ST Engineering

ANNUAL REPORT 2015

engineering your future

engineering your future

At ST Engineering, knowing what matters in tomorrow's world requires a clear vision. As a global, multi sector business operating in a complex and fast paced environment, incisiveness and focus are vital. This involves knowing what our customers really need and how we can innovate to deliver the best solutions. With foresight, we envision tomorrow's demands and engineer the future today.


INTEGRITY
VALUE CREATION
COMPASSION
COURAGE
COMMITMENT
vision
Be a global defence and engineering group.
mission
Bring value to our customers and partners by delivering total integrated quality solutions and support.
values

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Financial Highlights

REVENUE

$6.34b

2014: **$6.54b**

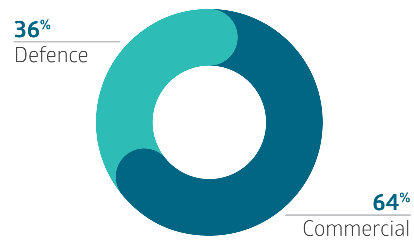
NET PROFIT

$529.0m

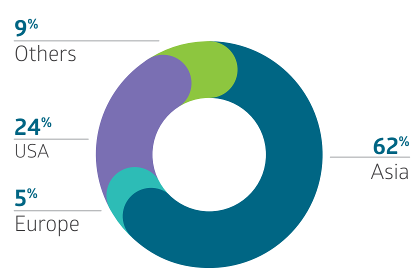
2014: **$532.0m**

REVENUE BREAKDOWN

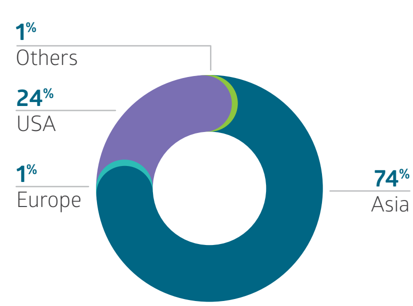
By Customer Type



By Location of Customers



By Location of Business Entity



EARNINGS PER SHARE

17.05¢

2014: **17.06¢**

DIVIDEND PER SHARE

15.0¢

2014: **15.0¢**

RETURN ON EQUITY

24.8%

2014: **24.9%**

OPERATING CASH FLOW

$0.47b

2014: **$0.62b**

ORDER BOOK

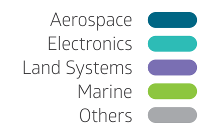
$11.7b

2014: **$12.5b**

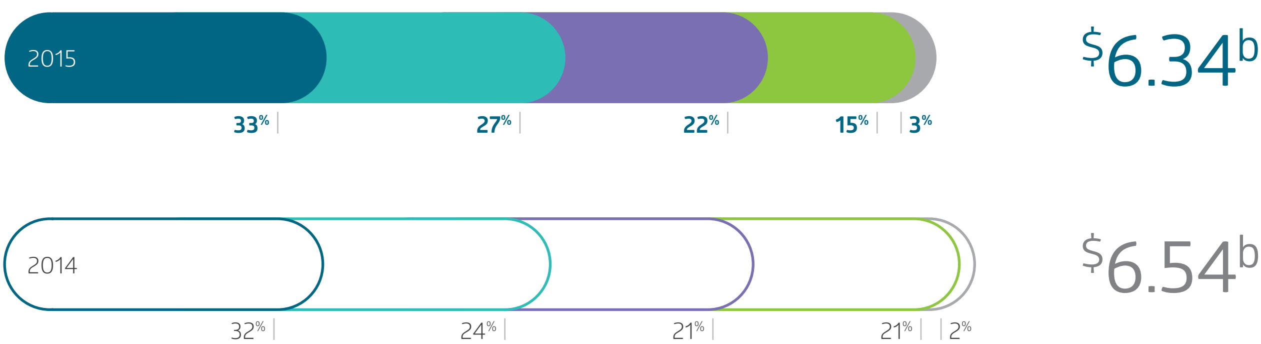
RETURN ON SALES

8.4%

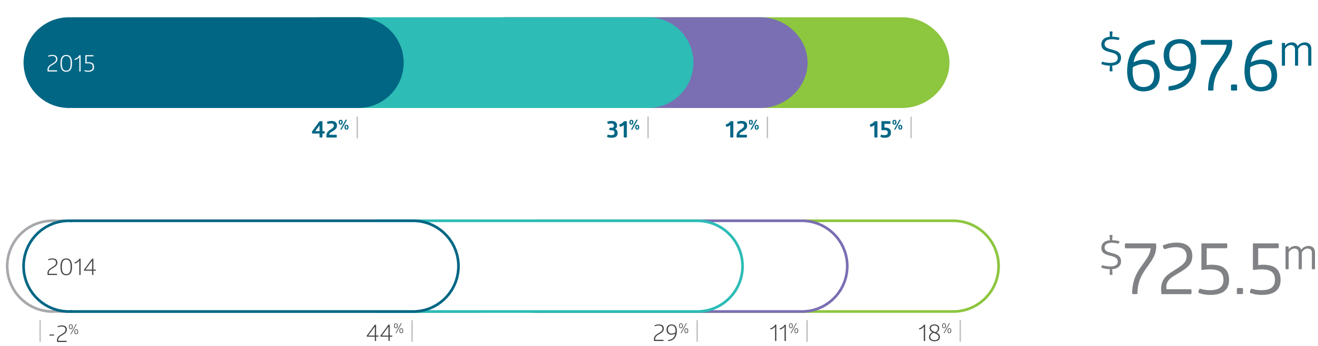
2014: **8.2%**



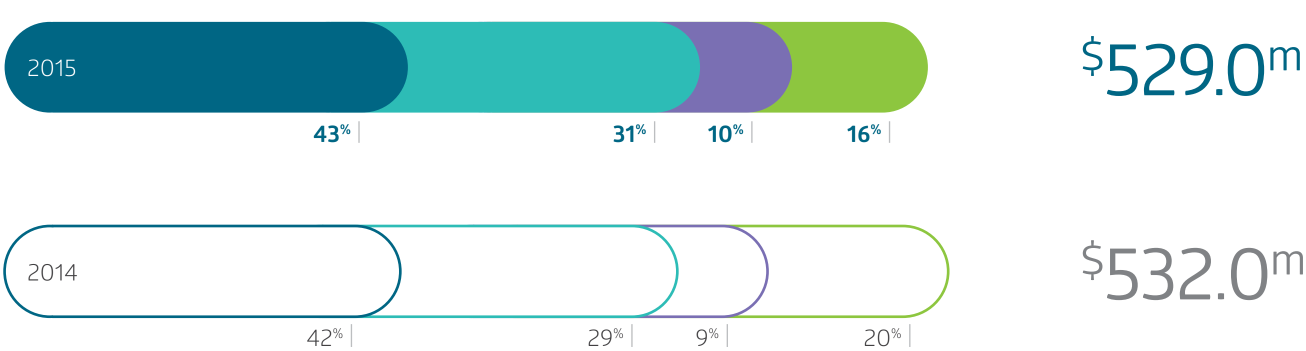
REVENUE BY SECTOR



EBITDA BY SECTOR



NET PROFIT BY SECTOR



Letter to Shareholders

DEAR SHAREHOLDERS

In 2015, ST Engineering again navigated an uneven global business environment. On one hand, the US economy returned to sustained growth while on the other, the Eurozone stayed economically stagnant with business sentiment adversely impacted by various events such as the Greek debt crisis. Closer to home in Asia, the slowing China economy dampened business sentiment and created headwinds across many economic sectors. We also faced an environment where low crude oil and industrial commodity prices resulted in a global inflation level that was too low to stimulate the multiplier effect required for business activity, investment and GDP growth.

Given many headwinds we faced, ST Engineering closed 2015 with a revenue of $6.34b which is broadly comparable to the $6.54b for 2014. Profit before tax (PBT) was $630.3m, a decline of 3% against the year before. Our net profit attributable to shareholders at $529.0m was comparable to the $532.0m for our 2014 financial year.

