,714	(713)	1,001
At 31 December 2000		–	–	–

	2001 $'000	2000 $'000
Related to:		
Subsidiaries	209	–
Associated companies and joint ventures	792	–
	1,001	–

13. LOAN RECEIVABLES

(a) Loan receivables comprise:

	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Housing and car loans and advances to staff	3,291	5,321	26	29
Loans to:				
Related corporations	7,030	7,030	–	–
Third parties	17,775	20,651	–	–
Provision for doubtful loans:				
Related corporations	(7,030)	(7,030)	–	–
Third parties	(17,775)	(19,330)	–	–
	–	1,321	–	–
Hire purchase receivables	960	3,105	–	–
	4,251	9,747	26	29
Receivable:				
Within 1 year	1,975	4,462	15	15
After 1 year	2,276	5,285	11	14
	4,251	9,747	26	29
Movements in provision for loans to third parties are as follows:				
At beginning of the year	19,330	17,683	–	–
(Write-back) charge to profit and loss account	(1,555)	1,647	–	–
At end of the year	17,775	19,330	–	–

(b) Loans to related corporations are unsecured, interest-free and not expected to be repaid within the next 12 months.

(c) Included in the loans to third parties are:

(i) an amount of $4,513,000 (2000: $5,475,000) which is secured by the third party's investment in a unit trust and the loan is repayable over a period of 12 years commencing from 1996. Interest is chargeable at 15% per annum calculated on the reducing balance basis.

(ii) an amount of $8,312,000 (2000: $8,312,000) which is secured by intellectual property rights of the third party and is not expected to be repaid within the next 12 months. Interest is repriced every month and chargeable at the United States Dollar prime rate plus 2% per annum.

(iii) an amount of $3,450,000 (2000: $4,808,000) which is unsecured and repayable in 8 equal instalments, commencing from December 1999 over 4 years. Interest is repriced every 6 months and chargeable at United States Dollar 6-month LIBOR plus 1% per annum, which is also the effective interest rate.

13. LOAN RECEIVABLES *(continued)*

(d) Hire purchase receivables comprise:

	GROUP GROSS INVESTMENT RECEIVABLE $'000	UNEARNED INTEREST INCOME $'000	NET INVESTMENT RECEIVABLE $'000
2001			
Within 1 year	435	26	409
Within 2 to 5 years	573	22	551
	1,008	48	960
2000			
Within 1 year	1,102	144	958
Within 2 to 5 years	2,239	92	2,147
	3,341	236	3,105

The effective interest rate on these hire purchase receivables is between 3% and 6% (2000: 3% and 7%).

14. STOCKS AND WORK-IN-PROGRESS

	GROUP 2001 $'000	2000 $'000 (NOTE 48)
STOCKS		
Stocks of equipment and spares, at cost	278,782	215,366
Provision for stock obsolescence	(90,195)	(68,326)
	188,587	147,040
WORK-IN-PROGRESS IN EXCESS OF PROGRESS BILLINGS		
Work-in-progress	559,224	565,955
Provision for foreseeable losses	(40,375)	(24,937)
	518,849	541,018
Progress billings	(165,958)	(260,888)
	352,891	280,130
	541,478	427,170
PROGRESS BILLINGS IN EXCESS OF WORK-IN-PROGRESS		
Work-in-progress	69,653	63,096
Progress billings	(174,524)	(134,694)
	(104,871)	(71,598)
Movements in provision for stock obsolescence during the year are as follows:		
At beginning of the year	68,326	60,221
Charge to profit and loss account	22,560	703
Provision utilised	(1,154)	(1,508)
Arising from acquisition of subsidiary	–	8,736
Translation difference	463	174
At end of the year	90,195	68,326
Movements in provision for foreseeable losses during the year are as follows:		
At beginning of the year	24,937	15,820
Charge to profit and loss account	15,783	12,366
Provision utilised	(345)	(3,249)
At end of the year	40,375	24,937

15. DEBTORS, DEPOSITS AND PREPAYMENTS

	NOTE	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Trade debtors	20	373,883	390,758	–	–
Advance payments to:					
Suppliers		249,137	323,043	–	–
Related corporations		–	759	–	–
Other debtors, deposits and prepayments	21	35,103	28,671	1,313	888
Due from:					
Immediate holding company (non-trade)		353	1,798	–	1,155
Subsidiaries (non-trade)		–	–	3,414	11
Related corporations	22	777,239	657,094	190,207	109,987
Associated companies	23	6,927	6,575	–	–
Joint ventures (trade)		66	42	–	–
Joint ventures (non-trade)		1,157	–	–	–
		1,443,865	1,408,740	194,934	112,041

16. SHORT-TERM INVESTMENTS

	GROUP 2001 $'000	2000 $'000
AT COST		
Quoted equity investments	–	461
Other quoted investments	–	24,745
	–	25,206
MARKET VALUE		
Quoted equity investments	–	1,644
Other quoted investments	–	24,764
	–	26,408

17. OTHER INVESTMENT

During the financial year, an investee company issued a promissory note of US$435,000 to a subsidiary. Under a separate agreement with a related corporation, it was agreed that US$270,000 relates to the portion of the promissory note taken up by the related corporation while the remaining US$165,000 relates to the portion of the promissory note taken up by the subsidiary. The promissory note is secured by all Intellectual Properties (IPs) in the investee company and bears a compound interest of 7% per annum. It is repayable on demand at any time on or after 19 January 2002.

Pursuant to the terms of the promissory note, the promissory note may be converted into equity of the investee company at its next series of financing. To date, the promissory note has not been converted into equity.

18. AMOUNTS UNDER FUND MANAGEMENT

	GROUP 2001 $'000	2000 $'000
Principal sum of amounts under fund management		
– at cost	426,369	553,766
– at impaired value *	5,500	–
Provision for diminution in value	(2,009)	(8,298)
	429,860	545,468

* Relates to impaired value of 4 bonds originally carried at a cost of $15.5 million. The bonds were defaulted by the issuers at maturity and accordingly written down to their estimated net realisable values. The net realisable values of these 4 bonds estimated by the fund manager amount to approximately $5.5 million as at 31 December 2001.

The terms of the management agreements, which are for periods ranging from 2 to 3.5 years (2000: 2 to 5 years), provide for the following:

(a) the guarantee of the return of the principal sums from 95% to 100% (2000: 95% to 100%) by the fund managers at the end of the relevant fund management period; and

(b) the fees payable to the fund manager include a share, in specified proportions, of any surplus (determined at the end of the relevant fund management period) arising from the management of the fund.

As the surplus, arising from the management of these funds can only be determined at the end of the relevant fund management period, such surplus, if any, will be recognised as income then.

Movement in provision for diminution in value of amounts under fund management during the year is as follows:

	GROUP 2001 $'000	2000 $'000
At beginning of the year	8,298	11,742
Write back to profit and loss account	(6,289)	(3,444)
At end of the year	2,009	8,298
Amounts under fund management can be analysed as follows:		
Quoted equity investments at market value	–	67,452
Quoted bond investments at market value	267,456	249,298
Unquoted bonds at estimated net realisable value	5,500	–
Cash	172,659	266,177
	445,615	582,927

19. BANK BALANCES AND OTHER LIQUID FUNDS

	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Fixed deposits with financial institutions	757,517	697,118	164,968	86,931
Cash and bank balances	104,952	122,175	41,543	45,717
	862,469	819,293	206,511	132,648

Fixed deposits with financial institutions mature on varying periods within 6 months (2000: 8 months) from the financial year end. Interest rates range from 0.39% to 7.25% (2000: 1.00% to 7.10%) per annum, which are also the effective interest rates.

20. TRADE DEBTORS

	GROUP 2001 $'000	2000 $'000
Trade debtors	412,568	419,545
Provision for doubtful debts	(63,282)	(73,309)
	349,286	346,236
Unbilled receivables	24,597	44,522
	373,883	390,758
Movements in provision for doubtful debts during the year are as follows:		
At beginning of the year	73,309	54,145
Write-back to profit and loss account	(10,019)	(2,634)
Bad debts written off against provision	(470)	(1,990)
Arising from acquisition of subsidiary	–	23,788
Translation difference	462	–
At end of the year	63,282	73,309

21. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Deposits	1,930	2,209	53	–
Prepayments	10,749	11,462	7	–
Interest receivable	3,417	4,944	1,129	863
Other recoverables	8,301	3,106	70	–
Non-trade debtors	10,706	6,950	54	25
	35,103	28,671	1,313	888

Non-trade debtors are stated after provision for doubtful debts:

	GROUP 2001 $'000	2000 $'000
At beginning of the year	50	478
Write-back to profit and loss account	–	(428)
At end of the year	50	50

22. DUE FROM RELATED CORPORATIONS

	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Trade balances	14,186	7,093	–	–
Non-trade balances	2,403	6,938	1,365	1,403
Loans	760,650	643,063	188,842	108,584
	777,239	657,094	190,207	109,987

Loans to related corporations are guaranteed by the immediate holding company, Singapore Technologies Pte Ltd.

These loans mature on varying periods within 6 months (2000: 9 months) from the financial year end. Interest rates range from 0.94% to 6.24% (2000: 1.75% to 6.91%) per annum, which are also the effective interest rates.

23. DUE FROM ASSOCIATED COMPANIES

	GROUP 2001 $'000	2000 $'000
Trade balances	5,013	3,856
Non-trade balances	1,915	3,252
Provision for doubtful debts	(1)	(533)
	6,927	6,575
Movements in provision for doubtful debts during the year are as follows:		
At beginning of the year	533	159
(Write-back) charge to profit and loss account	(532)	374
At end of the year	1	533

24. CREDITORS AND ACCRUALS

	NOTE	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Trade creditors		525,589	427,651	147	213
Other creditors and accruals	28	701,173	640,438	26,736	14,631
Due to:					
Immediate holding company (trade)		398	424	–	–
Immediate holding company (non-trade)		12	79	664	–
Subsidiaries (non-trade)		–	–	541	82
Related corporations (trade)		10,180	14,497	–	–
Related corporations (non-trade)		1,293	3,058	–	14
Associated companies (trade)		106	4	–	–
Joint ventures (trade)		1,715	4,346	–	–
Minority shareholder (trade)		–	1,073	–	–
		1,240,466	1,091,570	28,088	14,940

25. PROVISIONS

	GROUP 2001 $'000	2000 $'000
Provision for:		
Warranties	160,250	227,995
Liquidated damages	55,119	42,747
Environmental liabilities	–	5,303
	215,369	276,045
(a) Movements in provision for warranties during the year are as follows:		
At beginning of the year	227,995	161,758
(Write-back) charge to profit and loss account	(64,767)	40,912
Provision utilised	(3,170)	(3,452)
Arising from acquisition of subsidiary	–	28,774
Translation difference	192	3
At end of the year	160,250	227,995
(b) Movements in provision for liquidated damages during the year are as follows:		
At beginning of the year	42,747	2,959
Charge to profit and loss account	14,383	12,658
Provision utilised	(2,056)	(571)
Arising from acquisition of subsidiary	–	27,701
Translation difference	45	–
At end of the year	55,119	42,747
(c) Movements in provision for environmental liabilities during the year are as follows:		
At beginning of the year	5,303	5,293
Write-back to profit and loss account	(5,042)	–
Provision utilised	(275)	–
Translation difference	14	10
At end of the year	–	5,303
(d) Movements in provision for engineering and development during the year are as follows:		
At beginning of the year	–	6,587
Write-back to profit and loss account	–	(6,587)
At end of the year	–	–
(e) Movements in provision for wharf and syncrolift upkeep during the year are as follows:		
At beginning of the year	–	11,000
Write-back to profit and loss account	–	(6,000)
Reclassified to accrued operating expenses	–	(5,000)
At end of the year	–	–
(f) Movements in provision for contingencies during the year are as follows:		
At beginning of the year	–	19,236
Write-back to profit and loss account	–	(41,146)
Provision utilised	–	(14)
Arising from acquisition of subsidiary	–	21,883
Translation difference	–	41
At end of the year	–	–

26. LEASE OBLIGATIONS

A subsidiary of Singapore Technologies Aerospace Ltd ("ST Aero") 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$13,600,000, which is used to guarantee payments on the bonds in the event that the subsidiary is unable to make required lease payments. The original letter of credit agreement was to expire in May 2001. However, the letter of credit was renewed on 1 March 2001, and currently expires on 15 May 2006.

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.

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

	PRINCIPAL $'000	INTEREST $'000
2001		
1 year to 5 years	6,639	5,800
After 5 years	11,562	3,154
Total	18,201	8,954
Discount	(334)	–
	17,867	8,954
Repayable:		
Within 1 year	1,117	
After 1 year	16,750	
	17,867	
2000		
1 year to 5 years	5,734	5,901
After 5 years	12,388	3,908
Total	18,122	9,809
Discount	(167)	–
	17,955	9,809
Repayable:		
Within 1 year	990	
After 1 year	16,965	
	17,955	

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

27. LONG-TERM BANK LOAN

	GROUP 2001 $'000	2000 $'000
Loan repayments:		
Within 1 year *	7,676	6,950
After 1 year	693	6,950
	8,369	13,900

* Included in this balance is an amount of $7,323,000 (2000: $6,950,000) relating to a loan taken up by a subsidiary. This loan is denominated in US dollars, unsecured and interest is charged at a flat rate of 6.48% (2000: 6.48%) per annum, which is also the effective interest rate. The loan is repayable over 5 years on a half-yearly basis and the principal repayment commenced in June 1999. The subsidiary has the intention to repay the loan in full in 2002. The remaining balance relates to a loan taken up by a subsidiary of Singapore Technologies Kinetics Ltd during the financial year. This loan is denominated in Deutchmark, unsecured and interest is charged at a flat rate of 5.9% per annum. The loan is repayable over 29 months on a monthly basis and the principal repayment commence in January 2002.

28. OTHER CREDITORS AND ACCRUALS

	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Non-trade creditors	37,278	15,024	5,231	2,947
Purchase of fixed assets	465	530	–	–
Accrued operating expenses	663,108	624,479	21,505	11,684
Accrued interest payable	322	405	–	–
	701,173	640,438	26,736	14,631

29. DEFERRED INCOME

	GROUP 2001 $'000	2000 $'000
At beginning of the year	3,906	3,741
Additions during the year	301	165
Arising from acquisition of subsidiaries	390	–
	4,597	3,906
Less deferred income recognised to date	(1,585)	(1,203)
At end of the year	3,012	2,703

29. DEFERRED INCOME *(continued)*

Movements in deferred income recognised to date during the year are as follows:

	GROUP 2001 $'000	2000 $'000
At beginning of the year	1,203	971
Recognise in profit and loss account	438	284
Translation difference	(56)	(52)
At end of the year	1,585	1,203

30. DEFERRED TAXATION

	GROUP 2001 $'000	2000 $'000
At beginning of the year	8,372	3,371
Write-back to profit and loss account	(4,257)	(3,676)
Translation difference	(219)	(92)
Arising from acquisition of subsidiary	–	8,769
At end of the year	3,896	8,372

31. FLOATING RATE BONDS (UNSECURED)

	GROUP 2001 $'000	2000 $'000
Floating rate bonds (unsecured)	20,000	20,000
Unamortised discount	(631)	(928)
	19,369	19,072
Unamortised discount:		
At beginning of the year	928	1,225
Amortisation for the year	(297)	(297)
At end of the year	631	928
Redeemable:		
Within 1 year	19,369	–
After 1 year	–	19,072
	19,369	19,072

The Unsecured Floating Rate Bonds were issued by a subsidiary at the price of 85.15% of the principal amounts. Interest is payable every 6 months from the dates of issue of the bonds, being 18 January 1994 for Tranche A amounting to $10,000,000 and 18 April 1994 for Tranche B amounting to another $10,000,000 respectively, at the swap offer rate less 1.5%. The swap offer rate is determined at the beginning of each interest period every half yearly. The effective interest rate for 2001 is 2.59% per annum.

The bondholders have the option to have all or any of the bonds redeemed by the subsidiary on any of the interest payment dates falling between January 2002 and July 2003.

The above options to redeem are structured at a discount from the principal amount.

The subsidiary has the intention to exercise its option to redeem all bonds on the interest payment date in January 2002.

32. TURNOVER

	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Sale of goods	543,719	481,006	–	–
Service income	1,926,348	1,778,021	–	–
Investment income				
– Dividend from unquoted investments in subsidiaries	–	–	282,111	235,256
	2,470,067	2,259,027	282,111	235,256

33. OTHER OPERATING INCOME

		GROUP		COMPANY	
	NOTE	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Commission income		1,912	2,462	–	–
Dividend income					
– quoted equity investments		80	317	–	–
– unquoted equity investments		123	1,433	–	–
Interest income					
– Singapore Government Securities		514	687	–	–
– bonds		4	525	–	–
– subsidiaries		–	–	–	273
– related corporations		35,345	34,384	7,247	5,096
– bank deposits		26,642	33,316	2,773	2,447
– staff loans		143	213	1	1
– others		99	1,366	–	–
Provision for diminution in value of investments					
– unquoted long-term investments	11	(2,811)	(5,978)	–	–
– quoted long-term investments	11	–	(534)	–	–
Write-back of provision for diminution in value of investments					
– quoted long-term investments	11	6,628	–	–	–
– amounts under fund management	18	6,289	3,444	–	–
Profit on sale of investments					
– long-term investments		1,871	740	–	–
– short-term investments		1,455	1,415	–	–
– other investments		–	395	–	–
Surplus arising from amounts under fund management *		20,815	6,715	–	–
Management income from subsidiaries, net		–	–	23,535	8,508
Project consultancy fees		–	1,178	–	–
Distributions from unquoted equity investments		241	606	–	–
Surplus on restructuring of associated company		–	6,304	–	–
Others		3,700	3,960	–	–
		103,050	92,948	33,556	16,325

* This amount is derived after charging impairment loss arising from amounts under fund management of $9,977,000 (2000: $Nil).

34. PROFIT FROM OPERATIONS

		GROUP		COMPANY	
	NOTE	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Profit from operations is arrived at:					
AFTER CHARGING					
Auditors' remuneration:					
Auditors of the Company					
– current year		1,105	1,012	60	40
– underprovision in respect of prior year		58	13	–	8
Other auditors					
– current year		388	356	–	–
– under (over) provision in respect of prior year		51	(47)	–	–
Non-audit fees:					
Auditors of the Company					
– current year		332	349	8	94
Other auditors		199	127	–	2
Fees and remuneration of directors					
– current year		5,847	2,576	5,416	2,433
– overprovision in respect of prior year		–	(342)	–	(337)
Fees paid to a firm of which a director is a member		90	1,888	90	90
Depreciation of fixed assets	8	74,922	78,587	66	72
Provision for:					
Stock obsolescence	14	22,560	703	–	–
Foreseeable losses	14	15,783	12,366	–	–
Doubtful debts					
Associated companies and joint ventures	10, 23	322	689	–	–
Loan receivables	13	–	1,647	–	–
Warranties	25	–	40,912	–	–
Liquidated damages	25	14,383	12,658	–	–
Diminution in value of other long-term investment	11	–	1,945	–	–
Fixed assets written off		89	25	–	–
Stocks written off		648	2,297	–	–

34. PROFIT FROM OPERATIONS *(continued)*

		GROUP		COMPANY	
	NOTE	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Bad debts written off					
– Trade		134	2,598	–	–
– Non-trade		–	38	–	–
Research, design and development expenses incurred		74,092	54,592	–	–
Operating lease expenses		20,686	16,464	346	292
Amortisation of goodwill	12	857	–	–	–
Impairment loss					
– Fixed assets	8	2,105	–	–	–
– Amounts under fund management	18, 33	9,977	–	–	–
AND CREDITING					
Write-back of provision for:					
Doubtful debts					
– Trade	20	10,019	2,634	–	–
– Non-trade	21	–	428	–	–
– Associated companies and joint ventures	23	532	–	–	–
Loans receivable	13	1,555	–	–	–
Warranties	25	64,767	–	–	–
Environmental liabilities	25	5,042	–	–	–
Engineering and development	25	–	6,587	–	–
Wharf and syncrolift upkeep	25	–	6,000	–	–
Contingencies	25	–	41,146	–	–
Grants and subsidies received		3,688	5,029	–	–
Amortisation of deferred income	29	438	284	–	–
Bad trade debts recovered		67	38	–	–

35. PERSONNEL EXPENSES

	GROUP		COMPANY	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Wages and salaries *	624,201	548,640	18,029	6,657
Pension contributions	53,677	50,225	2,241	349
Other personnel expenses	67,190	57,723	1,648	813
	745,068	656,588	21,918	7,819

* Includes directors' remuneration of the Group and the Company of $5,091,000 and $5,091,000 (2000: $2,093,000 and $2,093,000) respectively.

36. OTHER INCOME, NET

	GROUP		COMPANY	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Profit on disposal of fixed assets	1,545	379	–	–
Exchange gain, net	9,430	222	33	50
Grants received	184	666	–	–
Rental income	3,402	2,354	–	–
Provision for loss from divestment of an associated company	(3,750)	–	–	–
Others	4,729	8,323	333	190
	15,540	11,944	366	240

37. FINANCIAL EXPENSES

		GROUP		COMPANY	
	NOTE	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Interest expense:					
Bank loans and overdrafts		1,318	1,834	–	–
Floating rate bonds and notes		221	301	–	–
Finance lease		1,369	1,551	–	–
Amortisation of discount on floating rate bonds	31	297	297	–	–
		3,205	3,983	–	–

38. EXCEPTIONAL ITEM

During the previous financial year, a subsidiary reduced its issued and paid-up capital from $150,746,501 to $100,000,000 by cancelling 101,493,001 of its issued and fully paid ordinary shares of $0.50 each in the capital of the Company and the cancellation of the amount of $98,595,254 standing to the credit of the share premium account. The capital reduction has been confirmed by the High Court under a Court Order dated 25 September 2000. The exceptional item in the previous financial year relates to the distribution of $103,612,251 arising from the above mentioned capital reduction.

39. TAXATION

	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Income tax on the profit for the year:				
Current tax	92,261	116,770	64,941	53,348
Deferred tax	1,371	(1,698)	–	–
Associated companies	6,765	8,160	–	–
Joint ventures	315	190	–	–
	100,712	123,422	64,941	53,348
Over provision in respect of prior year:				
Current tax	(9,371)	(431)	–	–
Deferred tax	(5,628)	(1,978)	–	–
	85,713	121,013	64,941	53,348

THE GROUP
The tax charge in respect of the profit of the Group for the financial year is lower than that determined by applying the statutory tax rate to the profit before taxation due primarily to non-chargeable items deducted for tax purposes, the benefit from partial tax exemption on the first $100,000 of chargeable income, income derived on Floating Rate Notes which enjoys a concessionary tax rate of 10% and pioneer status granted to subsidiaries.

As at 31 December 2001, unutilised tax losses, unutilised investment allowances and unabsorbed wear and tear allowances of subsidiaries amounted to approximately $102,080,000 (2000: $101,737,000) which are available for set-off against future taxable profits subject to agreement with the Income Tax Authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

The potential tax benefit of approximately $112,812,000 (2000: $142,199,000) arising from such unutilised tax losses, unabsorbed wear and tear allowances and other temporary differences has not been recognised in the financial statements in accordance with the Group's accounting policy.

THE COMPANY
The tax charge in respect of the profit of the Company for the financial year is lower than that determined by applying the statutory tax rate to the profit before taxation due primarily to tax exempt dividends received from subsidiaries.

40. DIVIDENDS

	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
Final dividend paid in respect of the previous financial year of 2.5 cents				
(2000: 2.3 cents) per share less tax at 24.5% (2000: 25.5%)	53,901	48,315	53,901	48,315
Special dividend paid in respect of the previous financial year of 5.5 cents				
(2000: 7 cents) per share less tax at 24.5% (2000: 25.5%)	118,583	147,044	118,583	147,044
Special tax exempt dividend paid in respect of the previous financial year				
of 1.5 cents (2000: Nil cents) per share	42,836	–	42,836	–
	215,320	195,359	215,320	195,359
Additional final dividend paid in respect of the previous year due to issue				
of shares under the ST Engg Share Option Scheme before books closure date	1,086	1,439	1,086	1,439
	216,406	196,798	216,406	196,798

The directors propose a final dividend of 2.5 cents (2000: 2.5 cents) per share less tax at 24.5% (2000: 25.5%) amounting to $54,327,000 (2000: $53,188,000), a special dividend of 6.5 cents (2000: 5.5 cents) per share less tax at 24.5% (2000: 25.5%) amounting to $141,250,000 (2000: $117,013,000), and a special tax exempt dividend of 1.8 cents (2000: 1.5 cents) per share amounting to $51,808,000 (2000: $42,836,000), in respect of the year ended 31 December 2001. 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.

41. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE
The calculation for basic earnings per share is based on:

	GROUP 2001 $'000	2000 $'000
Consolidated profit after taxation and minority interests	350,091	288,138
NUMBER OF SHARES ('000)		
The weighted average number of ordinary shares is arrived at as follows:		
Issued ordinary shares at beginning of the year	2,855,694	2,838,689
Weighted average number of ordinary shares issued during the year	15,523	7,470
Weighted average number of ordinary shares	2,871,217	2,846,159

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 3. The average fair value of one ordinary share during the financial year ended 31 December 2001 was $2.53 (2000: $2.43) per share. The weighted average number of ordinary shares adjusted for the unissued shares under option is as follows:

41. EARNINGS PER SHARE *(continued)*

DILUTED EARNINGS PER SHARE *(continued)*

	GROUP 2001	2000
NUMBER OF SHARES ('000)		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	2,871,217	2,846,159
Weighted average number of unissued shares under option	78,546	98,111
Number of shares that would have been issued at fair value	(57,225)	(66,873)
Weighted average number of ordinary shares (diluted)	2,892,538	2,877,397

42. RELATED PARTY INFORMATION

In addition to related party information disclosed elsewhere in the financial statements, the Group and the Company have significant transactions with related parties on terms agreed between the parties as follows:

	GROUP 2001 $'000	2000 $'000	COMPANY 2001 $'000	2000 $'000
INCOME				
Sales and services rendered	48,598	6,616	–	–
Management fees received from subsidiaries	–	–	31,961	15,201
EXPENSES				
Purchases and services received	52,741	44,499	1,967	402
Management and administrative fees paid	8,426	6,693	8,426	6,693
Fixed assets purchases	2,267	122	–	–

43. CASH AND CASH EQUIVALENTS

	GROUP 2001 $'000	2000 $'000
Cash and cash equivalents comprise the following:		
Fixed deposits with financial institutions	757,517	697,118
Cash and bank balances	104,952	122,175
Short-term investments	–	461
Amounts under fund management	429,860	545,468
Floating rate notes	600,655	609,846
Short-term loans to related corporation	760,650	643,063
Bank overdrafts (unsecured)	(503)	(1,489)
	2,653,131	2,616,642

44. COMMITMENTS

(A) CAPITAL COMMITMENTS

	GROUP 2001 $'000	2000 $'000
Capital expenditure contracted but not provided for in the financial statements	29,002	35,679

(B) LEASES
Future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP 2001 $'000	2000 $'000
Within 1 year	19,637	15,685
Within 2 to 5 years	43,333	42,745
After 5 years	124,221	388,090
	187,191	446,520

The Group has several operating lease agreements for leasehold land and building, office premises and computers. The lease for the leasehold land and building 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.

During the financial year, a subsidiary has signed a new leasehold land rental agreement with the Landlord in which the end of the leasehold rental period will be revised from the original Year 2065 to Year 2028. In addition, the subsidiary has the option to renew the lease up to Year 2065. The computation of the future minimum lease payments is based on the revised period excluding the option. The total amount of future minimum sub-lease payments expected to be received under non-cancellable sub-lease as at 31 December 2001 is approximately $4,685,000 (2000: $Nil).

(C) INVESTMENTS
(i) As at 31 December 2001, the Group has outstanding commitments in respect of uncalled capital to the extent of $153,600 (2000: $153,600) in an associated company.

(ii) As at 31 December 2001, in respect of investments in unquoted equity shares of venture capital fund companies, there is uncalled capital contribution amounting to $2.9 million (2000: $3.0 million) for the Group.

(iii) In December 2001, a subsidiary, Singapore Technologies Aerospace Ltd ("ST Aero"), and FR Aviation ("FRA"), a subsidiary of Cobham plc, signed an agreement to establish a commercial aircraft maintenance facility in Bournemouth, United Kingdom.

44. COMMITMENTS *(continued)*

(C) INVESTMENTS *(continued)*

ST Aero will have a 60% majority equity stake of the new company to be called Bournemouth Aviation Services Company Limited ("BASCO"). The remaining 40% will be held by FRA. Approximately £9.0 million of investment will be required in the first three years, of which ST Aero will provide £5.4 million and FRA £3.6 million. The investment is intended for build-up of equipment, tooling and personnel requirements.

BASCO will be located at Bournemouth International Airport. BASCO is expected to commence operations in the first half of 2002, subject to legal formalities and the approval of the United Kingdom Civil Aviation Authority. Initially, BASCO will provide maintenance and modification services on commercial narrow body aircraft.

(D) FORWARD FOREIGN EXCHANGE CONTRACTS

As at 31 December 2001, the Group has outstanding forward foreign exchange contracts amounting to approximately $85 million (2000: $114 million) for hedging against accounts receivables and payables and firm purchase and sales commitments denominated mainly in Australian Dollars, United States Dollars, Euros and British Sterling Pounds.

45. CONTINGENT LIABILITIES (UNSECURED)

(a) Guarantees given by the Company to third parties in respect of the provision of goods and services to subsidiaries amounted to $49,000 (2000: $440,000).

b) Guarantee given by a subsidiary in respect of banking facilities amounted to $2,809,000 (2000: $2,665,000).

(c) Corporate guarantee given by a subsidiary to a third party in respect of the performance of a contract amounted to $103,655,000 (2000: $Nil).

(d) A joint venture agreement between a subsidiary, Singapore Technologies Aerospace Ltd, and four Indonesian parties was entered into in 1994 for the establishment of P. T. Batam Aircraft Maintenance ("P. T. BAM"). As at 31 December 2001, no investment has been made.