Comparing 2015 against 2014 at our business sectors, revenue and PBT for the Aerospace sector was flat at $2.09b and $290.6m respectively. Revenue for the Electronics sector was higher by 8% at $1.71b and PBT increased 4% to $191.0m. At the Land Systems sector, revenue remained flat at $1.40b but it posted 16% higher PBT of $65.0m mainly due to lower allowance for inventory obsolescence and lower goodwill impairment. The Marine sector was impacted at the revenue and PBT levels, down 29% and 28% respectively to $0.96b and $88.3m, due to weaker shipbuilding performance from both its Singapore and US operations. The financial and operational review of these business sectors can be read starting from page 26.

Group revenue in 2015 continued to show a healthy diversification across business sectors, geographical regions and customer-type. The spread of Group revenue by Sector was 33% from the Aerospace sector, 27% from the Electronics sector, 22% from the Land Systems sector and 15% from the Marine sector. In terms of geographic distribution, 74% of Group revenue accrued from business units in Asia (including Singapore), while our businesses in the US generated 24% of revenue. Revenue split between commercial and defence remained steady at 64%: 36%.

Left: Mr Kwa Chong Seng, Chairman

Right: Mr Tan Pheng Hock, President & CEO

Our capital expenditure for this year was $293m (2014: $240m). A significant amount was invested into the Aerospace sector to commence its aircraft leasing business and to support its growing portfolio of the engine leasing business.

We continued with our programme of share buybacks where we repurchased about 27.6 million shares over the course of year, out of our authorised limit of 62.4 million shares or 2% of the total number of issued equity as at date of the 2015 EGM.

Your Board of Directors proposes a Final Dividend of 10 cents per share for this year, consisting of an Ordinary Dividend of 5 cents per share, and a Special Dividend of 5 cents per share. Together with the Interim Dividend of 5 cents per share paid in September 2015, the total dividend for the full year will be 15 cents per share representing a total payout to our shareholders of $467.7m. The dividend yield for 2015 is slightly higher at 4.68% compared to 4.08% for 2014.

We Built Strong Fundamentals

ST Engineering maintained its strong fundamentals. Our order book at year-end was $11.7b compared to the order backlog we had at end-2014 of $12.5b. We expect to realise $3.8b of this order book into revenue in 2016. Our cash and cash equivalents at 31 December 2015 including funds under management was $1.4b and our net cash position was $252m (2014: $1.7b and $686m respectively). The lower net cash position arose mainly from utilisation of cash for share buyback, additional investment in bonds to enhance yield, and acquisition of property, plant and equipment.

Order book, cash and our balance sheet strength are one part of the fundamentals that underpin our business operations. Equally important is a strong governance framework to give us the checks and balances needed to manoeuvre the complexities of expanding and doing business globally.

The combination of our financial strength and governance puts us in a position to work in the long-term interests of our shareholders. We can take concentrated and strategic investment positions in technologies and capabilities when opportunities arise with no strain on our cash position or the need to seek additional funding from our shareholders. We also have the resilience to weather any shocks that may occur suddenly as often happen in a volatile world.

We are Making a Mark Globally

Over the course of 2015, we created new solutions and products, served new customers and won contracts in new markets even while facing economic and business headwinds. We would like to spotlight three developments which are to us symbolic of the innovation that will define our path in the years ahead as a global engineering group:

- We designed and built Singapore's first commercial earth observation satellite, the TeLEOS-1. This satellite was launched in mid-December 2015 and now orbits 550km above us in a Near Equatorial Orbit for remote sensing applications. After a six-month period of in-orbit testing, TeLEOS-1 will be able to contribute to highly responsive applications in maritime security and safety, humanitarian aid, disaster relief and environmental activity verification. The launch of TeLEOS-1 is yet another mark of our innovation, an achievement in pushing new frontiers in space technology and engineering.

- Our cutting-edge 8x8 wheeled armoured vehicle, Terrex 2 is one of two vehicles selected by the United States Marine Corps (USMC) for the next phase of evaluation for their Amphibious Combat Vehicle 1.1 programme. Following the announcement of the selection, one of the competitors protested the USMC's decision, as allowed for in the US tender process. Science Applications International Corporation, our partner for the programme, has received a "stop work" order from the USMC. The stop work can be up to 100 days as the Government Accountability Office looks into the protest. The programme schedule will restart when the order is rescinded. To be shortlisted for this highly contested programme means that our innovation, our engineering capability and the products we develop are recognised by First World advanced military forces.

- We engineered a breakthrough protective mask, the AIR+ Smart Mask. This innovative protective mask with a powered micro ventilator is a global first. We designed and then launched this product in early 2015 to address gaps in existing mask design. The Air+ Smart Mask, certified to meet both EU and N95 standards, protects people of all ages including children and the elderly from airborne contaminants given the annual transboundary haze that affects Singapore, Indonesia and Malaysia. Engineers at our Advanced Engineering Centre applied creativity, problem solving skills, and out-of-the-box thinking to develop this product which is now marketed overseas. For bringing an innovation to life through advanced engineering ingenuity, our AIR+ Smart Mask was named Design of the Year in 2015 President's Design Award Singapore.

These three examples have one common factor – the ethos of our engineers who say "we can do better than what defines the *status quo*".

At ST Engineering, it is this spirit of innovation that will sustain us into the decades ahead. We have a disciplined process carried out by a management team who plans for the future and invests our resources regardless of where we may be in a business cycle. We approach this on two levels:

First, we invest to keep extending the capabilities of our business sectors

Letter to Shareholders

to meet evolving market trends and needs, including during difficult economic cycles such as in the past few years.

Above and beyond this, we identify the technology drivers of tomorrow and research how these will change the world as we know it. For these technology game-changers, we take a position and address them at Group-level – as the ST Engineering Group – so we can scale up more rapidly to be in the right place for our customers when the 'future arrives'.

We Strengthened our Core Operations

Our aircraft maintenance, repair and overhaul (or MRO) operations are the largest in the world. While this market is fiercely competitive, we are still able to hold our leading position globally. Our Aerospace sector further invested in our Passenger-to-Freighter (P2F) business by increasing our shareholding in Elbe Flugzeugwerke (EFW) to 55%. We entered into an arrangement with Airbus where we will carry out P2F conversions of the A320 and A321 aircraft at the EFW facility in Dresden, Germany. We have a good market position for P2F with our conversion capability for Boeing 757 and 767, Airbus A330 and now the A320/321 aircraft. Our Aerospace sector has added an aircraft seating solutions business, further deepening our one stop cabin interior solutions, from aircraft cabin design, engineering and product installation through to certification.

Our Electronics sector is developing new solutions for the Smart Cities of tomorrow. In 2015, we introduced a suite of new products designed to provide connectivity for the smart urban centres of tomorrow. We have, for instance, created a suite of products for healthcare services, providing intelligent operations control to hospitals, remote health monitoring of patients as well as the ability to predict system bottlenecks and infrastructure stress. On another front, our rail electronics business continued to build its track record with many more of our rail electronics solutions implemented across cities in Asia, Canada, the US and now Brazil and Turkey. This is a growth area for us given the trends of urbanisation and the need for cities to build more metro lines to cope with the mobility needs of their growing urban populations. In cyber security where vulnerabilities and threats have risen in parallel with the technology revolution, we continue to develop a trusted and resilient cyber security ecosystem for our customers and ourselves.

Our Land Systems sector is focusing on developing the combat mobility platforms of tomorrow. In addition to the Terrex 2 - USMC trial, we are also participating in the Australian Department of Defence's Project Land 400 acquisition programme, where we believe a variant of our Terrex family of vehicles can be a strong contender for the Australian army's next-generation combat reconnaissance vehicle. We are also entering new markets with our defence products – in 2015, we won a contract in Brazil for our 40mm ammunition.

This sector continued to face challenges in its construction equipment business, especially in China and Brazil, although the same business picked up in the US as industrial, housing and construction activities began to ramp up due to the economic recovery there.