As part of the agreement, P. T. BAM will enter into a lease agreement with one of the joint venture parties. Furthermore, under this agreement, Singapore Technologies Aerospace Ltd will be liable to pay the lease rental fees in proportion to its respective shares in P. T. BAM (i.e. 25%) in the event of the insolvency of P. T. BAM.

The maximum potential liability arising from this agreement amounts to approximately $5.4 million (2000: $5.4 million).

(e) During the year, a subsidiary subcontracted Ansett to service approximately $800,000 of components, which belongs to a customer. Upon the administration of Ansett, the subsidiary had sought to have these components returned. Management has contacted Ansett's third party subcontractor who was servicing the components and they have confirmed they are holding these items on behalf of Ansett. In the event that Ansett ceases trading, the subsidiary has arranged that they will remunerate Ansett's subcontractor directly and receive these components. Management is confident that these components will be returned at no loss to the subsidiary and hence do not consider a provision for these components to be necessary.

(f) As part of its normal operations, the Group is engaged in the design and development of systems and products. In accordance with contractual terms, there are risks of potential liability should design inadequacies arise.

46. SEGMENT INFORMATION

(A) ANALYSIS BY BUSINESS SEGMENTS

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

(a) Aerospace
(b) Electronics
(c) Land systems
(d) Marine

Other operations include research and development, treasury, investment holding and provision of management, consultancy, warehousing and other support services.

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

	AEROSPACE $'000	ELECTRONICS $'000	LAND SYSTEMS $'000	MARINE $'000	OTHER $'000	ELIMINATIONS $'000	GROUP $'000
2001							
TURNOVER							
External sales	1,031,246	488,808	603,363	334,878	11,772		2,470,067
Inter-segment sales	2,787	9,669	4,102	892	318,334	(335,784)	–
TOTAL SALES							2,470,067
Segment result	170,392	44,770	60,343	48,164	(9,152)		314,517
Investment income, net	6,694	–	9,729	14,700	297,865	(297,865)	31,123
Interest income	19,590	8,253	20,896	3,118	10,890		62,747
Amortisation of goodwill	–	–	(857)	–	–		(857)
Operating profit							407,530
Financial expenses	(3,056)	(5)	(144)	–	–		(3,205)
Share of results of associated companies and joint ventures	32,062	(840)	7,141	(3,351)	847		35,859
Amortisation of goodwill on acquisition of associated company	–	(27)	–	–	–		(27)
Profit before taxation							440,157
Taxation							(85,713)
Minority interests							(4,353)
NET PROFIT							350,091
Assets	478,218	359,603	627,593	125,098	17,560		1,608,072
Associated companies and joint ventures	87,341	1,342	79,378	7,630	532		176,223
Other investments and financial assets	856,981	317,401	630,036	353,492	536,961	(10,895)	2,683,976
Unallocated assets							3,550
TOTAL ASSETS							4,471,821
Liabilities	804,270	561,472	1,167,067	343,647	58,169		2,934,625
Loans and other financial liabilities	85,777	49	4,211	–	–	(36,405)	53,632
Unallocated liabilities							171,265
TOTAL LIABILITIES							3,159,522
Capital expenditure	55,243	10,345	12,103	13,098	859		91,648
Depreciation and amortisation	35,337	7,269	19,012	13,751	437		75,806
Other non-cash expenses	(610)	8,396	(11,843)	329	–		(3,728)

46. SEGMENT INFORMATION *(continued)*

	AEROSPACE $'000	ELECTRONICS $'000	LAND SYSTEMS $'000	MARINE $'000	OTHER $'000	ELIMINATIONS $'000	GROUP $'000
2000							
TURNOVER							
External sales	956,320	411,781	526,510	358,433	5,983		2,259,027
Inter-segment sales	2,810	11,752	1,731	679	236,737	(253,709)	–
TOTAL SALES							2,259,027
Segment result	149,132	38,410	48,625	61,821	(3,837)	(6,074)	288,077
Investment income, net	11,389	–	1,851	1,618	235,256	(235,256)	14,858
Interest income	23,417	8,408	28,369	2,421	8,253	(377)	70,491
Operating profit							373,426
Financial expenses	(3,969)	(7)	(374)	(10)	–	377	(3,983)
Exceptional item	–	–	–	–	103,612	(103,612)	–
Share of results of associated companies and joint ventures	39,022	(220)	6,179	(1,915)	–		43,066
Profit before taxation							412,509
Taxation							(121,013)
Minority interests							(3,358)
NET PROFIT							288,138
Assets	456,116	298,792	670,351	110,998	1,023		1,537,280
Associated companies and joint ventures	61,142	147	82,333	9,853	–		153,475
Other investments and financial assets	806,682	292,799	761,105	356,778	470,064		2,687,428
Unallocated assets							4,864
TOTAL ASSETS							4,383,047
Liabilities	760,555	494,622	1,405,807	341,432	25,593	631	3,028,640
Loans and other financial liabilities	81,441	–	3,988	–	195	(25,510)	60,114
Unallocated liabilities							145,481
TOTAL LIABILITIES							3,234,235
Capital expenditure	37,196	6,446	8,392	4,009	601		56,644
Depreciation and amortisation	36,751	5,329	21,707	12,142	214		76,143
Other non-cash expenses	2,583	1,968	(515)	4,446	–		8,482

(B) ANALYSIS BY COUNTRY OF INCORPORATION

Turnover is based on the country of incorporation regardless of where the goods are produced or services rendered. Assets and additions to property, plant and equipment are based on the location of those assets.

	TURNOVER		ASSETS		CAPITAL EXPENDITURE	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Asia	2,113,526	1,930,706	1,460,273	1,392,702	78,729	39,155
United States of America	324,528	304,990	120,671	124,406	11,529	15,469
Europe	32,013	23,331	22,316	17,133	1,048	1,792
Others	–	–	4,812	3,039	342	228
	2,470,067	2,259,027	1,608,072	1,537,280	91,648	56,644

(C) ANALYSIS BY GEOGRAPHICAL AREAS

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

	TURNOVER	
	2001 $'000	2000 $'000
Asia	1,831,982	1,697,215
United States of America	448,989	406,675
Europe	108,097	86,698
Others	80,999	68,439
	2,470,067	2,259,027

47. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate, foreign exchange, market, liquidity and credit risks. The policies for managing each of these risks are summarised below.

Derivative financial instruments are used to reduce the Group's exposure to fluctuations in foreign exchange rates and interest rates. It is the Group's policy not to trade in derivative contracts.

INTEREST RATE RISK

The Group has cash balances placed with reputable banks and financial institutions and investments in bonds and government-related securities, which generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

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.

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

FOREIGN EXCHANGE RISK

The foreign exchange risk of the Group arises from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The Group's local subsidiaries also generate revenue and incur costs in foreign currencies which give rise to foreign exchange risk. The Group enters into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from anticipated sale and purchase transactions denominated in foreign currencies, primarily in US dollars and Euro.

MARKET RISK

The Group has investments in quoted equity shares and bonds, government-related securities and amounts under fund management, which are subject to market risk as the market values of these investments are affected by changes in market prices. The Group manages its exposure to market risk by maintaining a portfolio of equities with different risk profiles. For amounts under fund management, the Group is guaranteed of the return of the principal sums from 95% to 100% by the fund managers at the end of the relevant fund management period, hence mitigating the effects of market risk.

LIQUIDITY RISK

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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 collateral from the customer or arrange master netting agreements. Cash terms, advance payments, and letters of credit are required for customers of lower credit standing. The extent of the Group's credit exposure is represented by aggregate balance of cash and cash equivalents, loans and receivables, reduced by the effects of any netting arrangements with counterparties.

Counterparties to financial instruments consist of prime financial institutions and a related corporation, namely ST Treasury Services Limited.

As at 31 December 2001, there were no significant concentrations of credit risk, except for 67% of trade debts relating to three major customers of the respective subsidiaries.

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 methods and assumptions are used to estimate the fair value of each class of financial instruments:

Bank balances and other liquid funds and short-term receivables

The carrying amount approximates fair value due to the relatively short-term maturity of these instruments.

Quoted and unquoted investments

The fair values of quoted investments are estimated based on quoted market prices for these investments. 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.

Loan receivables

The fair value of loan receivables is estimated based on the expected cash flows discounted to present value.

Short-term borrowings and other current liabilities

The carrying amount approximates the fair value because of the short period to maturity of these instruments.

Long-term bank loans

The carrying amount approximates the fair value as these instruments bear interest at variable rates.

Lease obligations

The fair value of lease obligations is determined by discounting the relevant cash flow using current interest rates for similar instruments at balance sheet date.

Floating rate bonds

The carrying amount approximates the fair value because of the short redemption period of the floating rate bonds.

Derivatives

The fair value of foreign exchange forward contracts is estimated based on the difference between the applicable forward rates prevailing at the balance sheet date and the contracted forward rates, multiplied by the notional amount and discounted to present value.

As at 31 December 2001, the fair values of financial assets and financial liabilities which do not approximate the carrying amounts in the balance sheet are presented in the following table:

		2001	
	NOTE	CARRYING AMOUNT $'000	ESTIMATED FAIR VALUE $'000
ASSETS			
Loans to an associated company and a joint venture	10	10,829	(a)
Long-term investments			
– Singapore Government Securities	11	4,250	4,568
– Equity Shares (quoted)	11	11,690	17,900
– Equity Shares (unquoted)	11	29,084	(b)
Amounts under fund management	18	429,860	445,615
LIABILITIES			
Lease obligations	26	17,867	20,528

(a) It is not practicable to determine the fair value of loans to an associated company and a joint venture as the timing of the expected cash flows of these loans cannot be reasonably determined.

(b) It is not practicable to determine with sufficient reliability the fair value of the unquoted equity investments held as long-term investments.

		2001	
	NOTE	CONTRACTUAL/ NOTIONAL AMOUNT $'000	ESTIMATED FAIR VALUE $'000
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS			
Foreign exchange forward contracts:			
– to hedge accounts receivable	(c)	39,982	(1,504)
– to hedge accounts payable	(c)	11,104	(3)
– to hedge confirmed sales in foreign currencies	(c)	1,791	4
– to hedge firm purchase commitment in foreign currencies	(c)	32,490	2,289

47. FINANCIAL INSTRUMENTS *(continued)*

FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(c) The maturity dates of the foreign exchange forward contracts approximate the timing of the expected cash flow of their respective hedged items, which are on varying periods up to 3 years from the financial year end.

Disclosure of the nature of financial instruments and their significant terms and conditions that could affect the amount, timing and certainty of future cash flow is presented in the respective Notes to the financial statements, when applicable.

48. COMPARATIVE FIGURES

Where necessary, the prior year financial statements have been restated to conform with the current year's presentation in accordance with the presentation requirements of Statement of Accounting Standard (SAS) No. 10 Events after the Balance Sheet Date, which were not effective for prior year financial statements.

The comparative amounts of unallocated assets and unallocated liabilities in the segment information (Note 46) have been restated to separately present "Other investments and financial assets" and "Loans and other financial liabilities" respectively.

The comparative amounts of "advance payments from customers, current" in the balance sheet have been restated to separately present "advance payments from customers, current", "advance payments from customers, non-current" and "progress billings" (Note 14) respectively. Such restatement is done to reflect more appropriately the nature of the accounts.

SGX LISTING MANUAL REQUIREMENTS

31 DECEMBER 2001
(CURRENCY – SINGAPORE DOLLARS)

1. DIRECTORS' REMUNERATION

The following information relates to remuneration of directors of Singapore Technologies Engineering Ltd:

NUMBER OF DIRECTORS IN REMUNERATION BANDS

	2001	2000
REMUNERATION BANDS		
$500,000 and above	1	1
$250,000 to $499,999	1	–
Below $250,000	10	10
Total	12	11

Summary compensation table for the year ended 31 December 2001 (Group):

NAME OF DIRECTOR	SALARY * $	BONUS * $	DIRECTORS' FEES $	TOTAL $	FAIR VALUE OF STOCK OPTIONS GRANTED^ $
Ho Ching	–	–	57,000▲	57,000	–
Lim Neo Chian #	382,995	–	108,278†▲	491,273	324,895
Tan Pheng Hock #	869,646	505,422	135,627†▲	1,510,695	337,945
Philip Tan Yuen Fah	–	–	66,250†	66,250	–
Tan Guong Ching	–	–	15,000•	15,000	–
Teo Chan Eddie @ Teo Chan Seng Eddie ##	–	–	19,583†•	19,583	–
Peter Ong Boon Kwee ##	–	–	8,750•	8,750	–
LG Lim Chuan Poh	–	–	10,000•	10,000	–
Professor Lui Pao Chuen	–	–	10,000•	10,000	–
Dr Philip Nalliah Pillai	–	–	53,000†	53,000	–
Winston Tan Tien Hin	–	–	109,000†	109,000	–
Lucien Wong Yuen Kuai	–	–	49,000	49,000	–
Boon Swan Foo **	989,839	2,342,686	95,991†▲	3,428,516	174,600
Ng Kee Choe ***	–	–	16,500▲	16,500	–
Peter Ho Hak Ean ***	–	–	2,500•	2,500	–
	2,242,480	2,848,108	756,479	5,847,067	837,440

* The salary and bonus amount shown is inclusive of allowances and CPF.
^ Relates to options granted during the year by the Group. The fair value of stock options granted is estimated using the Black-Scholes Option Pricing model.
\# Appointed on 1 May 2001.
\## Appointed on 20 February 2001.
** Resigned on 1 June 2001.
*** Retired at AGM on 30 March 2001.
▲ Fees are paid to Directors' employer company.
• Fees for public sector Directors are paid to government agencies.
† Includes fees for directorship in subsidiary/subsidiaries.

2. INTERESTED PERSONS TRANSACTIONS

Interested persons transactions carried out during the financial year pursuant to the Shareholders' Mandate obtained under Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited by the Group are as follows:

	GROUP 2001 $'000	2000 $'000
GENERAL TRANSACTIONS		
Sales of goods and services	15,617	3,212
Purchases of goods and services	43,042	3,912

TREASURY TRANSACTIONS

Placement of funds with a subsidiary of the immediate holding company, Singapore Technologies Pte Ltd, for periods of between 1 week and 3 months comprises amounts ranging from $0.7 million (2000: $0.3 million) to $53 million (2000: $90 million) per transaction.

MANAGEMENT AND SUPPORT SERVICES

Payment of ST Group Management and Support Service Fee by the Group of $8,426,000 (2000: $6,693,000).

REMUNERATION DATA (for employees earning S$100,000 and above per annum)

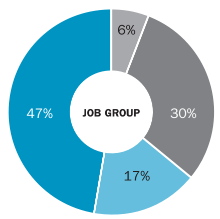
AS AT 31 DECEMBER 2001

TOTAL COMPENSATION BANDS (S$)	TOTAL NO. OF EMPLOYEES	TOTAL DOLLAR VALUE (S$)
100,000 to 149,999	604	63,187,000
150,000 to 199,999	193	30,862,000
200,000 to 249,999	66	13,999,000
250,000 to 499,999	29	9,387,000
500,000 to 749,999	12	7,353,000
750,000 to 999,999	2	1,750,000
1,000,000 to 1,249,999	5	5,771,000
1,250,000 to 1,499,999	–	–
1,500,000 to 1,749,999	1	1,713,000
1,750,000 to 1,999,999	–	–
2,000,000 to 2,249,999	–	–
2,250,000 to 2,499,999	–	–
2,500,000 to 2,749,999	–	–
2,750,000 to 2,999,999	–	–
3,000,000 to 3,249,999	–	–
3,250,000 to 3,499,999	–	–
3,500,000 to 3,749,999	–	–
3,750,000 to 3,999,999	1	3,647,000
Total	913	137,669,000

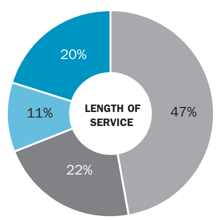
Note: Total compensation comprises salary (including CPF), overtime pay, bonuses, special bonuses, annual wage supplement (13th month), dollar contribution by the company under the Employees' Share Ownership Scheme, the fair value of stock options granted in 2001 and benefits-in-kind like IT/Computer grants.

HEADCOUNT : LOCAL & OVERSEAS

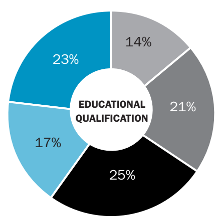
AS AT 31 DECEMBER 2001



Managerial	663
Engineering	3,411
Corporate function/admin	1,895
Technical & others	5,360
Total:	11,329



Less than 4 years	5,345
4 to 9+ years	2,473
10 to 14+ years	1,230
More than 15 years	2,281
Total:	11,329



Secondary level & lower	1,576
"O" & "A" levels & equivalent	2,320
Trade certificates	2,886
Diploma & equivalent	1,925
Degree & equivalent	2,622
Total:	11,329

SHAREHOLDING STATISTICS

AS AT 11 FEBRUARY 2002

Authorised Share Capital	: $500,000,000.00
Issued and Paid-Up Capital	: $287,936,399.70
Class of Shares	: Ordinary Shares of $0.10 each One Special Share of $0.10 held by the Minister for Finance (Incorporated)
Voting Rights	: One vote per share

ANALYSIS OF SHAREHOLDINGS

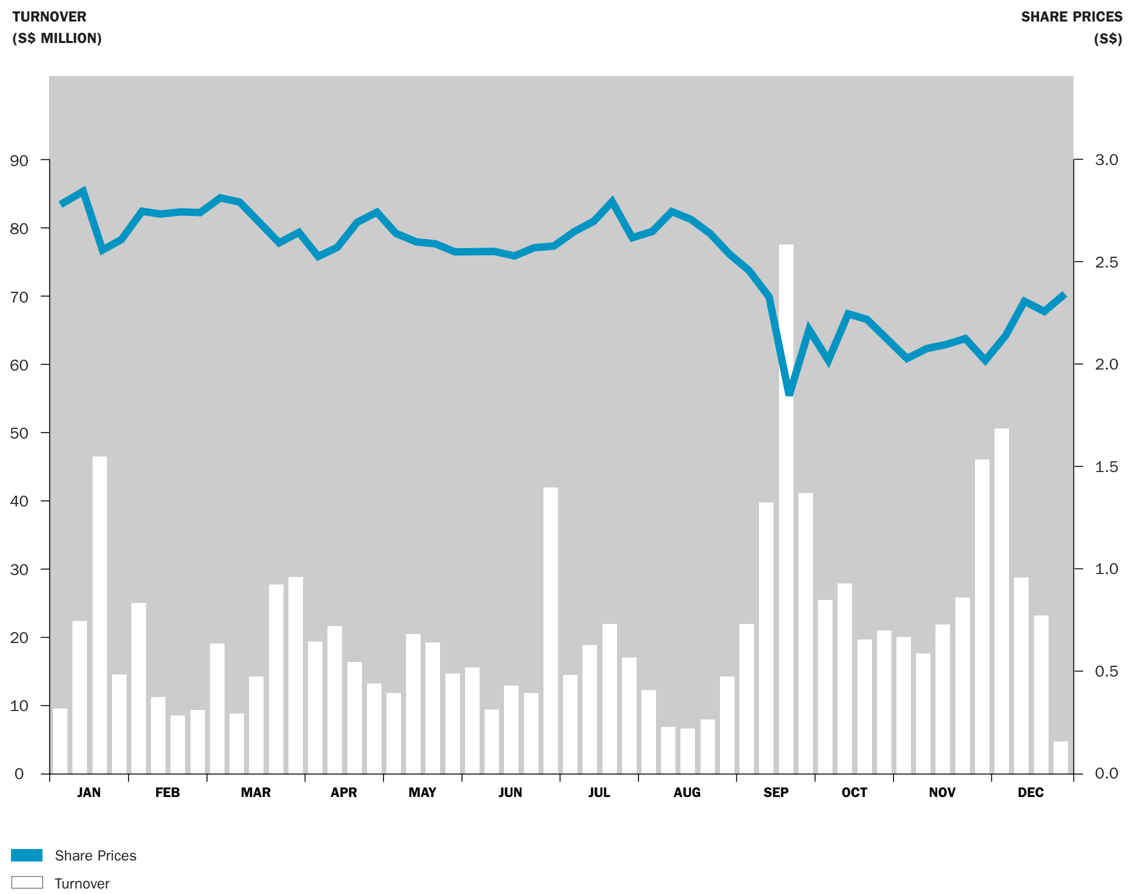
RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 1,000	4,285	16.61	3,059,841	0.11
1,001 – 10,000	18,087	70.09	80,577,307	2.80
10,001 – 1,000,000	3,407	13.20	119,286,331	4.14
1,000,001 and above	26	0.10	2,676,440,518	92.95
	25,805	100.00	2,879,363,997	100.00

SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES DIRECT INTEREST	DEEMED INTEREST	TOTAL INTEREST	%
1 Temasek Holdings (Private) Limited	–	1, 615,675,137	1,615,675,137	56.11
2 Singapore Technologies Holdings Pte Ltd	–	1,599,255,719	1,599,255,719	55.54
3 Singapore Technologies Pte Ltd	1,599,168,719	87,000	1,599,255,719	55.54
4 The Capital Group Companies, Inc.	–	210,407,421	210,407,421	7.31

MAJOR SHAREHOLDERS LIST – TOP 20

NO.	NAME	NO. OF SHARES HELD	%
1	Singapore Technologies Pte Ltd	1,599,168,719	55.54
2	DBS Nominees Pte Ltd	338,734,720	11.76
3	Raffles Nominees Pte Ltd	323,507,977	11.24
4	HSBC (Singapore) Nominees Pte Ltd	100,698,066	3.50
5	Citibank Nominees Singapore Pte Ltd	96,238,329	3.34
6	United Overseas Bank Nominees Pte Ltd	68,339,180	2.37
7	DB Nominees (S) Pte Ltd	59,104,844	2.05
8	Oversea-Chinese Bank Nominees Pte Ltd	20,946,724	0.73
9	KI Investments (HK) Limited	13,650,000	0.47
10	NTUC Income Insurance Co-Operative Limited	8,876,408	0.31
11	UOB Kay Hian Pte Ltd	8,795,887	0.31
12	Morgan Stanley Asia (Singapore) Securities Pte Ltd	6,207,000	0.22
13	Overseas Union Bank Nominees Pte Ltd	4,970,627	0.17
14	J M Sassoon & Co (Pte) Ltd	3,009,528	0.11
15	ABN Amro Nominees Singapore Pte Ltd	2,801,210	0.10
16	Ang Beng Siong @ Hendrik Atmaja	2,706,947	0.09
17	G K Goh Stockbrokers Pte Ltd	2,699,572	0.09
18	OCBC Securities Private Ltd	2,489,772	0.09
19	CLSA Singapore Pte Ltd	2,366,000	0.08
20	Phillip Securities Pte Ltd	2,317,205	0.08
		2,667,628,715	92.65

SINGAPORE TECHNOLOGIES ENGINEERING SHARE PRICES AND TURNOVER



REVIEW OF FINANCIAL PERFORMANCE – AEROSPACE SECTOR

1. FINANCIAL PERFORMANCE

1.1. TURNOVER

The turnover of the sector crossed the $1 billion mark in 2001, reaching $1.03 billion, representing a growth of 8% or $75 million compared to 2000. All the three business groups, namely Aircraft Maintenance & Modification (AMM), Component/Engine Repair & Overhaul (CERO) and Engineering & Materials Services (EMS) registered turnover higher by $31 million, $23 million and $21 million respectively. AMM business group's turnover increase was mainly due to increased capacities in ST Aviation Services Co Pte Ltd (SASCO) and ST Mobile Aerospace Engineering, Inc (MAE). Higher throughput of the components business both locally and in the US accounted for the increased turnover in the CERO business group. The completion of project milestones and improvement in the rotables business accounted for the turnover increase in the EMS business group.

1.2. PROFIT

Gross margin at 24.9% in 2001 was higher than the 23.9% achieved in 2000 due mainly to operational efficiencies, sales mix and closure of projects. Other operating income at $28.4 million was lower by $8.9 million as 2000 income included a surplus from the restructuring of UTSTA Pte Ltd, formerly known as Turbine Overhaul Services Pte Ltd. The lower distribution and selling expenses were a result of lower bad debts written off in 2001 and lower exhibition costs due to the absence of Asian Aerospace (AA) 2000. Higher administration expenses for 2001 were due mainly to consultancy costs for various projects and higher staff and related costs. The increase in other operating expenses was due to engineering and development expenses. Share of results of associated companies decreased $6.9 million from $39.0 million to $32.1 million due mainly to the absence of contribution from the AA 2000 exhibition. Profit before tax was $225.7 million for 2001. This translated to net profit after tax of $168.0 million, a growth of 11.2% or $17.0 million over 2000.

1.3. CASH AND CASH EQUIVALENTS

Net cash from operating activities for the year amounted to $226.3 million. The sector paid dividends of $126.1 million during the year. At the end of the year, cash and cash equivalents was $825.8 million.

1.4. CAPITAL EXPENDITURE

Total capital expenditure for 2001 amounted to $55.2 million mainly for the purchase of a Learjet and the construction of added hangar facilities in MAE and ST Aerospace Engineering Pte Ltd (STA Engrg).

1.5. ECONOMIC VALUE ADDED (EVA)

EVA for 2001 was $112.2 million, higher than EVA for 2000 of $110.1 million. The weighted average cost of capital for 2001 was 9.4% (2000: 9.9%).

2. REVIEW OF BUSINESS ACTIVITIES

2.1. BUSINESS ENVIRONMENT

2002 is expected to be a challenging year for the aviation industry. The slowdown of the US economy since the end of 2000, coupled with the tragic events of 11 September 2001 continue to have an adverse impact on the aviation industry. The worst hit are the US airlines and freight market, though the global aviation industry is also seriously affected. There are, however, indications that both the global economy and the performance of the airline and freight industries may be recovering. Whilst the sector will continue to observe necessary caution and prudence, the sector remains confident about the long term prospect of the aviation industry. The sector will, therefore, take a long term view and will continue to invest in new maintenance capabilities and engineering developments to generate new services and products for the future.

These investments are to sustain the growth of the sector and enhance the value add to customers. The sector will also seek to extend its global reach through acquisitions, joint ventures and greenfield set-ups to better serve our current customers, many of whom have global operations and to extend our customer base. The sector's extensive and many blue chip customer base stands the sector in good stead. The assessment is that aircraft operators worldwide will continue to outsource more maintenance, repair and overhaul work when the industry recovers.

2.2. MAJOR PROJECTS

The first Turkish Air Force F5 upgrade aircraft had completed its flight test and work on the programme continues. All four prototype aircraft had been delivered. Work on the Brazilian F5 upgrade had been initiated. Other military maintenance and engineering development and modification work are sustained. A memorandum of understanding (MOU) was signed with Corpus Christi in USA to lease a 2-bay hangar, which is expected to be ready in 18 to 24 months.

2.3. MAJOR ACQUISITIONS

In December 2001, the sector signed an agreement with FR Aviation (FRA), a subsidiary of Cobham plc, to set up an aircraft maintenance facility in Bournemouth, United Kingdom.

The sector will have a 60% majority equity stake in the joint venture to be called Bournemouth Aviation Services Company Ltd (BASCO). The joint venture will be under the sector's management control. It is expected that about £9.0 million of investment will be made over the first 3 years, of which the sector will provide £5.4 million. BASCO is expected to start operations in the first half of 2002 and will start by providing maintenance and modification services on commercial narrow-body aircraft.

3. PROSPECTS

2002 will see continued support from global core MRO customers at similar levels as 2001. The main engineering development and modification programmes, including the B757 and MD11 Passenger-to-Freighter (PTF) programmes will continue into 2002. Capabilities set-up for 2002 include the A330/A340 airframe, components and engine capability set-up for F16C/D, Chinook, Apache as well as commercial aircraft.

AEROSPACE SECTOR PROFIT AND LOSS ACCOUNTS

	2001 $'000	2000 $'000
Turnover	1,034,033	959,130
Cost of sales	(776,505)	(729,641)
Gross profit	257,528	229,489
Other operating income	28,447	37,343
Distribution and selling expenses	(4,775)	(14,329)
Administration expenses	(69,175)	(57,785)
Other operating expenses	(21,975)	(15,481)
Profit from operations	190,050	179,237
Other income	6,626	4,701
Financial expenses	(3,056)	(3,969)
Profit before taxation	193,620	179,969
Share of results of associated companies and joint ventures	32,062	39,022
	225,682	218,991
Taxation	(53,933)	(64,209)
Profit after taxation	171,749	154,782
Minority interests	(3,760)	(3,744)
Net profit for the year	167,989	151,038

AEROSPACE SECTOR BALANCE SHEETS

	2001 $'000	2000 $'000
SHARE CAPITAL AND RESERVES	431,258	381,397
MINORITY INTERESTS	22,674	21,236
	453,932	402,633
FIXED ASSETS	195,612	175,247
ASSOCIATED COMPANIES AND JOINT VENTURES	87,341	61,142
LONG-TERM INVESTMENTS	314,174	215,870
LOANS RECEIVABLE, NON-CURRENT	1,215	2,331
CURRENT ASSETS		
Stocks and work-in-progress	107,811	86,902
Debtors, deposits and prepayments	348,193	384,597
Loans receivable, current	964	2,007
Amounts under fund management	156,808	151,564
Short-term investments	–	24,745
Bank balances and other liquid funds	210,422	219,535
	824,198	869,350
CURRENT LIABILITIES		
Advance payments from customers, current	127,320	119,902
Creditors and accruals	564,231	491,253
Provisions	42,936	62,210
Short-term bank loans (unsecured)	4,723	5,004
Provision for taxation	74,843	78,019
Floating rate bonds (unsecured), current	19,369	–
Lease obligations, current	1,117	990
Long-term bank loan, current	7,323	6,950
	841,862	764,328
NET CURRENT (LIABILITIES) ASSETS	(17,664)	105,022
NON-CURRENT LIABILITIES		
Advance payments from customers, non-current	81,082	86,038
Deferred taxation	2,288	1,292
Deferred rent	1,058	1,098
Floating rate bonds (unsecured), non-current	–	19,072
Lease obligations, non-current	16,750	16,965
Long-term bank loan, non-current	–	6,950
Loan from holding company	25,510	25,510
Provision for staff retirement benefits	58	54
	126,746	156,979
	453,932	402,633