Our Marine sector continues to have a healthy naval business operation with a steady order book and repair contracts. We are strengthening our military vessel design-and-build capability to serve the requirements of countries whose national spending is less affected by the depressed oil prices. One example is our effort to participate in Australia's Offshore Patrol Vessel Programme (Sea 1180). To this effect, ST Marine is offering our proven Fearless 75 Patrol Vessel, incorporating a mission bay where modular mission modules can be embarked, and a stern launch and recovery system for more efficient operations at sea.

On the other hand, demand for new Offshore Supply Vessels saw a steep fall in demand in 2015 due to a depressed shipbuilding industry caused by low oil prices. Despite this, the interest level for new builds of complex special purpose ships such as the inspection, maintenance and repair (IMR) vessels remain high. We remain focused in this segment and target the higher-value end of this market, namely with designs focused on dive support and heavy construction vessels. Ship repair business in our US yard gained traction, picking up steady demand over the last year.

We are Investing in the Next Chapter of our Expansion

We have over the last few years conducted research into unmanned technologies. You would have read in past Annual Reports about our Unmanned Vehicles that operate in the air, on water and on land. The next frontier and the next chapter of ST Engineering's expansion will be largely related to Robotics – a disruptive technology (this is actually a family of different technologies that span machine intelligence, communications to mobility platforms) that will have application in aviation, transportation, health care and security. Robotics will open the door to a large number of opportunities for us that will require a combination of expertise and skills from our business sectors while allowing us to reach new customers and industries. Simply put, we see robotics as a pivotal area of growth for us and a new place where we can in time exert global leadership.

To augment our in-house R&D into robotics, we set up a joint research laboratory with the Nanyang Technological University of Singapore (NTU) in April 2015 to develop advanced robotics and autonomous systems. Named the 'ST Engineering-NTU Corporate Laboratory', it will initially focus on research developing robotics to improve airport operations and disaster rescue efforts. For more information on our robotics initiative, see page 28 of this Annual Report.

Alongside robotics, we are investing in 3D printing. This is another revolutionary technology and a breakaway from the traditional way of manufacturing objects from individual components. ST Engineering is the first company in Singapore to implement a commercial metal 3D printing facility and our Aerospace sector is integrating its bespoke VIP jet cabin interiors with 3D printed parts and fixtures. We are also collaborating with The Singapore Centre for 3D Printing to develop disruptive 3D printing applications applied in particular to aerospace and defence sector.

Sustainability is Everyone's Mission – including Ours

We believe that ultimately every business must operate sustainably, responsibly and ethically. This year, we are sharing our second Sustainability Report in these pages where we report how we have performed compared to 2014.

In the Sustainability Report, we have updated the way we report our risk and sustainability management and started involving our US operations in our sustainability programmes. In Singapore, we are also developing our Water Efficiency Management Plans in response to regulation from the Public Utilities Board and we established a Sustainable Procurement Vision and Statement to guide how we procure raw materials, goods and services responsibly.

In our commitment to be a responsible military technology manufacturer, ST Engineering is now no longer in the business of designing, producing and selling of anti-personnel mines and cluster munitions or any related key components.

Applying Innovation for Good

You have read earlier of our development of the AIR+ Smart Mask. The research and product development was carried out to protect people during the annual transboundary haze that affects Singapore and its neighbours almost every year. Within nine months since the product was launched, we donated 75,000 Air+ Smart Masks - to protect the vulnerable children and elderly in Singapore, to support haze relief efforts in Indonesia, and for protection against the Middle East Respiratory Syndrome (MERS) outbreak in South Korea.

The ST Engineering Enabling Technology Centre (formerly called *iLAT@Enabling Village*) at the Enabling Village was opened in October 2015. We sponsored this facility because catering for the needs of people with disabilities is important, in order to help them lead mobile and fulfilling lives. This Centre will also allow our engineers to contribute their engineering skills to help people with disabilities.

As a friend and partner of the communities that we operate in, ST Engineering works to support education and gives assistance to the needy. There is a fuller description of how we come alongside communities and people in the Community section on page 87.

Leadership in Transition

In October, we appointed Mr Vincent Chong as President & CEO (Designate) of ST Engineering. Vincent was, before this, our Group's Deputy CEO (Corporate Development) and he now oversees our four business sectors and continues to be responsible for the Group's corporate functions as he prepares to assume the top management position of our Group.

Board Movements

During 2015, we welcomed three new directors to our Board – Mr Lim Sim Seng, MG Perry Lim Cheng Yeow and Mr Lim Ah Doo. Perry is a non-independent non-executive Director while Sim Seng and Ah Doo are independent Directors. Ah Doo is also a member of the Audit Committee. We look forward to working with Sim Seng, Perry and Ah Doo and look forward to their contributions as they expand the breadth and strength of our Board.

We bade farewell to two Directors – Mr Quek Poh Huat, who had been on our Board since 2002 and LG Ng Chee Meng who joined us in 2013. We thank them for being part of our journey over the years.

The Journey Onwards

In our Letter to you in 2014, we wrote that the 'new normal' for ST Engineering, in fact for any global company, is to continually face diverse operating conditions across markets and countries. We are sure that the coming years will bring many conditions and situations to test the mettle of everyone in our Group. As we face the future, we will always take a long-term view and work to build lasting value for our shareholders.

We want to thank those who have worked hard to make us what we are and what we will become – our 23,000 people. We also want to express our sincere appreciation to customers, business partners and shareholders. We will continue to build value for you as we journey onwards.

Sincerely,

KWA CHONG SENG
Chairman

TAN PHENG HOCK
President & CEO

7 March 2016

致股东的信

尊敬的股东：

2015年，面对环球发展步伐不一，新科工程继续迎难而上。一方面，美国经济恢复稳定增长。另一方面，欧元区经济维持疲弱，营商环境受希腊债务危机和多项不利因素影响。至于新科工程所在的亚洲，中国经济放缓打击企业营商意欲，窒碍多个经济分部的发展。与此同时，油价和工业商品价格走低，导致全球通胀水平过低，难以刺激商业活动、投资和GDP增长所需的乘数效应。

2015年的营商环境虽然严峻，但新科工程仍然录得$63.4亿的营业额，与2014年的$65.4亿相若。税前利润较去年减少3%至$6.303亿，而归于股东的净利润是$5.29亿，与2014财政年的$5.32亿相若。

与2014年比较，2015年宇航业务维持稳定，营业额和税前利润分别是$20.9亿和$2.906亿。电子业务营业额增加8%至$17.1亿，税前利润增加4%至$1.91亿。陆路系统业务方面，营业额维持平稳于$14亿，但税前利润跃升16%至$6,500万，主要原因是较低的存货报废准备以及商誉减值开支的减少。而海事业务因新加坡和美国船厂的造船业务转差，结果营业额和税前利润分别下跌29%和28%至$9.6亿和$8,830万。以上业务的财务和业务回顾由第26页开始载述。

2015年集团总营业额在业务、地域和客户类型上的分布维持维持多元化。业务方面，33%的营业额贡献来自宇航业务；27%来自电子业务；22%来自陆路系统业务；15%来自海事业务。地域分布而言，集团总营业额中74%来自亚洲（包括新加坡）；24%来自美国。商业与国防营业额维持于64%:36%的比例。

集团2015年度的资本支出为$2.93亿（2014年：$2.4亿），当中大部分投入宇航业务，用于开展飞机租赁业务和扩充引擎租赁业务。

我们继续进行股份回购，年内回购约2千7百60万股，我们授权回购的额限是6千2百40万股（2015年股东特别大会日期为止发售的总股份数额的2%）。

董事会建议派发每股10分的年终股息，其中包括5分普通 股息和5分特别股息。加上2015年9月所派发的5分中期股息，2015全年股息达到15分，即$4.677亿的派息总额。2015年度的股息收益率为4.68%，较2014年的4.08%略高。

我们的财务基础稳健

新科工程维持扎实强健的财务根基，年末订单达$117亿（相对2014年末$125亿的订单），其中38亿元料将在2016年交付。于2015年终，我们持有现金及现金等价物（包括管理下的基金）$14亿及现金净额$2.52亿（2014年：分别为$17亿及$6.86亿）。现金净额减少主要是由于动用现金进行股份回购、增持债券以提高收益以及收购物业、厂房及设备。