AEROSPACE SECTOR STATEMENT OF CASH FLOWS

	2001 $'000	2000 $'000
CASH FLOWS FROM OPERATING ACTIVITIES	226,257	179,402
CASH FLOWS FROM INVESTING ACTIVITIES	(23,975)	22,663
Proceeds from sale of fixed assets	455	2,820
Proceeds from sale of associated companies	219	112,031
Dividends from associated companies	3,728	3,838
Dividends from investments	363	455
Proceeds from sale and maturity of investments	28,509	14,172
Purchase of fixed assets	(55,243)	(37,196)
Purchase of investments	(859)	(33,137)
Net cash on disposal of a subsidiary	–	(495)
Additional investment/acquisition of associated companies and joint ventures	–	(37,840)
Loans to staff and third parties	2,159	1,437
Exchange difference on investing activities	(3,306)	(3,422)

AEROSPACE SECTOR STATEMENT OF CASH FLOWS *(continued)*

	2001 $'000	2000 $'000
CASH FLOWS FROM FINANCING ACTIVITIES	(124,737)	(223,204)
Proceeds of long-term loan from holding company	–	25,510
Repayment of long-term bank loan	(7,323)	(6,438)
Proceeds of short-term loan from a related corporation	10,985	–
Repayment of lease obligations	(1,055)	(2,096)
Dividends paid to shareholder	(126,105)	(88,653)
Dividends paid to minority shareholders of subsidiaries	(2,579)	(5,708)
Capital contribution from minority shareholders of a subsidiary	–	2,774
Capital distribution to holding company via capital reduction	–	(149,341)
Exchange difference on financing activities	1,340	748
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,545	(21,139)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	746,974	767,095
EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,263	1,018
CASH AND CASH EQUIVALENTS AT END OF YEAR	825,782	746,974

AEROSPACE SECTOR VALUE ADDED STATEMENTS

	2001 $'000	2000 $'000	1999 $'000	1998 $'000
VALUE ADDED FROM:				
• Revenue earned	1,034,033	959,130	857,943	830,262
• Less bought in materials and services	(466,313)	(431,211)	(363,997)	(383,353)
GROSS VALUE ADDED	567,720	527,919	493,946	446,909
Income from investments and interest	26,284	34,806	17,768	37,934
Extraordinary items	–	–	3,143	512
Exchange gain (loss)	4,000	(388)	(468)	(674)
Other non-operating income	2,626	5,089	4,005	1,961
Share of results of associated companies and joint ventures	32,062	39,022	27,544	25,870
TOTAL VALUE ADDED	632,692	606,448	545,938	512,512
DISTRIBUTION OF VALUE ADDED:				
To employees in wages, salaries and benefits	364,065	340,024	316,444	296,550
To government income and other taxes	56,083	65,846	60,251	65,761
To providers of capital on				
• Interest paid on borrowings	3,056	3,969	4,156	5,331
• Dividends to shareholder	126,105	88,653	88,704	110,619
	549,309	498,492	469,555	478,261
BALANCE RETAINED IN (APPLIED FROM) BUSINESS:				
Depreciation	35,337	36,751	29,628	27,567
Impairment of fixed assets	2,105	–	–	–
Retained profits	15,359	31,711	24,524	(31,589)
	52,801	68,462	54,152	(4,022)
NON-PRODUCTION COST AND INCOME:				
Bad debts	298	5,076	1,788	501
Income from investments and interest	26,284	34,806	17,768	37,934
Extraordinary items	–	–	3,143	512
Exchange gain (loss)	4,000	(388)	(468)	(674)
	30,582	39,494	22,231	38,273
TOTAL DISTRIBUTION	632,692	606,448	545,938	512,512

AEROSPACE SECTOR FINANCIAL HIGHLIGHTS

	2001 $'000	2000 $'000	1999 $'000	1998 $'000	1997 $'000
Turnover	1,034,033	959,130	857,943	830,262	674,204
Profit before tax	225,682	218,991	189,837	170,468	113,920
Profit after tax (before extraordinary items)	167,989	151,038	125,208	102,813	62,050
Shareholders' funds	431,258	381,397	464,610	423,461	431,316
Total assets	1,422,540	1,323,940	1,344,098	1,186,549	1,171,129
Net tangible assets	431,258	381,397	464,610	423,461	430,986
Return on turnover (%)	16.6	16.1	15.2	12.8	9.8
Earnings per share (¢)	83.99	54.70	41.53	34.10	20.58

AEROSPACE SECTOR FINANCIAL HIGHLIGHTS *(continued)*

	2001 $'000	2000 $'000	1999 $'000	1998 $'000	1997 $'000
Return on equity (%)	39.0	39.6	27.0	24.3	14.4
Return on total assets (%)	12.1	11.7	9.7	9.0	5.6
Net tangible assets per share (¢)	215.6	138.1	154.1	140.5	143.0
PRODUCTIVITY DATA					
Average staff strength	4,480	4,332	4,254	3,973	3,579
Employment costs ($'000)	364,635	340,373	316,444	296,550	257,283
Sales per employee ($)	230,811	221,406	201,679	208,976	188,378
Profit after tax per employee ($)	37,498	34,866	29,433	25,878	17,337
Economic value added ($'000)	112,162	110,108	92,567	61,595	12,895
Economic value added spread (%)	17.7	16.2	14.2	9.9	2.2
Economic value added per employee ($)	25,036	25,417	21,760	15,503	3,603
Value added ($'000)	632,692	606,448	545,938	512,512	416,078
Value added per employee ($)	141,226	139,993	128,335	128,999	116,255
Value added per $ of employment costs ($)	1.74	1.78	1.73	1.73	1.62
Value added per $ of gross fixed assets ($)	1.24	1.32	1.27	1.31	1.12
Value added per $ of turnover ($)	0.61	0.63	0.64	0.62	0.62

REVIEW OF FINANCIAL PERFORMANCE – ELECTRONICS SECTOR

1. FINANCIAL PERFORMANCE

1.1. TURNOVER

Turnover recorded in FY2001 increased by 18% or $74 million to $498 million. All three business groups, namely Large-Scale Systems Group (LSG), Communication & Sensor Systems Group (CSG) and Software Systems Group (SSG) contributed to the increase in turnover. In CSG, major contribution came from milestone completion in Ministry of Home Affairs (MHA) communications project and the supply of radio communications equipment. In SSG, sales came mainly from milestone completion of the Hong Kong Fire Services project, MHA's Command & Control System project and aircraft simulator projects. LSG recorded higher sales from milestone completion of Land Transport Authority's (LTA) North-East Line MRT project and Sengkang/Punggol LRT project.

1.2. PROFIT

The sector's profit before tax increased by 12% or $5.6 million to $52.2 million over FY2000. All three business groups recorded increase in profit due mainly to higher sales.

1.3. CASH AND CASH EQUIVALENTS

Net cash from operating activities for the year amounted to $63.0 million. $24.2 million was paid out during the year as net dividend to the holding company.

1.4. CAPITAL EXPENDITURE

Total capital expenditure amounted to $10.3 million. $3.1 million was incurred to replace the central air-conditioning systems and to upgrade the existing production and operation facilities. $2.7 million was incurred for the upgrading and replacement of computers and enhancement of the MIS, office automation and computer networks infrastructure.

1.5. ECONOMIC VALUE ADDED (EVA)

EVA for the full year 2001 was $24.5 million, an increase of 7% over 2000. The weighted average cost of capital was 9.4% for 2001 and 9.9% for 2000.

2. REVIEW OF BUSINESS ACTIVITIES

2.1. BUSINESS ENVIRONMENT

We will continue to deliver on our healthy order book in 2002 with uncertain economic outlook. Government-related contracts such as those from MINDEF, MHA and LTA should progress according to plan.

2.2. MAJOR PROJECTS

In year 2001, major orders secured include Fire Services Mobilising System project in Hong Kong ($96m), Rail System Electronics for LTA's Circle Line Stage 2 ($66m), LRT Communications System project in Manila ($42.3m) and Taxi Fleet Management System in Taipei ($10.8m).

Major project milestone completion include the LTA's North-East MRT Line projects and Sengkang/Punggol LRT project; LED Traffic Lights project; the MHA's Communications, Command and Control System project; and the Taipei Blue Line Communications System. Our Traffic Management and Control Centre System was successfully commissioned in August 2001 in time for the 8th APEC meeting held in Suzhou, China.

ST Elect also continued to develop new innovative products to grow its business and has been granted a total of 3 patents with another 16 applications pending.

2.3. MAJOR ACQUISITIONS

Investments made in 2001 include:

(a) e-Pen InMotion, a US-based company that develops advanced wireless electronic pens which do not require special sensing pads or tablets for capturing handwriting. InMotion's e-Pen provides a user-friendly and cost-effective alternative input device for our CETeon (Webpad);

(b) Trusted Hub, Singapore, a provider of Trusted Environment for Secure Electronic Transactions in the field of e-business. ST Elect through DigiSAFE would be the preferred security solution provider and Infocomm technology advisor to Trusted Hub;

(c) US-based Intelect Technologies, a joint venture with TeraForce Technology Corp for metro-edge and private enterprise communications equipment business;

(d) M-Payment, a specialist mobile payment solutions provider, m-commerce enabler and m-marketing solutions company in Singapore;

(e) WizVision, a Singapore-based specialist in infrastructure software that provides for secure and reliable payment transactions through multiple channels - physical, online and mobile.

3. PROSPECTS

We will focus on expanding our share in the Greater China market comprising China, Hong Kong and Taiwan, where we already have a presence, and believe there are still many new opportunities we can pursue and develop. Specific markets that we are targeting include rail electronic systems, traffic management systems, public safety systems, and Infocomm products.

We are also seeking to grow new revenue streams from new business opportunities that leverage on our current capabilities. Wireless communications is an area of explosive growth, which we aim to leverage on our RF/Microwave capabilities and provide innovative Infocomm products which exploits the wireless network infrastructure. Mobile eCommerce is another exciting growth area where ST Elect will leverage on its current capabilities in wireless communications, information appliances, and information security to roll out useful mobile commercial products and applications.

ELECTRONICS SECTOR PROFIT AND LOSS ACCOUNTS

	2001 $'000	2000 $'000
Turnover	498,477	423,533
Cost of sales	(381,132)	(326,591)
Gross profit	117,345	96,942
Other operating income	8,253	8,394
Distribution and selling expenses	(16,720)	(12,983)
Administration expenses	(31,718)	(32,305)
Other operating expenses	(18,584)	(15,986)
Profit from operations	58,576	44,062
Other (expenses) income, net	(5,553)	2,756
Financial expenses	(5)	(7)
Profit before taxation	53,018	46,811
Share of results of associated companies and joint ventures	(840)	(220)
Amortisation of goodwill on acquisition of associated company	(27)	–
	52,151	46,591
Taxation	(15,277)	(16,293)
Profit after taxation	36,874	30,298
Minority interests	126	282
Net profit for the year	37,000	30,580

ELECTRONICS SECTOR BALANCE SHEETS

	2001 $'000	2000 $'000
SHARE CAPITAL AND RESERVES	91,788	78,746
MINORITY INTERESTS	2,096	5
	93,884	78,751
FIXED ASSETS	26,482	23,381
ASSOCIATED COMPANIES AND JOINT VENTURES	1,343	147
LONG-TERM INVESTMENTS	54,526	39,739
INTANGIBLE ASSET	792	–
LOAN RECEIVABLES, NON-CURRENT	115	220
CURRENT ASSETS		
Stocks and work-in-progress	199,697	135,748
Debtors, deposits and prepayments	275,595	273,473
Loan receivables, current	132	707
Amounts under fund management	10,000	–
Other investment	289	–
Bank balances and other liquid funds	110,584	119,469
	596,297	529,397
CURRENT LIABILITIES		
Advance payments from customers, current	101,939	80,810
Creditors and accruals	260,150	223,846
Provision for warranties	36,207	44,038
Progress billings in excess of work-in-progress	88,022	59,185
Provision for taxation	24,149	19,130
Bank overdrafts (unsecured)	49	–
	510,516	427,009
NET CURRENT ASSETS	85,781	102,388
NON-CURRENT LIABILITIES		
Advance payments from customers, non-current	74,485	86,218
Deferred income	386	256
Deferred taxation	–	381
Provision for staff retirement benefits	284	269
	75,155	87,124
	93,884	78,751

ELECTRONICS SECTOR STATEMENT OF CASH FLOWS

	2001 $'000	2000 $'000
CASH FLOWS FROM OPERATING ACTIVITIES	63,043	97,258
CASH FLOWS FROM INVESTING ACTIVITIES	(24,031)	(11,607)
Proceeds from sale of fixed assets	2	1,481
Capital contribution from minority shareholders of a subsidiary	2,188	–
Purchase of fixed assets	(10,345)	(6,446)
Purchase of investments	(13,441)	(6,484)
Loan to an investee company	(289)	–
Additional investment/acquisition of associated company and joint ventures	(2,855)	(262)
Acquisition of additional interest in subsidiary	(73)	(48)
Loans to staff and third party	680	152
Exchange difference on investing activities	102	–
CASH FLOWS FROM FINANCING ACTIVITIES	(24,157)	(19,040)
Dividend paid to shareholder	(24,157)	(19,040)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,855	66,611
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	287,863	221,252
CASH AND CASH EQUIVALENTS AT END OF YEAR	302,718	287,863

ELECTRONICS SECTOR VALUE ADDED STATEMENTS

	2001 $'000	2000 $'000	1999 $'000	1998 $'000
VALUE ADDED FROM:				
• Revenue earned	498,477	423,533	361,991	337,670
• Less bought in materials and services	(295,208)	(247,801)	(230,819)	(216,744)
GROSS VALUE ADDED	203,269	175,732	131,172	120,926
Income from investments and interest	8,253	8,409	5,687	7,619
Extraordinary items	–	–	(2,093)	–
Exchange gain (loss)	998	782	997	(321)
Other non-operating (expenses) income	(6,551)	1,974	1,451	1,630
Share of results of associated companies and joint ventures	(840)	(220)	–	(766)
Amortisation of goodwill on acquisition of associated company	(27)	–	–	–
TOTAL VALUE ADDED	205,102	186,677	137,214	129,088
DISTRIBUTION OF VALUE ADDED:				
To employees in wages, salaries and benefits	145,699	134,482	107,121	91,929
To government income and other taxes	15,763	16,632	13,151	7,341
To providers of capital on				
• Interest paid on borrowings	5	7	–	–
• Dividend to shareholder	24,157	19,040	16,906	10,105
	185,624	170,161	137,178	109,375
BALANCE RETAINED IN (APPLIED FROM) BUSINESS:				
Depreciation	7,242	5,329	5,348	6,969
Retained profits	3,466	2,067	(8,305)	2,553
	10,708	7,396	(2,957)	9,522
NON-PRODUCTION COST AND INCOME:				
Bad debts	(481)	(71)	(1,598)	2,893
Income from investments and interest	8,253	8,409	5,687	7,619
Extraordinary items	–	–	(2,093)	–
Exchange gain (loss)	998	782	997	(321)
	8,770	9,120	2,993	10,191
TOTAL DISTRIBUTION	205,102	186,677	137,214	129,088

ELECTRONICS SECTOR FINANCIAL HIGHLIGHTS

	2001 $'000	2000 $'000	1999 $'000	1998 $'000	1997 $'000
Turnover	498,477	423,533	361,991	337,670	311,504
Profit before tax	52,151	46,591	28,201	16,159	19,643
Profit after tax (before extraordinary items)	37,000	30,580	15,300	9,188	11,328
Shareholders' funds	91,788	78,746	67,322	71,013	71,965
Total assets	679,555	592,884	497,124	407,154	350,192
Net tangible assets	90,996	78,746	67,322	71,013	71,644
Return on turnover (%)	7.4	7.2	4.2	2.7	3.6
Earnings per share (¢)	35.22	29.11	14.57	8.75	10.78
Return on equity (%)	40.3	38.8	22.7	12.9	15.7
Return on total assets (%)	5.4	5.2	3.1	2.3	3.2
Net tangible assets per share (¢)	86.6	75.0	64.1	67.6	68.2
PRODUCTIVITY DATA					
Average staff strength	2,310	2,030	1,796	1,638	1,527
Employment costs ($'000)	145,747	134,135	107,121	91,929	80,468
Sales per employee ($)	215,791	208,637	201,554	206,148	203,997
Profit after tax per employee ($)	16,017	15,064	8,519	5,609	7,418
Economic value added ($'000)	24,475	22,957	12,599	6,073	3,722
Economic value added spread (%)	18.2	18.8	11.2	5.7	3.7
Economic value added per employee ($)	10,595	11,309	7,015	3,708	2,437
Value added ($'000)	205,102	186,677	137,214	129,088	121,239
Value added per employee ($)	88,789	91,959	76,400	78,808	79,397
Value added per $ of employment costs ($)	1.41	1.39	1.28	1.40	1.51
Value added per $ of gross fixed assets ($)	2.11	2.08	1.55	1.53	1.39
Value added per $ of turnover ($)	0.41	0.44	0.38	0.38	0.39

REVIEW OF FINANCIAL PERFORMANCE – LAND SYSTEMS SECTOR

1. FINANCIAL PERFORMANCE

1.1. TURNOVER

Turnover of $607 million increased by 15% or $79 million compared to year 2000. The increase was largely contributed by the Automotive (Auto) and Munitions and Weapon (M&W) business groups. Higher turnover of the Auto business group came mainly from Bronco, electric vehicles business and ordnance aftersales services. Increase in turnover of the M&W business group was attributable to munitions and weapon spares sales.

1.2. PROFIT

Profit after tax of $97.8 million increased by 51% or $32.8 million over the same period last year. All the three business segments contributed to the higher profit, with the bulk contributed by the Auto and M&W business groups. Higher profits of the Auto business group were due mainly to higher sales, reversal of provision for the investment in NASDAQ quoted H Power and tax write-back of $15.1 million, partially offset by Bronco startup costs, higher spending on R&D, e-initiatives and consultancy. Higher profits of the M&W business group were mainly attributable to higher sales. Increased profits of the S&T business group were due mainly to higher investment income from the maturity of externally managed funds and startup costs of JuzclickCar not repeated this year.

1.3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2001 reduced by $120.3 million to $628.1 million, compared to $748.4 million at the beginning of the year. The decrease was mainly attributed to net cash outflow from operating activities amounting to $58.0 million and dividend payment of $50.5 million.

1.4. CAPITAL EXPENDITURE

Total capital expenditure amounted to $12.1 million mainly for the purchase of plant and machinery and computer equipment for project use.

1.5. ECONOMIC VALUE ADDED (EVA)

EVA for the full year 2001 was $25.0 million, a decrease of $16.8 million over 2000. The weighted average cost of capital was 9.4% and 9.9% for 2001 and 2000 respectively.

2. REVIEW OF BUSINESS ACTIVITIES

2.1. BUSINESS ENVIRONMENT

The defence industry in the West continued in its consolidation and domination of the global defence market. Defence budgets, having trended downwards in most countries in the last decade, are now forecasted to stabilise albeit at low rates of growth. The incident of 11th September 2001 may see further increases in defence spending although exact requirements for the new "homeland" defence concept will take time to realise. In general, there was a noticeable increase in cross-border and consortia approaches to collaboration in major defence programs like the Multi Role Armoured Vehicles (MRAV), Future Combat Systems (FCS) and Future Rapid Effect System (FRES). It has now become a necessity to be part of a larger alliance in order to be able to participate in these major programs. The sector has thus continued to look for partnerships to strengthen itself in the international market.

The sector continued to position itself as a major player in the global land systems market in 2001. The acquisition of Founders Industries in 2000 allowed the company to provide an integrated range of land systems engineering solutions. This is aided by ongoing investments in related technologies and companies that will further enhance its core defence businesses as well as attract alliances with other leading players in the defence industry.

The sector continued to add new capabilities to provide value-added services to a wide range of customers in the commercial automotive, and laboratory and industrial testing fields. In addition to being the first repair centre in Singapore to attain ISO 9001:2000 certification during the year, the STAR Automotive Centre was also appointed the "Quality Workshop" for three new insurance companies. Singapore Test Services became one of the first laboratories in Singapore to be accredited with the new ISO/IEC 17025 quality standards for testing and calibration. In spite of increasing competition in tougher economic conditions, Opel maintained its market share, aided in part to the launch of new models.

2.2. MAJOR PROJECTS

2001 marked the first delivery of the BRONCO all-terrain tracked carrier to the Singapore Armed Forces. The SAR21 is now in many countries undergoing evaluation trials. Various new products were launched in international exhibitions, such as Terrex AV81, 40mm Air Bursting Munition System, 155mm Light Weight Self Propelled Howitzer, 120mm Super Rapid Advanced Mortar System and 40mm Super Light Weight Automatic Grenade Launcher.

The sector also began in earnest in 2001 to prepare itself to play a role in the two major land systems programs, FRES in UK and FCS in the US.

2.3. MAJOR ACQUISITIONS

The sector continued to build relationships to expand its technological and marketing capabilities. The sector acquired a 54% equity interest in Siamant GmbH & Co. KG, a company dealing in specialty ceramics, and increased its shareholding in Takata CPI Singapore Pte Ltd (from 25% to 49%) and STA Detroit Diesel-Allison (Singapore) Pte Ltd (from 60% to 100 %).

3. PROSPECTS

The sector will continue to deliver Bronco, SAR21 and other projects under its contractual obligations. We will build a new and bigger facility for STAR Accident Repair Centre to accommodate up to 50% more car repair. Outlook for STA Inspection is forecasted to be weaker next year with more vehicles expected to be scrapped. Demand for Opel Car remains positive because of the lower Certificate of Entitlement (COE) prices and lower interest rates.

LAND SYSTEMS SECTOR PROFIT AND LOSS ACCOUNTS

	2001 $'000	2000 $'000
Turnover	607,465	528,241
Cost of sales	(413,908)	(367,091)
Gross profit	193,557	161,150
Other operating income	39,983	31,016
Distribution and selling expenses	(9,718)	(23,709)
Administration expenses	(106,147)	(70,115)
Other operating expenses	(35,540)	(22,551)
Profit from operations	82,135	75,791
Other income	7,976	3,054
Financial expenses	(144)	(374)
Profit before taxation	89,967	78,471
Share of results of associated companies and joint ventures	7,141	6,179
	97,108	84,650
Taxation	1,408	(19,806)
Profit after taxation	98,516	64,844
Minority interests	(719)	104
Net profit for the year	97,797	64,948

LAND SYSTEMS SECTOR BALANCE SHEETS

	2001 $'000	2000 $'000
SHARE CAPITAL AND RESERVES	132,431	95,075
MINORITY INTERESTS	330	2,254
	132,761	97,329
FIXED ASSETS	82,581	88,990
ASSOCIATED COMPANIES AND JOINT VENTURES	79,378	82,333
LONG-TERM INVESTMENTS	167,202	160,619
INTANGIBLE ASSETS	209	–
LOANS RECEIVABLE, NON-CURRENT	636	2,265
CURRENT ASSETS		
Stocks and work-in-progress	223,513	205,579
Debtors, deposits and prepayments	526,332	571,391
Loans receivable, current	701	1,508
Amounts under fund management	5,500	85,469
Bank balances and other liquid funds	250,955	315,635
	1,007,001	1,179,582
CURRENT LIABILITIES		
Advance payments from customers, current	253,066	335,229
Creditors and accruals	265,258	234,717
Provisions	99,153	136,988
Provision for taxation	31,289	42,696
Short-term bank loans (unsecured)	2,517	2,500
Long-term bank loans, current	353	–
Bank overdrafts (unsecured)	454	1,294
	652,090	753,424
NET CURRENT ASSETS	354,911	426,158
NON-CURRENT LIABILITIES		
Advance payments from customers, non-current	548,022	654,794
Long-term bank loan, non-current	693	–
Long-term loan from minority shareholder of a subsidiary	194	194
Deferred income	1,568	1,349
Deferred taxation	1,679	6,699
	552,156	663,036
	132,761	97,329

LAND SYSTEMS SECTOR STATEMENT OF CASH FLOWS

	2001 $'000	2000 $'000
CASH FLOWS FROM OPERATING ACTIVITIES	(58,041)	178,268
CASH FLOWS FROM INVESTING ACTIVITIES	(11,589)	167,290
Proceeds from disposal of fixed assets	2,428	1,381
Dividends from investments	–	523
Proceeds from sale of long-term investments	3,870	207
Purchase of fixed assets	(12,103)	(8,392)
Purchase of long-term investments	(1,614)	(7,216)
Proceeds from capital redemption of long-term investments	630	2,739
Additional investment/acquisition of associated companies	(1,282)	(22,693)
Acquisition and disposal of subsidiaries	(672)	200,741
Acquisition of additional interest in subsidiary	(1,680)	–
Loan to an associated company	(1,166)	–
CASH FLOWS FROM FINANCING ACTIVITIES	(50,748)	(34,612)
Repayment of long-term bank loan	(63)	–
Repayment of loan from minority shareholders	–	(2,612)
Dividend paid to shareholder	(50,500)	(32,000)
Dividend paid to minority shareholders of subsidiaries	(185)	–
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(120,378)	310,946
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	748,419	437,448
EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	36	25
CASH AND CASH EQUIVALENTS AT END OF YEAR	628,077	748,419

LAND SYSTEMS SECTOR VALUE ADDED STATEMENTS

	2001 $'000	2000 $'000	1999 $'000	1998 $'000
VALUE ADDED FROM:				
• Revenue earned	607,465	528,241	297,188	299,116
• Less bought in materials and services	(391,896)	(331,921)	(207,549)	(235,080)
GROSS VALUE ADDED	215,569	196,320	89,639	64,036
Income from investments and interest	30,625	30,220	11,678	18,929
Extraordinary items	–	–	(9,255)	(3,310)
Exchange gain (loss)	3,776	(201)	(177)	(116)
Other non-operating income	4,200	3,255	243	1,369
Share of results of associated companies and joint ventures	7,141	6,179	6,446	5,076
TOTAL VALUE ADDED	261,311	235,773	98,574	85,984
DISTRIBUTION OF VALUE ADDED:				
To employees in wages, salaries and benefits	156,582	128,354	57,355	53,838
To government income and other taxes	(135)	21,333	4,881	4,769
To providers of capital on				
• Interest paid on borrowings	144	374	102	209
• Dividend to shareholder	50,500	32,000	8,007	11,989
	207,091	182,061	70,345	70,805
BALANCE RETAINED IN (APPLIED FROM) BUSINESS:				
Depreciation	18,155	21,707	10,755	12,520
Retained profits	14,472	2,825	8,829	(13,300)
	32,627	24,532	19,584	(780)
NON-PRODUCTION COST AND INCOME:				
Bad debts	(12,808)	(839)	6,399	456
Income from investments and interest	30,625	30,220	11,678	18,929
Extraordinary items	–	–	(9,255)	(3,310)
Exchange gain (loss)	3,776	(201)	(177)	(116)
	21,593	29,180	8,645	15,959
TOTAL DISTRIBUTION	261,311	235,773	98,574	85,984

LAND SYSTEMS SECTOR FINANCIAL HIGHLIGHTS

	2001 $'000	2000 $'000	1999 $'000	1998 $'000	1997 $'000
Turnover	607,465	528,241	297,188	299,116	247,797
Profit before tax	97,108	84,650	33,092	16,628	15,358
Profit after tax (before extraordinary items)	97,797	64,948	27,998	12,228	9,381
Shareholders' funds	132,431	95,075	86,069	75,624	79,037
Total assets	1,337,007	1,513,789	746,168	782,414	720,062
Net tangible assets	132,222	95,075	86,069	75,624	79,037
Return on turnover (%)	16.2	12.3	9.5	4.1	3.2
Earnings per share (¢)	81.12	53.87	23.22	10.16	7.80
Return on equity (%)	73.8	68.3	32.5	16.2	11.9
Return on total assets (%)	7.4	4.3	3.8	1.6	1.3
Net tangible assets per share (¢)	109.7	78.9	71.4	62.7	65.6
PRODUCTIVITY DATA					
Average staff strength	2,858	2,679	983	974	920
Employment costs ($'000)	156,550	128,372	57,355	53,838	42,325
Sales per employee ($)	212,549	197,178	302,328	307,101	269,345
Profit after tax per employee ($)	34,219	24,243	28,482	12,554	10,197
Economic value added ($'000)	24,970	41,755	28,610	4,113	(3,450)
Economic value added spread (%)	8.7	17.6	21.7	3.1	(2.7)
Economic value added per employee ($)	8,737	15,586	29,105	4,223	(3,750)
Value added ($'000)	261,311	235,773	98,574	85,984	63,778
Value added per employee ($)	91,431	88,008	100,279	88,279	69,324
Value added per $ of employment costs ($)	1.67	1.84	1.72	1.59	1.51
Value added per $ of gross fixed assets ($)	0.84	0.76	0.89	0.78	0.57
Value added per $ of turnover ($)	0.43	0.45	0.33	0.29	0.26

REVIEW OF FINANCIAL PERFORMANCE – MARINE SECTOR

1. FINANCIAL PERFORMANCE

1.1. TURNOVER

The sector's turnover of $336 million in 2001 was lower than the previous year's turnover of $359 million by 7% or $23 million. A strong 52% or $48 million increase in Shiprepair turnover to $141 million was recorded, as more higher value added shiprepair jobs from international customers were secured and completed. However, Shipbuilding turnover decreased by 29% or $70 million, as the business group delivered one Landing Ship Tank ("LST") plus follow-on LST's variation orders in 2001 versus two LSTs in 2000. Engineering turnover was marginally lower than the previous year by 5% or $1 million.

1.2. PROFIT

Gross profit for 2001 was $68.5 million, 9% or $6.8 million lower than that achieved in 2000 due mainly to the lower Shipbuilding turnover. Other operating income increased by $11.8 million to $20.0 million due mainly to higher investment income from maturity of funds under management and disposal of investment. Distribution and selling expenses were $2.7 million in 2001. The apparent increase in distribution and selling expenses of $5.4 million was due mainly to the write-back of provision for doubtful debts no longer required in 2000. Administration expenses and other operating expenses totaling $20.8 million for 2001 was marginally lower than the previous year by $0.8 million. The share of losses from associated companies and joint ventures was $3.3 million, higher than previous year by $1.4 million. The lower tax was due mainly to the lower tax rate and tax rebates in 2001.