强势的订单额、现金和资产负债表为我们的业务运营打好扎实基础。同样重要的是，我们强效的管治架构及互相制衡的机制，让我们得以持续驾驭跨国业务的发展。

商业社会瞬息万变。集团充裕的现金资源，让我们在需要作出策略性投资时无需面对资金压力或向股东寻求增资，也让我们有能力应对任何突如其来的冲击。财务稳健和管治得宜，让我们可专注为股东谋取长远利益。

我们的足迹遍布全球

2015年，尽管经济和营商环境困难，我们继续研发新解决方案和产品、扩充客户群，并在新进军的市场赢得合同。我们想在此汇报三大标志着我们作为一家跨国工程企业在创新路上的成就：

- 我们设计和建造新加坡首颗商业地球观测卫星TeLEOS-1。这颗卫星于2015年12月中旬发射，现时处于近赤道轨道550公里，作遥感应用。经过在轨测试后，具备高分辨率的TeLEOS-1于2016年中可应用于海事防卫及安全、人道救援、救灾及环境监察。成功发射TeLEOS-1，是我们在航天技术及工程上的重大突破，也标志着我们创新发展的重要一步。

- 我们研制出新型的8x8轮型装甲车Terrex 2获选参与美国海军陆战队 Amphibious Combat Vehicle 1.1 下一评选阶段的两款车型之一。美国海军陆战队宣布评选结果后，有竞投者在美国投标程序允许的范围内，对合同判决提出抗议。据此，我们的合作方Science Applications International Corporation收到美国海军陆战队的「停工」指令。指令为期最长100天，期间美国审计总署会研究有关抗议。指令一经撤销，计划即继续如期进行。这计划的竞争相当激烈，能够成功中标，显示我们的创新和工程实力以及所研发的产品已获得世界领先国家精锐军队的认可。

- 在2015年初，我们推出了一款崭新的防护口罩 - Air+口罩，弥补了现有口罩设计上的不足。这也是全球首创装有微型通风器款口罩。在我国以及邻国每年都受雾霾天气影响之时，这符合欧盟和N95标准的Air+口罩能为不同年龄人士，包括儿童和老年人，提供保护。成功开发这现已在各地营销的Air+口罩，是我们的工程师运用解难能力和创新思维的成功范例。能运用创意，将先进的工程技术带进生活，也是Air+口罩在2015年终荣获新加坡总统设计奖（President's Design Award）的原因之一。

以上三个例子有一个共同元素，就是我们工程师精益求精、不断求新的研发精神。

这种创新精神将引领新科工程未来数十年的发展路向。我们的管理团队谨慎规划未来发展，确保无论经济起跌都能持续投资。我们在两个层面上达致这长远目标：

首先，不论经济环境如何，我们坚持投入资源持续强化各个业务领域的实力，紧贴市场变化和需要。

此外，在科技创新不断推动世界向前的浪潮中，我们积极探索未来科技发展的路向，以确保新科工程在明日世界，依然具备足够实力满足客户需求。

我们加强核心业务

我们的飞机维护、维修和大修业务的规模冠絶全球。飞机维修行业的竞争然非常激烈，但我们一直占据全球领先地位，集团的宇航业务现已持有Elbe Flugzeugwerke (EFW) 55%的股权，进一步投入客货机改装业务。我们与空中客车公司订立协议，据此，我们将在EFW位于德国德累斯顿的设施内为A320和A321型飞机进行客货机改装。我们已成功为波音757和767以及空中客车A330进行改装，连同新增的A320/321型飞机，我们在客货机改装业务上持续占有市场优势。此外，宇航业务新增飞机座椅设计与制造业务，进一步优化集团的一站式客舱内部解决方案服务，包括客舱设计、建造、装嵌及成品验证。

我们的电子业务现正为未来的智慧城市研发新解决方案。我们在2015年推出一系列新产品，旨在为未来的智慧城市中心提供连接。例如，我们研制出一套应用于公共卫生服务的产品，可供医院进行智能业务管理、遥距监测病人的健康状况，且具备预测系统瓶颈和

基建压力的能力。另一方面，我们的铁路电子业务继续稳定增长，铁路电子解决方案获亚洲、加拿大、美国，甚至巴西及土耳其多个城市广泛应用。在应对城市化发展趋势，许多城市需要增建地铁线路以应付不断增加的城市人口的当儿，铁路电子将继续是我们的业务增长点。网络安全方面，随着科技革新，网络安全的漏洞和威胁也日渐上升，就此，我们将继续为客户和自身开发安全可靠、适应力强的网络安全生态系统。

我们的陆路系统业务专注研发未来世界的机动战斗平台。除美国海军陆战队的试验计划外，我们亦参与澳洲国防部「陆地400项目」(Project Land 400) 下的采购计划。我们深信，Terrex系列中多款车型有能力竞逐成为澳洲陆军新一代的侦察战斗车。我们的国防产品进军多个新市场，2015年，成功在巴西获得40毫米弹药合同。

工程机械业务继续面对艰难的经营环境，特别是在中国和巴西，但另一方面，受惠经济复苏带动工业、住屋和建筑活动回升，业务在美国市场的表现向好。

海事业务方面，军舰业务持续增长，订单额和维修合同稳步上升。我们致力加强军用船只的设计及建造实力，务求满足国防开支较少受油价下挫影响的国家的需求，其中一个例子是我们现正参与澳洲的岸外巡逻舰项目，就此，新科海事提供75米 Fearless 巡逻舰，这款巡逻舰可供进行海湾任务，并设有船尾发射和回收系统，方便船只在海上活动。

另一方面，2015年，油价走低拖累造船业，导致海洋工程船的需求大幅下滑。目前市况不稳，不过无减市场对精密特殊用途船只（例如检测、维修船只）的兴趣。我们继续专注发展这业务，并主攻高价值产品，包括潜水支援船及重型工程施工船。我们位于美国的船舶维修场业务增长理想，客户需求较过去一年稳步上升。

我们开始投资下一轮业务扩展

过去多年，我们积极研发机器人技术。有关在海陆空三地运行的各种无人操作车的详情，我们已在过往年报中提述。新科工程未来业务扩展的重心，将落于机器人技术——一项可应用于航空、交通、医疗及保安领域的颠覆性技术（实际上是涉及机械智能、通信及机动平台的多项技术的结合）。机器人技术运用集团多元化的专业知识和技能，从而为集团带来庞大商机，同时可让集团涉足新客户群及行业领域。简而言之，我们认为机器人技术不单是支撑业务增长的支柱，更是集团有望抢占全球领导地位的新领域。

为提升我们对机器人技术的内部研发实力，在2015年4月，我们与新加坡南洋理工大学 (NTU) 成立联合研究实验室，合作开发先进机器人技术和自动化系统。实验室名为新科工程 — 南洋理工大学企业研究室，初期专注研究机器人技术，用以提高机场运营效率和支援救灾工作。有关我们机器人技术计划的详情，请参阅本年报第28页。

除机器人技术外，我们亦投资3D打印技术。这是另一种革命性技术，摆脱由独立部件组装成品的传统生产模式。新科工程是新加坡首家采用商用3D金属打印设备的企业，而集团的宇航业务现正利用3D打印的部件，打造贵宾飞机客舱室内装潢。此外，我们与新加坡3D打印中心 (The Singapore Centre for 3D Printing) 联合开发革命性的3D打印应用，特别是在航天和国防领域的应用。

我们放眼可持续发展

我们的营商宗旨是可持续发展、企业责任和商业道德。今年度，我们欣然提呈第二份可持续发展报告，概述我们相对2014年的工作表现。

在这份报告中，我们更新了汇报风险及可持续发展管理的方式，并开始将美国市场的业务纳入我们的可持续发展计划之中。在新加坡，我们正在制订节水管理计划，以符合公用事业局 (Public Utilities Board) 的监管要求，同时亦设有可持续采购指引及声明，指导集团在采购原材料、商品和服务的过程中履行其企业责任。集团也已不再设计、生产及销售具杀伤性的地雷和集束弹药或任何相关主要部件。