The above resulted in the sector's net profit of $45.6 million which was higher than the $43.8 million achieved in 2000 by 4% or $1.8 million.

1.3. CASH AND CASH EQUIVALENTS

Net cash from operating activities amounted to $43.6 million from which $33.0 million was paid as net dividends to the parent company. Investing activities had a net cash outflow of $9.4 million due mainly to capital expenditure. The sector ended the year with cash and cash equivalents of $352.4 million versus the $351.2 million at the beginning of the year.

1.4. CAPITAL EXPENDITURE

The capital expenditure of $13.1 million was incurred mainly for the construction of a new building, upgrade of yard facilities and purchase of plant and machinery in preparation for the Frigate programme.

1.5. ECONOMIC VALUE ADDED (EVA)

EVA for the full year 2001 was $28.9 million, a decrease of $9.8 million or 25% over 2000. The weighted average cost of capital was 9.4% for 2001 (2000: 9.9%).

2. REVIEW OF BUSINESS ACTIVITIES

2.1. BUSINESS ENVIRONMENT

The difficulties facing the world's major economies would impact the world's seaborne trade. Decline in shipping demand would lead to fewer newbuilding orders for shipyards. However, when the economy starts to recover, the increase in global energy demand is likely to sustain the current utilisation of offshore drilling equipment and present opportunities for replacement of ageing offshore support vessels.

As classification societies and port organisations enforce more stringent standards of maintenance, the demand for shiprepair services would increase. Moreover, the weakening Singapore Dollar will enable Singapore yards to better compete for VLCC repairs vis-à-vis the Middle East yards. Major yards in Singapore have healthy orders backlog and we expect capacities to be well utilised. We envisage that the repair markets for chemical tankers, gas carrier, dredgers and offshore vessels will continue to stay relatively buoyant.

2.2. MAJOR PROJECTS

In 2001, we delivered the last LST to the Republic of Singapore Navy, successfully concluding a project that was started in 1996. We also secured a contract from a US company, Tidewater Inc, to build three units of platform supply vessel and construction of the vessels are in progress. We expect to deliver all three vessels in 2002.

2.3. MAJOR ACQUISITIONS

There was no major acquisition during the year.

3. PROSPECTS

With the completion of the LST project in 2001 and the absence of a comparable size shipbuilding project in 2002, we expect lower Shipbuilding turnover and profit in 2002. In Shipbuilding, we have commenced preparatory work for the Frigate programme. For Shiprepair, we will continue our successful strategy of pursuing high value jobs and building our international customer base. Funds under management will also contribute to profit for the year.

MARINE SECTOR PROFIT AND LOSS ACCOUNTS

	2001 $'000	2000 $'000
Turnover	335,770	359,112
Cost of sales	(267,244)	(283,768)
Gross profit	68,526	75,344
Other operating income	19,991	8,145
Distribution and selling expenses, net	(2,746)	2,657
Administration expenses	(12,808)	(19,336)
Other operating expenses	(8,001)	(2,305)
Profit from operations	64,962	64,505
Other income, net	1,020	1,355
Financial expenses	–	(10)
Profit before taxation	65,982	65,850
Share of results of associated companies and joint ventures	(3,351)	(1,915)
	62,631	63,935
Taxation	(17,028)	(20,105)
Net profit for the year	45,603	43,830

MARINE SECTOR BALANCE SHEETS

	2001 $'000	2000 $'000
SHARE CAPITAL AND RESERVES	105,762	93,174
FIXED ASSETS	60,192	60,845
ASSOCIATED COMPANIES AND JOINT VENTURES	7,630	9,853
LONG-TERM INVESTMENTS	8,293	18,034
LOANS RECEIVABLE, NON-CURRENT	231	396
CURRENT ASSETS		
Stocks	79	247
Debtors, deposits and prepayments	107,516	63,851
Loans receivable, current	121	211
Short-term investments	–	461
Amounts under fund management	257,552	308,435
Bank balances and other liquid funds	47,059	16,872
	412,327	390,077
CURRENT LIABILITIES		
Advance payments from customers, current	52,081	74,665
Creditors and accruals	134,491	137,657
Provisions	36,580	32,544
Progress billings in excess of work-in-progress	9,401	2,680
Provision for taxation	37,737	39,631
	270,290	287,177
NET CURRENT ASSETS	142,037	102,900
NON-CURRENT LIABILITY		
Advance payments from customers, non-current	112,621	98,854
	105,762	93,174

MARINE SECTOR STATEMENT OF CASH FLOWS

	2001 $'000	2000 $'000
CASH FLOWS FROM OPERATING ACTIVITIES	43,611	58,939
CASH FLOWS FROM INVESTING ACTIVITIES	(9,457)	5,875
Proceeds from sale of fixed assets	8	–
Proceeds from sale and maturity of investments	4,828	9,598
Purchase of fixed assets	(13,098)	(4,009)
Additional investment/acquisition of associated companies and joint ventures	(1,450)	(250)
Loans to staff and third parties	255	536
CASH FLOWS FROM FINANCING ACTIVITIES	(32,999)	(54,968)
Dividends paid to shareholder	(32,999)	(54,968)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,155	9,846
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	351,189	341,364
EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	29	8
CASH AND CASH EQUIVALENTS AT END OF YEAR	352,373	351,218

MARINE SECTOR VALUE ADDED STATEMENTS

	2001 $'000	2000 $'000	1999 $'000	1998 $'000
VALUE ADDED FROM:				
• Revenue earned	335,770	359,112	255,979	197,567
• Less bought in materials and services	(228,273)	(246,900)	(165,635)	(111,782)
GROSS VALUE ADDED	107,497	112,212	90,344	85,785
Income from investments and interest	17,818	4,039	15,933	27,674
Exchange gain (loss)	27	(29)	(10)	31
Other non-operating income	993	1,384	1,894	1,178
Share of results of associated companies and joint ventures	(3,351)	(1,915)	(1,096)	(2,035)
TOTAL VALUE ADDED	122,984	115,691	107,065	112,633
DISTRIBUTION OF VALUE ADDED:				
To employees in wages, salaries and benefits	44,666	42,916	43,830	48,041
To government income and other taxes	18,028	21,029	15,664	15,447
To providers of capital on				
• Interest paid on borrowings	–	10	175	–
• Dividends to shareholder	32,999	54,968	91,869	79,959
	95,693	118,923	151,538	143,447
BALANCE RETAINED IN (APPLIED FROM) BUSINESS:				
Depreciation	13,751	12,142	12,735	15,322
Retained profits	(5,241)	(15,148)	(76,614)	(75,798)
	8,510	(3,006)	(63,879)	(60,476)
NON-PRODUCTION COST AND INCOME:				
Bad debts	936	(4,236)	3,483	1,957
Income from investments and interest	17,818	4,039	15,933	27,674
Exchange gain (loss)	27	(29)	(10)	31
	18,781	(226)	19,406	29,662
TOTAL DISTRIBUTION	122,984	115,691	107,065	112,633

MARINE SECTOR FINANCIAL HIGHLIGHTS

	2001 $'000	2000 $'000	1999 $'000	1998 $'000	1997 $'000
Turnover	335,770	359,112	255,979	197,567	243,204
Profit before tax	62,631	63,935	46,367	44,831	53,950
Profit after tax (before extraordinary items)	45,603	43,830	31,178	30,138	38,521
Shareholders' funds	105,762	93,174	104,312	165,003	214,824
Total assets	488,673	479,205	492,607	634,802	728,087
Net tangible assets	105,762	93,174	104,312	165,003	214,824
Return on turnover (%)	13.6	12.2	12.2	15.3	15.8
Earnings per share (¢)	23.32	22.41	15.94	15.41	19.71
Return on equity (%)	43.1	47.0	29.9	18.3	17.9
Return on total assets (%)	9.3	9.1	6.3	4.7	5.3
Net tangible assets per share (¢)	54.1	47.6	53.3	84.4	109.9
PRODUCTIVITY DATA					
Average staff strength	934	951	1,073	1,195	1,224
Employment costs ($'000)	44,836	43,077	43,830	48,041	53,348
Sales per employee ($)	359,497	377,615	238,564	165,328	198,696
Profit after tax per employee ($)	48,825	46,088	29,057	25,220	31,471
Economic value added ($'000)	28,897	38,747	22,597	11,245	13,447
Economic value added spread (%)	16.5	25.0	13.0	4.1	5.2
Economic value added per employee ($)	30,939	40,743	21,060	9,410	10,986
Value added ($'000)	122,984	115,691	107,065	112,633	122,787
Value added per employee ($)	131,675	121,652	99,781	94,254	100,316
Value added per $ of employment costs ($)	2.74	2.69	2.44	2.34	2.30
Value added per $ of gross fixed assets ($)	0.68	0.67	0.62	0.66	0.77
Value added per $ of turnover ($)	0.37	0.32	0.42	0.57	0.50

SINGAPORE TECHNOLOGIES ENGINEERING LTD – SUBSIDIARIES AND ASSOCIATED COMPANIES

- Singapore Technologies Aerospace Ltd (100%)
- Singapore Technologies Electronics Limited (100%)
- Singapore Technologies Kinetics Ltd (100%)
- Singapore Technologies Marine Ltd (100%)
- Singapore Technologies Dynamics Pte Ltd (100%)
- ST Synthesis Pte Ltd (100%)
- Vision Technologies Systems, Inc. (100%)
  - Vision Technologies Aerospace Incorporated (100%)
    - ST Mobile Aerospace Engineering, Inc. (100%)
    - DalFort Aerospace GP, Inc. (100%)
    - DalFort Aerospace, L.P. (99%) *
  - Singapore Technologies Engineering (USA) Inc. (100%)
  - SA Supplies (USA) Inc. (100%)
  - Vision Technologies Marine, Inc. (100%)
  - VT Systems, Inc. (100%)
- Vision Technologies Kinetics, Inc. (100%)

*	*Balance 1% held by DalFort Aerospace GP, Inc.*
Non Bold	*Indicates subsidiaries (both directly & indirectly held)*

SINGAPORE TECHNOLOGIES AEROSPACE LTD – SUBSIDIARIES AND ASSOCIATED COMPANIES

- ST Aerospace Engineering Pte Ltd (100%)
  - Pacific Flight Services Pte Ltd (100%)
  - ST PAE Holdings Pty Ltd (100%)
    - *Aerospace Engineering Services Pty Ltd Unit Trust (50%)*
    - *Aerospace Engineering Services Pty Ltd (50%)*
  - *Composite Technology International Pte Ltd (33.33%)*
  - *Eurocopter South East Asia Private Limited (25%)*
- ST Aerospace Engines Pte Ltd (100%)
- ST Aerospace International Structures Pte Ltd (100%)
- ST Aerospace Systems Pte Ltd (100%)
  - *Singapore Precision Repair and Overhaul Pte Ltd (50%)*
- ST Aerospace Supplies Pte Ltd (100%)
- ST Airport Ground Services Pte Ltd (100%)
- Visiontech Investment Pte Ltd (100%)
- ST Aviation Services Co Pte Ltd (80%)
- ST Aviation Resources Pte Ltd (50%)*
  - ST Aviation Resources 1 Limited (100%)
- Singapore Aerospace Kabushiki Kaisha (100%)
- Singapore Aerospace (UK) Investments Pte Ltd (100%)
  - Singapore Technologies Engineering (Europe) Ltd (100%)
  - Airline Rotables Limited (100%)
- iShopAero Pte Ltd (65%)
- Bournemouth Aviation Services Company Limited (60%)
- Visiontech Engineering Pte Ltd (51%)
- *Asian Aerospace Pte Ltd (50%)*
- *Turbine Coating Services Pte Ltd (24.5%)*
- *Turbine Overhaul Services Pte Ltd (49%)*
- *Singapore British Engineering Pte Ltd (32%)*

*	*Deemed to be a subsidiary by virtue of the Company's control of the Board of Directors*
Non Bold	*Indicates subsidiaries (both directly & indirectly held)*
Italics	*Indicates Associated Companies or Others*

SINGAPORE TECHNOLOGIES ELECTRONICS LIMITED – SUBSIDIARIES AND ASSOCIATED COMPANIES

- Agilis Communication Technologies Pte Ltd (100%)
- CET Technologies Pte Ltd (100%)
  - DigiSAFE Pte Ltd (100%)
    - DigiSAFE, Inc. (100%)
    - DataMark Technologies Pte Ltd (51%)
    - *Stegami Pte Ltd (37.6%)*
  - *Sentry Technologies Pte Ltd (35%)*
- Singapore Engineering Software Pte Ltd (100%)
- iTS Technologies Pte Ltd (100%)
- ST Training & Simulation Pte Ltd (100%)
  - Interactive Visual Simulation Laboratory Pte Ltd (100%)
- SEEL Electronic & Engineering Sdn Bhd (100%)
- ST Electronics (Shanghai) Co., Ltd (100%)
- ST Electronics (Taiwan) Limited (100%)
- *ST LogiTrack Pte Ltd (50%)*
- *GFM Electronics S.A. de C.V. (50%)*
- *TranSys Pte Ltd (50%)*
- *Asia-Pacific Training and Simulation Pte Limited (25%)*
- *WizVision.com Pte Ltd (22%)*

Non Bold	*Indicates subsidiaries (both directly & indirectly held)*
Italics	*Indicates Associated Companies or Others*

SINGAPORE TECHNOLOGIES KINETICS LTD – SUBSIDIARIES AND ASSOCIATED COMPANIES

- Founders Industries Pte Ltd (100%)
  - *CIS - Oerlikon Pte Ltd (50%)*
  - Allied Ordnance of Singapore (Pte) Limited (100%)
    - *Defence Electronics of Singapore Pte Ltd (49%)*
  - Chartered Ammunition Industries Pte Ltd (100%)
    - Chartered Pyrotechnic Industries Private Limited (51%)
    - *SMART Systems Pte Ltd (50%)*
    - *Sino-Singapore Medical Disposables (Pte) Ltd (40%) (under Creditors' Liquidation)*
    - *Takata CPI Singapore Pte Ltd (49%)*
  - Expert Systems Pte Ltd (100%)
  - Singapore Test Services Private Limited (100%)
    - SAO Industrial Services Pte Ltd (100%)
      - *Nusantara Technologies Sdn. Bhd. (49%)*
  - Unicorn International Pte Limited (100%)
  - Ordnance Development and Engineering Company of Singapore (Private) Limited (100%)
    - Ordnance Development and Engineering Company of Singapore (1996) Private Limited (100%)
- ST Automotive Industrial Pte Ltd (100%)
- STA Investment Pte Ltd (100%)
- Mobility Systems Pte Ltd (100%)
  - *Int. Silvatech Industries Inc. (20%)*
  - *Silvatech Systems Corporation Pte. Ltd. (20%)*
  - *Silvatech Global Systems Limited (20%)*
  - Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe Verwaltung GmbH (54%)
  - Siamant Verfahrensentwicklung im Bereich keramischer Werkstoffe Verwaltung GmbH & Co. KG (54%)
- Singapore Commuter Private Limited (100%)
- Singapore Ordnance Engineering Pte. Ltd. (100%)
- ST Automotive (Vietnam) Pte Ltd (100%)
- STA Detroit Diesel-Allison (Singapore) Pte Ltd (100%)
- Shanghai Elite Electric Vehicles Co., Ltd (100%)
- STA Inspection Pte Ltd (100%)
  - JuzclickCar.com Pte Ltd (90%)
- Autonomous Technology Pte Ltd (100%)+
- *CityCab Pte Ltd (46.5%)*
- *Solectria Corporation (44.1%)*

+	*Shares of this subsidiary are held in trust by Directors of the subsidiary*
Non Bold	*Indicates subsidiaries (both directly & indirectly held)*
Italics	*Indicates Associated Companies or Others*

SINGAPORE TECHNOLOGIES MARINE LTD – SUBSIDIARIES AND ASSOCIATED COMPANIES

- STSE Engineering Services Pte Ltd (100%)
  - *AquaGen International Pte Ltd (25%)*
  - *Anchorville Pte Ltd (25%)*
- *PT SSE-Van der Horst Indonesia (37%)*
- *Joint Shipyard Management Services Pte Ltd (30%)*

Non Bold *Indicates subsidiaries (both directly & indirectly held)*
Italics *Indicates Associated Companies or Others*

CORPORATE INFORMATION

AS AT 20 FEBRUARY 2002

BOARD OF DIRECTORS
Ms Ho Ching *(Chairman)*
Mr Lim Neo Chian *(Dy Chairman)*
Mr Tan Pheng Hock *(President & CEO)*
Mr Philip Tan Yuen Fah
Mr Tan Guong Ching
Mr Teo Chan Eddie @ Teo Chan Seng Eddie
Mr Peter Ong Boon Kwee
LG Lim Chuan Poh
Professor Lui Pao Chuen
Dr Philip Nalliah Pillai
Mr Winston Tan Tien Hin
Mr Lucien Wong Yuen Kuai

COMPANY SECRETARY
Mrs Chua Su Li

AUDIT COMMITTEE
Mr Philip Tan Yuen Fah *(Chairman)*
Dr Philip Nalliah Pillai
Mr Lucien Wong Yuen Kuai

EXECUTIVE RESOURCE & COMPENSATIONS COMMITTEE
Ms Ho Ching *(Chairman)*
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Steady Overall Performance

"The Group's businesses continued to perform steadily in 2001, demonstrating resilience in a year of economic uncertainties. While the outlook remains mixed for the Group in 2002, we expect to maintain earnings. Moving ahead, we will continue to explore ways to strengthen partnerships with our key customers and to expand the Group's business globally."

Lim Neo Chian, Deputy Chairman & CEO

The Board of Directors of Singapore Technologies Engineering Ltd is pleased to announce the audited results of the Group for the year ended 31 December 2001:

FINANCIAL HIGHLIGHTS

	2001	2000	Growth %
Turnover ($m)	2,470	2,259	9
Investment, interest and other income ($m)	126.0	104.9	20
Profit before tax ($m)	440.1	412.5	7
Profit attributable to Shareholders before EI ($m)	350.1	288.1	22
Economic value added (EVA) ($m)	160.9	189.3	(15)
Earnings per share (cents)	12.2	10.1	20
Dividend			
• Final - Ordinary	25%	25%	-
• Final - Special	83%	70%	19

N.B.: All currencies are in Singapore dollars

BUSINESS SEGMENTAL INFORMATION *(BY BUSINESS ACTIVITY)*

	Turnover			Profit before Tax		
	2001 $m	2000 $m	+ / (-) %	2001 $m	2000 $m	+ / (-) %
Fourth Quarter						
Aerospace	258	259	-	51.7	58.0	(11)
Electronics	136	127	7	15.1	16.0	(5)
Land Systems	151	140	8	18.3	28.0	(35)
Marine	42	147	(71)	5.9	23.3	(75)
Others	4	3	39	2.6	0.5	420
Total	591	676	(13)	93.6	125.8	(26)
Full Year						
Aerospace	1,031	957	8	225.7	219.0	3
Electronics	489	412	19	52.2	46.6	12
Land Systems	603	526	15	97.1	84.7	15
Marine	335	358	(7)	62.6	63.9	(2)
Others	12	6	98	2.5	(1.7)	247
Total	2,470	2,259	9	440.1	412.5	7

REVIEW OF GROUP PERFORMANCE

Turnover

4Q2001 vs 4Q2000

4Q2001	4Q2000	Growth	
$591m	$676m	($85m)	(13%)

Compared to the corresponding period last year, the turnover of the Group decreased by 13% or $85 million to $591 million. The decrease was largely in the Marine sector but partially offset by increases in turnover from Electronics and Land Systems sectors.

Aerospace sector's turnover of $258 million was comparable to $259 million achieved in 4Q2000. The Aircraft Maintenance & Modification (AMM) and Component/Engine Repair & Overhaul (CERO) business groups recorded lower sales by $1 million and $9 million respectively. The marginally lower AMM business group's sales were due to lower deliveries by DalFort Aerospace L.P. while CERO business group's lower sales were a result of lower sales in the engines division. For Engineering & Materials Services (EMS) business group, the completion of project milestones contributed to the sales growth of $9 million.

Turnover for the Electronics sector increased by 7% or $9 million over that of 4Q2000. The increase was mainly contributed by Software Systems Group (SSG) with milestone completion of the Hong Kong Fire Services project, Ministry of Home Affairs' (MHA) Command & Control System project and an aircraft simulator project. In Communication & Sensor Systems Group (CSG), the increase came from the supply of radio communications equipment. The increases in sales of SSG and CSG were partially offset by lower sales of the Large-Scale Systems Group (LSG) due to earlier than planned milestone completion of a project in the previous quarter.

Land Systems sector's turnover of $151 million was 8% or $11 million higher than that of the corresponding period in 2000. The increase came mainly from the Automotive (Auto) business group's delivery of Bronco. Lower sales of the Munitions and Weapon (M&W) business group were attributable mainly to lower munitions sales but offset by SAR21 delivery and higher weapon spares sales. Lower sales of the Services, Trading and Others (S&T) business group were mainly due to lower engine sales.

Turnover for the Marine sector decreased by 71% or $105 million compared to 4Q2000. The decrease in turnover was mainly due to lower Shipbuilding and Engineering sales of $108 million and $2 million respectively but offset by higher Shiprepair sales of $5 million. Shipbuilding sales were lower as there was no major newbuild delivery compared to the delivery of a Landing Ship Tank (LST) in 4Q2000, while the lower Engineering sales were mainly due to the completion of fewer blastdoor projects.

FY2001 vs FY2000

FY2001	FY2000	Growth	
$2,470m	$2,259m	$211m	9%

Overall for FY2001, the Group's turnover grew by 9% or $211 million to $2,470 million. All sectors except Marine sector contributed to the increase in turnover.

The turnover for Aerospace sector improved by 8% or $74 million over last year with higher sales generated by all three business groups. AMM business group's sales increased by $30 million mainly due to increased capacities in ST Aviation Services Co Pte Ltd (SASCO) and ST Mobile Aerospace Engineering Inc. (MAE). The sales growth of $23 million for CERO business group was the result of increased deliveries of components while the increased sales in Airline Rotables Ltd (ARL) and the completion of project milestones accounted for the increase in sales of $21 million for the EMS business group.

Electronics sector's turnover for FY2001 increased by 19% or $77 million to $489 million. All three business groups contributed to the increase in turnover. The increase in sales of CSG came mainly from the milestone completion in MHA communications project and the supply of radio communications equipment. In SSG, sales came mainly from milestone completion of the Hong Kong Fire Services project, MHA's Command & Control System project and aircraft simulator projects. Higher sales from milestone completion of Land Transport Authority's (LTA) North-East Line MRT project and Sengkang/Punggol LRT project had accounted for the higher sales of LSG.

Turnover for Land Systems sector increased by 15% or $77 million compared to FY2000. The increase was largely contributed by the Auto and M&W business groups. Higher sales of the Auto business group came mainly from Bronco, electric vehicles business and ordnance aftersales services. Increase in sales of the M&W business group was attributable to munitions and weapon spares sales.

Turnover for Marine sector of $335 million was 7% or $23 million lower than that achieved in FY2000. Shipbuilding sales decreased by 29% or $70 million as the business group delivered only one LST in FY2001 plus follow-on LST variation orders versus two LSTs in FY2000. However, the decrease was partially offset by higher Shiprepair sales as more higher value added shiprepair jobs from international customers were secured and completed.

Profitability

4Q2001 vs 4Q2000

4Q2001	4Q2000	Growth	
$93.6m	$125.8m	($32.2m)	(26%)

Group profit before tax (PBT) for 4Q2001 decreased by 26% or $32.2 million to $93.6 million compared to $125.8 million in 4Q2000.

Compared to 4Q2000, PBT of Aerospace sector was lower by 11% or $6.3 million. AMM and CERO business groups' profits were lower by $8.3 million and $2.4 million respectively. The lower profit of the AMM business group was mainly due to the B757 Passenger-to-Freighter (PTF) conversion's initial aircraft learning curve effect. For CERO business group, the decrease in profit was a result of lower sales. The lower profits of AMM and CERO business groups were partially offset by EMS business group's higher profit of $4.4 million, which was mainly attributable to higher sales and investment income.

PBT of Electronics sector in 4Q2001 of $15.1 million was 5% or $0.9 million lower than that of the previous corresponding period. SSG recorded a higher profit and LSG recorded a lower profit as a result of their respective sales whilst CSG recorded a slightly lower profit as a result of a provision made in respect of an investment in a GPRS solutions company.

At the PBT level, Land Systems sector results were 35% or $9.7 million lower than that of 4Q2000. The lower profit despite higher sales can be attributed to the Auto business group's consultancy costs and Bronco startup costs. Auto business group's profit in 4Q2000 was enhanced by write-back of provisions no longer required. For the M&W business group, the lower profit was mainly due to lower sales and product mix. Without JuzclickCar's startup costs which were incurred last year, the S&T business group turned in higher profit despite lower sales.

PBT of Marine sector in 4Q2001 decreased by 75% or $17.4 million compared to the corresponding period in 2000 due primarily to lower turnover. The lower Shipbuilding sales resulted in lower Shipbuilding profit by $19.5 million. Engineering profit was also lower by $2.0 million due mainly to share of higher losses from associated companies. These were partially offset by a $1.4 million increase in profit for Shiprepair due to better margins and higher sales. "Others" profit had also increased by $2.7 million due mainly to higher investment income.

FY2001 vs FY2000

FY2001	FY2000	Growth	
$440.1m	$412.5m	$27.6m	7%

On a full year basis, the Group's PBT improved by 7% or $27.6 million to $440.1 million from $412.5 million in FY2000. Growth came from all sectors except Marine sector.

Aerospace sector achieved a 3% or $6.7 million of PBT growth over that of 2000 to $225.7 million. All three business groups registered higher profit due mainly to higher turnover. The increase in CERO business group's profit was due to higher sales but partially offset by a reduction in contributions from associated companies, namely, Turbine Overhaul Services Pte Ltd (TOS). EMS business group's profit improvement was due to higher sales despite the absence of Asian Aerospace (AA) 2000 exhibition.

Electronics sector's PBT grew by 12% or $5.6 million to $52.2 million over FY2000. All three business groups recorded increases in profit.

At the PBT level, Land Systems sector grew by 15% or $12.4 million to $97.1 million compared to $84.7 million in FY2000. The increase was contributed by the M&W and S&T business groups. Higher profit of the M&W business group was mainly from higher sales, while the increase in profit of the S&T business group was mainly due to higher investment income from the maturity of externally managed funds and startup costs of JuzclickCar not repeated this year. Auto business group's profit was lower despite higher sales as a result of Bronco startup costs, higher spending on R&D, e-initiatives and consultancy, but offset by contribution from higher sales and reversal of provision for the investment in NASDAQ quoted H Power.

Profit from Marine sector of $62.6 million was marginally lower than that achieved in FY2000. The lower Shipbuilding profit was mainly due to lower sales, while the lower Engineering profit was due mainly to share of higher associated companies' losses. The lower Shipbuilding and Engineering profits were substantially offset by the improved Shiprepair profit and higher investment income.

PROSPECTS

Group

Based on current outlook, the Directors expect the Group to maintain the same level of earnings for FY2002.

Earnings for 1Q2002 are expected to be comparable to 4Q2001, not taking into account the tax provision write-back in 4Q2001.

Aerospace Sector

The Aerospace sector expects its performance in 1Q2002 to be weaker than 4Q2001 due to market conditions and higher year-end deliveries. Overall performance in FY2002 is expected to be comparable to FY2001. However, there remains uncertainties in the airline and freight business. Asian Aerospace 2002 exhibition will see the launch of new development initiatives to further enhance future business opportunities. FY2002 will see the continuation of the MD11 and B757 PTF conversion for UPS and DHL respectively. Maintenance programmes for the core blue chip clientele should be sustained and development initiatives will be increased to enhance core business growth.

Electronics Sector

The turnover and profit of the Electronics sector for 1Q2002 are projected to be lower than 4Q2001. In 1Q2002, the Electronics sector expects to complete the project milestones in Hong Kong Fire Services' project, an aircraft simulator project and milestone delivery of ship consoles under SSG; LTA's MRT/LRT electronic systems and visual passenger information system under LSG; MHA's Communication Network system and various defence communication projects under CSG. However, the value of these milestones are expected to be less than that of 4Q2001.

For year 2002, the Electronics sector expects to see additional milestone completion for the rail electronic systems in the LTA's Circle Line project and the Manila LRT Project in the Philippines; the Hong Kong Fire Services project for the Hong Kong Fire Services Department; and various electronic projects. The sector will continue to invest resources in new product development and in regional market development. Overall, the performance for FY2002 is expected to be better than that of FY2001.

Land Systems Sector

The Land Systems sector's sales and profit before tax for 1Q2002 are expected to be better than the preceding quarter.

The sector's performance for FY2002 is expected to be better than FY2001. The sector will continue to deliver Bronco, SAR21 and other projects under its contractual obligations.

Marine Sector

The Marine sector expects higher turnover in 1Q2002 compared to 4Q2001 due to a change in accounting policy to the percentage of completion method for recognition of Shipbuilding sales. Profit is expected to be better due to the maturity of a fund under management. With the completion of the LST project in FY2001 and the absence of a comparable size shipbuilding project in FY2002, the Marine sector expects lower Shipbuilding sales and profit in FY2002. The Marine sector will commence preparatory work for the frigate programme. For Shiprepair, the sector will continue the successful strategy of pursuing high value jobs and building the international customer base. Funds under management will also contribute to profit for the year. Overall, the Marine sector's performance is expected to be weaker.

DIVIDENDS

	2001	2000
Ordinary - taxable	25%	25%
Special - taxable	65%	55%
Special - exempt	18%	15%
Total Net Dividend	$247.3 million	$213.0 million

The Directors are pleased to announce that gross dividends totalling 108% (i.e. $0.108 for each share of par value $0.10) have been recommended for the year ended 31 December 2001. The recommended dividends consist of a gross Ordinary Dividend of 25% (i.e. $0.025) and a gross Special Dividend of 83% (i.e. $0.083). The recommended dividends take into consideration the Group's present cash position, positive cashflow generated from operations, tax credit balances and projected capital requirements. Payment of the dividends is subject to the approval of the shareholders of the Company at the coming Annual General Meeting.

This release may contain forward-looking statements that involve risks and uncertainties. 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. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

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