我们的发明惠及社会

我们在上文已汇报了Air+口罩的开发情况，开发这款产品的主要目的是在新加坡及邻国每年受烟雾霾天气影响的日子中，保障国民健康。产品推出后9个月内，我们累计捐出75,000个Air+口罩，分别送赠新加坡儿童和老年人、援助印尼应对雾霾以及预防在南韩爆发的中东呼吸综合症 (MERS) 的病毒传播。

新科工程辅助科技中心 (ST Engineering Enabling Technology Centre)（前称iLAT@ Enabling Village）在2015年10月启用。我们重视残障人士的生活需要，因此赞助兴建这座位于新协立综合设施 (Enabling Village) 的设备，旨在提升残障人士的日常活动能力和生活质素。中心亦为我们的工程师提供机会去运用他们的专业技能，帮助社会上的残障人士。

作为社会的一员，新科工程致力支持教育事业和扶助弱势社群。有关我们参与社会公益的详情，请参阅第87页社会服务一节。

管理层交接

钟思峰先生，集团之前负责企业事务的副总执行长，在10月获委任为新科工程的候任总裁兼首席执行长。在筹备正式上任总裁兼首席执行长的职位的当时，钟先生已开始接管负责管理集团的四个业务分部。

董事会成员变动

2015年我们有三位新董事加入董事会，他们是非独立非执行董事林清耀少将以及独立董事林森成先生及林亚渡先生。林亚渡先生同时出任审计委员会成员。我们期待与三位新董事合作，并相信他们的加入有助董事会加深经验、扩阔视野。

同时我们欢送两位董事，分别是2002年加入董事会的郭保发先生和2013年加入的黄志明中将，谨此感谢他们过往多年的竭诚服务。

展望未来

在2014年致股东的信中我们提到新科工程所面对的「新常态」。这是新科工程，和所有跨国企业都持续面对的营商环境。我们相信，未来数年的市况仍然充满挑战，集团上下必需齐心协力、全力以赴。展望未来，我们放眼持续发展，务求为股东创造长远价值。

我们感谢23,000位员工团队一直以来的不懈努力，让集团得以茁壮成长。我们亦谨此向各位客户、业务伙伴和股东致以谢忱。我们将继续昂首前行，再创佳绩。

此致

柯宗盛
主席

陈平福
总裁兼首席执行官

2016年3月7日

A Personal Note from the CEO

DEAR SHAREHOLDERS,

What you have just read is the fourteenth Shareholder Letter that I have written to you together with my Chairman. It is also the final one from me as the President & CEO of this Group. At end-September 2015, I took the decision to retire from this position while recuperating from a mild stroke, and to hand the baton to the next generation of business leaders who will take ST Engineering forward.

As the Chief Executive of our Group since 2002, I have had the privilege to be part of the management team that, over a period of 14 years, took ST Engineering from being largely dependent on business in Singapore to a global engineering company that now serves customers in more than 100 countries.

Our world is about to experience a technology-driven wave of change in everything from computing to communications, to transport, healthcare and even personal entertainment. ST Engineering is positioning itself to face this new world – we have developed new capabilities in Smart Cities and Smart Combat systems, we designed a satellite that is now in space and we are going to invest and focus on robotics as a Group. These are by no means comprehensive.

Given the dynamics of our changing world and marketplace, alongside acquiring new capabilities, we also need to take a fresh look at ourselves and what direction ST Engineering is going to take in the next 10 or 20 years. This, I believe, should be done through a fresh pair of eyes.

At the same time, I also felt that it was time for me to seek professional fulfilment and satisfaction in new vistas. The Board did an extensive search to shortlist potential internal and external CEO candidates to undergo a structured selection process.

We found the most suitable person within our Group in Vincent Chong, who will understudy me till sometime in the second half of 2016 and then take over from me.

Vincent has excellent credentials and global experience. He is an engineer who has had hands-on work in the petrochemical industry, he has served customers and has managed global profit centres successfully. I am confident that Vincent will excel as your next Chief Executive.

My time in ST Engineering has been good at times and challenging at other occasions. Each time we overcame the challenges and moved on. Whatever recognition ST Engineering or I received over the years is simply recognition of the excellence of everyone in our Group. My thanks to all of you who worked shoulder to shoulder with me.

I want to thank the Chairmen whom I served under and my fellow Board members. I am honoured that you trusted me to guide our people and the Group, and for supporting me all this time.

Finally, to our customers, business partners and shareholders, my thanks are certainly due. We exist for you, to create long-term sustainable value for you.

As I move towards a new phase in my life and career, ST Engineering will remain in my thoughts. I will be your friend, cheering you on as the Group continues to strengthen and grow.

Thank you and goodbye.

CEO的个人信函

尊敬的各位股东们，

上面的一页是我与主席一同写给大家的第十四封股东通知函，同时也是本人作为本集团总裁兼首席执行官写给大家的最后一封。2015年9月底，我决定辞去该职务，安心调养身体，以期在轻度中风后获得康复。我会将指挥棒交给下一代领导层，由他们带领新科工程 (ST Engineering) 继续向前迈进。

自2002年担任本集团首席执行官以来，我有幸作为管理团队的一员，在过去的十四年内将新科工程从一个依靠新加坡市场的公司，发展成为一家全球工程企业，为超过一百个国家的客户服务。

我们的世界正在经历一场巨大的科技变革，从计算机到通讯、到交通运输、到医疗保健，再到个人娱乐，万事万物都在不断发生变化。新科工程将重新定位，面对这个新世界的挑战。我们现已为智慧城市与智能战斗系统添加新的功能，而设计的卫星现已进入宇宙空间。我们也将密切关注机器人领域并进行相关投资。这些举例只是我们其中一部分的功能。

在这个瞬息万变充满挑战的市场，我们所需要的不仅仅是开发新产品的功能，同时也要重新审视自己，思考新科工程未来十年甚至二十年的发展方向。我相信，新的领导层定将不负众望，努力完成这一重要使命。

与此同时，我个人也希望能开始放眼新的领域，不断充实与完善自己。董事会通过大范围的物色工作，筛选出潜在的内部与外部CEO人选，并对他们进行严密有序的甄选工作。

最终，我们认定最适合担任下一任CEO的人选，是来自本集团内部的钟思峰 (Vincent Chong) 。他将从现在起展开候任工作至2016年下半年，之后正式接替本人作为首席执行官的职务。

思峰具有杰出的资格认证及丰富的国际经验。身为一名工程师，他具备石油化工行业的实际工作经验，在客户服务领域中成绩斐然，并成功管理全球性业务。我有信心，思峰作为下一任集团首席执行官，将为公司做出突出贡献。

在新科工程的这些年，有机遇也有挑战。每一次我们都能克服挑战，携手共进。无论公司或个人获得哪些成就与荣誉，都与集团内的每个人密不可分。没有你们的努力，我们无法成功。衷心感谢大家与我一起并肩战斗。

本人要在此感谢现任及前任的主席们及各位董事会成员。很荣幸能够得到你们的信任，可以带领集团与员工走到今天，同时也非常感谢大家对我的一贯支持。

最后，我要衷心感谢所有客户、合作伙伴以及股东们。我们的使命，即是尽职地为你们创造长期永续的价值。

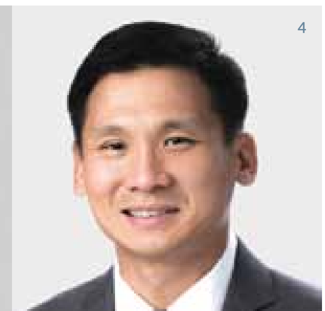
即使我的生活与工作即将迈入一段全新的里程，本人仍将一如既往地关注新科工程。我将继续为你们加油鼓励，祝愿集团不断发展壮大。

谢谢，再见。

TAN PHENG HOCK
President & CEO

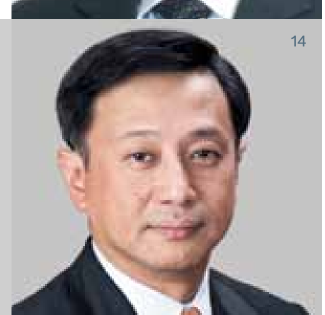
陈平福
总裁兼首席执行官

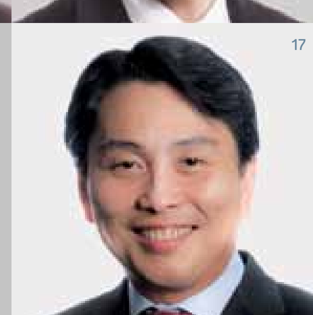
Board of Directors



1 MR KWA CHONG SENG
2 MR TAN PHENG HOCK
3 MR KOH BENG SENG
4 MAJOR-GENERAL PERRY LIM
5 MR NG CHEE KHERN
6 MR QUEK TONG BOON

7 MR VENKATACHALAM KRISHNAKUMAR
8 MR DAVINDER SINGH
9 DR STANLEY LAI TZE CHANG
10 MR KHOO BOON HUI
11 MR QUEK SEE TIAT
12 MS OLIVIA LUM OOI LIN





13 DR BEH SWAN GIN
14 MR LIM SIM SENG
15 MR LIM AH DOO
16 COLONEL ALAN GOH KIM HUA
17 MR VINCENT CHONG SY FENG

The names of the directors holding office at the date of this report are set out below together with details of their academic and professional qualifications, age, date of first appointment as Director, date of last re-election as Director, as well as other directorships and principal commitments.

* listed on the SGX-ST
^ listed on the Stock Exchange of Hong Kong

MR KWA CHONG SENG
(Chairman)

Mr Kwa Chong Seng, 69, was appointed an independent non-executive Director on 1 September 2012. He was appointed Chairman on 25 April 2013. Mr Kwa is due for re-election at the 2016 AGM under Article 98 of the Company's Constitution. He has more than 40 years' experience in the petroleum industry - he served as Chairman and Managing Director of ExxonMobil Asia Pacific Pte. Ltd. before retiring in 2011. Mr Kwa is currently the Chairman of Neptune Orient Lines Limited* and several of its key subsidiaries. He is also Chairman of Olam International Limited* and Deputy Chairman of the Public Service Commission, Singapore. Mr Kwa currently serves on the boards of Singapore Exchange Limited*, SeaTown Holdings Pte. Ltd. and Delta Topco Limited. He is a member of the Defence Science & Technology Agency (DSTA). He is also the Chairman of the Advisory Committee of Dymon Asia Capital Ltd. Mr Kwa graduated from the former University of Singapore with a Mechanical Engineering degree. He was awarded the Distinguished Engineering Alumni Award by the National University of Singapore (NUS) in 1994 and is a Fellow of the Academy of Engineering Singapore. In 1999, Mr Kwa was conferred the Honorary Ningbo Citizenship. He was awarded the Singapore Public Service Star in 2005.

MR TAN PHENG HOCK

Mr Tan Pheng Hock, 58, is the President & CEO of ST Engineering and an executive Director. He was appointed Director on 1 May 2001 and is due for re-election at the 2016 AGM under Article 98 of the Company's Constitution. He is Chairman of the Singapore Workforce Development Agency, Deputy Chairman of the Singapore Quality Award Governing Council, a board member of the Singapore Economic Development Board and a Fellow of the Singapore Institute of Directors. Mr Tan was named Outstanding CEO of the Year at the Singapore Business Awards in 2014 as well as Asia Business Leader of the Year at the 12th CNBC Asia Business Leaders Awards in 2013. He was conferred the esteemed Honorary Fellowship by the ASEAN Federation of Engineering Organisations for his contribution to the engineering profession. In 2012, Mr Tan was honoured as the Best Chief Executive Officer (for companies with $1b and above in market capitalisation) by the Singapore Corporate Awards. He received the Public Service Medal in 2011. Mr Tan has been with the Group since 1981. He holds a Bachelor of Science (First Class Honours) in Marine Engineering from the University of Surrey, UK and a Master of Science in Management from Stanford University, USA.

MR KOH BENG SENG

Mr Koh Beng Seng, 65, is the CEO of Octagon Advisors Pte. Ltd. He was appointed an independent non-executive Director on 15 September 2003 and was last re-elected Director on 23 April 2015. Mr Koh was Deputy President of United Overseas Bank Limited from June 2000 to 31 January 2005. Prior to this, Mr Koh was Senior Advisor to Asia Pulp & Paper Company Ltd, and Advisor to Bank of China and the International Monetary Fund from 1998 to 2000. Mr Koh has extensive experience in the financial services sector. He was with the Monetary Authority of Singapore from 1973 to 1998, where he served as Deputy Managing Director from 1988 to 1998. Mr Koh is Chairman of Great Eastern Holdings Limited* and Director of Bank of China (Hong Kong) Limited^, BOC Hong Kong (Holdings) Limited, Hon Sui Sen Endowment CLG Limited and United Engineers Limited*. Mr Koh holds a Bachelor of Commerce (First Class Honours) from the former Nanyang University, Singapore, and a Master of Business Administration from Columbia University, USA.

MAJOR-GENERAL PERRY LIM

MG Perry Lim, 43, is the Chief of Defence Force in Singapore's Ministry of Defence (MINDEF). He was appointed a non-executive Director on 20 October 2015 and is due for re-election at the 2016 AGM under Article 104 of the Company's Constitution. MG Lim joined the Singapore Armed Forces (SAF) in 1990 and has held various command and staff positions in the SAF, including the Chief of Army and Commander, Headquarters 3rd Singapore Division. He was awarded the President's cum SAF Overseas Scholarship in 1991 and the Public Administration Medal (Silver) (Military) in 2010. He holds a Bachelor of Engineering (First Class Honours) (Mechanical Engineering) from the University of Cambridge, UK and a Master of Business Administration from INSEAD, Singapore.

Board of Directors

MR NG CHEE KHERN

Mr Ng Chee Khern, 50, is the Permanent Secretary (Defence Development) in MINDEF. He was appointed a non-executive Director on 20 May 2014 and was last re-elected Director on 23 April 2015. Prior to this, Mr Ng had held various senior positions in the SAF, including that of Chief of Air Force and Director of Joint Operations and Planning Directorate. He is Chairman of DSTA, DSO National Laboratories, Saver-Premium Fund Board of Trustees (Singapore) and the SAF Fund Care. Mr Ng is a Director of CapitaMall Trust Management Ltd*, and a member of the National Research Foundation, Prime Minister's Office. He holds a Bachelor of Arts (Second Class Honours (Upper)) (Arts & Social Sciences) and Master of Arts (Arts & Social Sciences) from the University of Oxford, UK; and a Master of Public Administration (Humanities & Social Sciences) from Harvard University USA.

MR QUEK TONG BOON

Mr Quek Tong Boon, 60, is Chief Defence Scientist of MINDEF. Prior to this, he had concurrently held the position of Chief Research & Technology Officer until 1 July 2013. Mr Quek was appointed a non-executive Director on 1 March 2008 and is due for re-election at the 2016 AGM under Article 98 of the Company's Constitution. He joined the Defence Science Organisation of MINDEF in 1980 and in the course of his career, has held various key appointments, including that of Deputy Secretary (Technology and Transformation) of MINDEF and CEO of the DSO National Laboratories. Mr Quek is a board member of the Public Utilities Board and an Adjunct Professor at the Department of Electrical & Computer Engineering in NUS. He holds a Bachelor of Arts (Honours) (Engineering) from the University of Cambridge, UK, and a Master of Science (Electrical Engineering) from NUS.

MR VENKATACHALAM KRISHNAKUMAR

Mr Venkatachalam Krishnakumar, 66, is Chairman of Oracle Financial Services Software Pte. Ltd. (Singapore). Prior to this, he had held senior advisory roles at McKinsey and Company, Barclays Bank PLC, Global Retail and Commercial Banking and DBS Bank. He was Chief Operating Officer and Chief Financial Officer for the Asia Pacific Consumer Bank of Citigroup when he retired on 28 February 2005 (after a 31-year career with the group). During his career with Citigroup, he held several senior appointments in India, Singapore and New York. He was appointed an independent non-executive Director on 15 April 2002 and was last re-elected Director on 23 April 2015. He is a Director of MediaCorp Pte. Ltd., Aspen Holdings Limited and CIMB Bank Berhad. He holds a Bachelor of Engineering and Master of Business Administration from the Indian Institute of Management, India.

MR DAVINDER SINGH

Mr Davinder Singh, 58, is the CEO of Drew & Napier LLC. He was appointed an independent non-executive Director on 1 August 2007 and was last re-elected Director on 23 April 2015. Mr Davinder Singh has been in legal practice for more than 30 years. He was in the first batch of Senior Counsel appointed in 1997. He is a Director of Petra Foods Limited* and PSA International Pte Ltd. He holds an LLB (Honours) from NUS.

* listed on the SGX-ST

DR STANLEY LAI TZE CHANG

Dr Stanley Lai Tze Chang, 48, is Head of Intellectual Property & Technology Practice at Allen and Gledhill LLP. He was appointed an independent non-executive Director on 8 October 2009 and is due for re-election at the 2016 AGM under Article 98 of the Company's Constitution. Dr Lai was appointed Senior Counsel at the Opening of the Legal Year 2010. He is a Director of Singapore Shipping Corporation Limited* and currently serves as Chairman of the Intellectual Property Office of Singapore (appointed on 1 April 2013). He obtained his law degree from the University of Leicester (UK) in 1992 and qualified to practise as a Barrister in England and Wales in 1993. Dr Lai is a member of Lincoln's Inn. He was called to the Singapore bar in 1995. Dr Lai also holds a Masters in Law (LLM) and Doctorate (Ph.D) in law from the University of Cambridge, UK.

MR KHOO BOON HUI

Mr Khoo Boon Hui, 61, is a Senior Fellow of the Ministry of Home Affairs (MHA), Home Team Academy and the Civil Service College. Prior to this, he was Senior Advisor, MHA until 20 January 2016. He was appointed an independent non-executive Director on 1 September 2010 and was last re-elected as Director on 24 April 2014. Mr Khoo was appointed Commissioner of the Singapore Police Force (SPF) in July 1997, and relinquished this post in January 2010 after serving 32 years in the SPF to become Senior Deputy Secretary, MHA till January 2015. He was also the President of INTERPOL from 2008 to 2012. Mr Khoo is currently Chairman of Singapore Island Country Club, Singapore Golf Association Governing Council and Deputy Chairman of Singapore Quality Award Governing Council and a board member of Singapore Health Services Pte Ltd, the Casino Regulatory Authority, Certis CISCO and Temasek Foundation CLG Limited. He sits on the advisory panels of the Singapore National Cybersecurity R&D Programme, the Qatar-based International Centre for Sports Security and is also an Advisor for the Board Financial Crime Risk Committee (Standard Chartered PLC). He holds a Bachelor of Arts (Engineering Science & Economics) degree from Oxford University and a Master in Public Administration from the Harvard Kennedy School of Government. Mr Khoo attended the Advanced Management Program at the Wharton School.

MR QUEK SEE TIAT

Mr Quek See Tiat, 61, is Chairman of the Building and Construction Authority, Singapore. He was appointed an independent non-executive Director on 1 July 2013 and was last re-elected Director on 24 April 2014. He retired as Deputy Chairman of PricewaterhouseCoopers Singapore in 2012, after a career in the firm that spanned 31 years. Mr Quek is a board member of Singapore Press Holdings Ltd*, Neptune Orient Lines Limited*, the Energy Market Authority and the Monetary Authority of Singapore. He is also a Council Member/Deputy President of the Council of Estate Agencies. He was conferred the Public Service Medal in 2009 and the Public Service Star in 2014. Mr Quek holds a Bachelor of Science (Economics) Honours from the London School of Economics and Political Science, and is a Fellow of the Institute of Chartered Accountants in England and Wales.

MS OLIVIA LUM OOI LIN

Ms Olivia Lum, 55, is Executive Chairman and Group CEO of Hyflux Ltd* (Hyflux). She was appointed an independent non-executive Director on 20 May 2014 and was last re-elected Director on 23 April 2015. Ms Lum started her corporate life as a chemist in GlaxoSmithKline plc. She is a board member of International Enterprise Singapore, Singapore Mediation Centre, a Trustee Member of The Chinese Development Assistance Council and a Council Member of the Singapore Business Federation. Ms Lum is the first woman to win the Ernst & Young World Entrepreneur Of The Year 2011 award in recognition of her pioneering work in the Singapore-based water-treatment company, Hyflux. Ms Lum holds an Honours degree in Chemistry from NUS.

Board of Directors

DR BEH SWAN GIN

Dr Beh Swan Gin, 48, is Chairman of the Singapore Economic Development Board (EDB). Prior to this, he was Permanent Secretary of the Ministry of Law from 1 July 2012 to 30 November 2014. Dr Beh was appointed an independent non-executive Director on 1 September 2014 and was last re-elected Director on 23 April 2015. He was previously Managing Director of EDB from 2008 to 2012. Dr Beh also serves as Chairman of EDBI Pte Ltd and EDB Investments Pte Ltd and is also a Director of Ascendas-Singbridge Pte. Ltd. He is a medical doctor by training and graduated from NUS. Dr Beh is also a Sloan Fellow with a Master of Science in Management from Stanford University's Graduate School of Business, and completed the Advanced Management Program at the Harvard Business School in 2012.

MR LIM SIM SENG

Mr Lim Sim Seng, 57, is currently Country Head, DBS Singapore and Chairman of DBS Vickers Securities Holdings Pte Ltd. He was appointed an independent non-executive Director on 15 May 2015 and is due for re-election at the 2016 AGM under Article 104 of the Company's Constitution. Mr Lim was a senior banker for 26 years with Citibank before joining DBS in 2010 as Country Head, DBS Singapore. With Citigroup/Citibank, he served Citigroup in various senior appointments in Kuala Lumpur, Tokyo, New York, Saudi Arabia, Singapore and Hong Kong. Mr Lim is the Chairman of Singapore Land Authority and Nanyang Polytechnic Business Management Advisory Committee, and the Vice Chairman of ASEAN Business Group, Singapore Business Federation. He is a Director of ASEAN Finance Corporation Limited, Asfinco Singapore Limited and Nikko Asset Management Co., Ltd. Mr Lim was a Japanese Government Monbusho scholar and graduated with a Bachelor's in Business Administration from Yokohama National University, Japan.

MR LIM AH DOO

Mr Lim Ah Doo, 66, was appointed an independent non-executive Director on 10 November 2015 and is due for re-election at the 2016 AGM under Article 104 of the Company's Constitution. He was formerly the President and subsequently the non-executive Vice Chairman of RGE Pte Ltd (formerly known as RGM International Pte Ltd). Mr Lim's past working experience includes an 18-year banking career in Morgan Grenfell from 1977 to 1995, during which he held several key positions including that of Chairman of Morgan Grenfell (Asia) Limited. He is currently an independent director of SembCorp Marine Limited*, ARA-CWT Trust Management (Cache) Limited, GP Industries Ltd*, SM Investments Corporation, U Mobile Sdn Bhd, Bracell Limited and GDS Holdings Limited. Mr Lim graduated with an honours degree in Engineering from the Queen Mary College, University of London and a Master in Business Administration from the Cranfield School of Management.

COLONEL ALAN GOH KIM HUA

COL Alan Goh Kim Hua, 39, is Head Naval Plans in the Republic of Singapore Navy (RSN). He was appointed Alternate Director to MG Lim Cheng Yeow Perry on 20 October 2015. COL Goh joined the SAF in 1995 and has held various command and staff positions in MINDEF/SAF since 1999, including that of Deputy Director, Defence Policy Office, Head Naval Personnel and Commanding Officer of the RSN's Missile Corvette Squadron. He was awarded the SAF Overseas Scholarship in 1995, the SAF Overseas Postgraduate Scholarship (General Development) in 2011 and the Public Administration Medal (Bronze) (Military) in 2013. COL Goh holds a Bachelor of Arts (Honours) (Mathematics) from the University of Cambridge, UK, and a Master of Business Administration (Sloan Fellow) from the Sloan School of Management, Massachusetts Institute of Technology, USA.

MR VINCENT CHONG SY FENG

Mr Vincent Chong, 46, is President & CEO (Designate) and Alternate Director to Mr Tan Pheng Hock. He is responsible for the Group's four business sectors and corporate functions. Prior to this, he was Deputy CEO (Corporate Development) and before that President of Strategic Plans & Business Development at the Group's aerospace arm. Mr Chong had a 20-year career in the petroleum industry holding a variety of technical, operations and senior management positions from refining & supply, product marketing, to strategic planning. His professional experience has been global with postings in Hong Kong, Japan, the United Kingdom and the United States. Before joining the ST Engineering Group in April 2014, he was Director of Asia Pacific Lubricants Sales at ExxonMobil Asia Pacific Private Limited, responsible for the automotive and industrial lubricants business in more than 20 countries. He had also been Global Director for ExxonMobil's worldwide marine fuels business. Mr Chong currently sits on the Singapore Government-convened Committee on the Future Economy. He graduated with First Class Honours in Mechanical Engineering from NUS. Mr Chong has also attended executive leadership programmes at the Thunderbird School of Global Management and the Columbia Business School.

PAST DIRECTORSHIPS IN THE LAST THREE YEARS

MR KWA CHONG SENG

- APL Logistics Ltd
- Fullerton Fund Management Company Ltd
- Singapore Technologies Holdings Pte Ltd

MR TAN PHENG HOCK

- Cradance Services Pte Ltd
- Nanyang Polytechnic International Private Limited
- School of Mechanical & Aerospace Engineering (NTU, Industry Advisory Panel)
- Singapore-China Association for Advancement of Science & Technology
- ST Aerospace Resources Pte. Ltd.
- ST Engineering Financial I Ltd.
- ST Engineering Financial II Pte. Ltd.
- Temasek Defence Systems Institute
- The International Institute for Strategic Studies (Asia) Ltd
- VT Systems, Inc

MR KOH BENG SENG

- Fraser and Neave Limited*
- Sing-Han International Financial Services Limited

MAJOR-GENERAL PERRY LIM

- Singapore Technologies Dynamics Pte Ltd
- Singapore Technologies Electronics Limited
- Singapore Technologies Kinetics Ltd
- International Enterprise Singapore

MR NG CHEE KHERN

- Public Utilities Board

MR VENKATACHALAM KRISHNAKUMAR

- Cypress Holdings Limited
- Pactera Technology International Ltd#

MR DAVINDER SINGH

- Singapore Exchange Limited*

MR KHOO BOON HUI

- Home Team Academy Board of Governors
- Institute of Leadership and Organisation Development, Civil Service College

DR BEH SWAN GIN

- Esplanade Co. Ltd
- Maxwell Arbitration Holdings Ltd

MR LIM SIM SENG

- Enactus Singapore Institute

MR LIM AH DOO

- Linc Energy Limited

MR VINCENT CHONG SY FENG

- ExxonMobil Asia Holdings Pte. Ltd.
- ExxonMobil Asia Pacific Pte. Ltd.
- ExxonMobil India Inc.
- ExxonMobil International Corporation
- ExxonMobil Lubricants Private Limited
- Mobil Korea Lube Oil, Inc.
- P.T. ExxonMobil Lubricants Indonesia

* listed on the SGX-ST

\# listed on the Nasdaq Stock Market

Senior Management

TAN PHENG HOCK

Mr Tan Pheng Hock is President & CEO of ST Engineering and a Director of the ST Engineering Board. (Mr Tan's profile is on page 13)

VINCENT CHONG SY FENG

Mr Vincent Chong is President & CEO (Designate) of ST Engineering and Alternate Director to Mr Tan Pheng Hock on the ST Engineering Board. (Mr Chong's profile is on page 17)

LEE FOOK SUN

Mr Lee Fook Sun, 59, was appointed President of ST Electronics in August 2009 and took on the role of President, Defence Business of ST Engineering in March 2013, driving the strategic relationship with the Group's core defence customers. In December 2014, he was concurrently appointed Deputy CEO of ST Engineering to explore additional synergies across the Group's four business sectors. Mr Lee joined ST Electronics in 2000 as President of Defence and International Business and was appointed the company's Deputy President (Operations) in 2005. Mr Lee is also the Deputy Chairman of the Building and Construction Authority and Director of DSO National Laboratories. He holds a Bachelor of Arts (Honours) and a Master of Arts (Engineering Science) from the University of Oxford, UK and attended the Stanford University's Executive Program. Mr Lee is a Fellow of The Institution of Engineers, Singapore.

LIM SERH GHEE

Mr Lim Serh Ghee, 56, was appointed President of ST Aerospace in December 2014. Prior to this, he was Chief Operating Officer from 2010 and President, Defence Business, where he was responsible for forging strategic relationships with the Group's core defence customers. Mr Lim also served as Executive Vice President of Aircraft Maintenance & Modification (AMM), a business segment of ST Aerospace. He began his career with ST Aerospace as a mechanical engineer in 1984 and has held many senior management appointments within the Group. Mr Lim holds a Second Class Upper Honours degree in Mechanical Engineering from the National University of Singapore. He obtained his Master of Science in Aerospace Engineering from the University of Michigan and attended the Program for Management Development at Harvard Business School.

RAVINDER SINGH

Mr Ravinder Singh, 51, was appointed President of ST Kinetics in March 2015. He joined the Group in August 2014 as Deputy President, Corporate and Market Development at ST Electronics. He joined the Group after a 30-year career with MINDEF and the Singapore Armed Forces (SAF) where he held various senior command and staff appointments. In his last appointment in the SAF, he served as Chief of Army. Before that, he was Deputy Secretary (Technology) in MINDEF. Mr Singh graduated with a Bachelor of Arts in Engineering Science (First Class Honours) in 1986 and a Master of Arts in Engineering Science in 1992, both from the University of Oxford, UK. He also completed his Master of Science in Management from Massachusetts Institute of Technology, USA in 1996 and the Wharton Advanced Management Program in 2014.

NG SING CHAN

Mr Ng Sing Chan, 55, was appointed President, ST Marine in May 2010. Prior to this, Mr Ng was Deputy President and President, Defence Business of ST Marine. He joined ST Marine in 1987 as an engineer. Mr Ng left in 1991 and later became the Deputy General Manager of Pan-United Shipyard Pte Ltd. He subsequently took on the positions of President of Changshu Xinghua Changjiang Dev Co and Executive Director of Pan-United Marine Ltd

(now known as DDW-PaxOcean Shipyard Pte. Ltd.). Mr Ng re-joined the Group in March 2008 as Executive Vice President, Special Projects, ST Engineering and moved to ST Marine as Deputy President in April 2009. Mr Ng holds a Master of Business Administration (Finance & Banking) from the Nanyang Technological University, Singapore and a Masters in Engineering from the University of Hamburg, Germany.

JOHN G COBURN

General (Retired) John G Coburn, 74, was appointed Chairman and CEO of ST Engineering's US subsidiary, VT Systems, in December 2001. Gen (Ret) Coburn joined the Group after an illustrious 39-year career with the US Department of Defense, where he commanded at all levels. Prior to assuming this position, he was Commanding General of the US Army Materiel Command, one of the largest commands in the US Army with 60,000 employees and an annual budget of more than US$50b with activities in 42 states and 28 foreign countries. Gen (Ret) Coburn is the recipient of many medals, and is a noted author and speaker. He holds a Juris Doctor from the University of Missouri, and a Doctor's Degree from Eastern Michigan University and many other degrees. He is also a member of the Supreme Court, State of Kentucky; Supreme Court, State of Michigan and the Supreme Court of the United States.

ELEANA TAN AI CHING

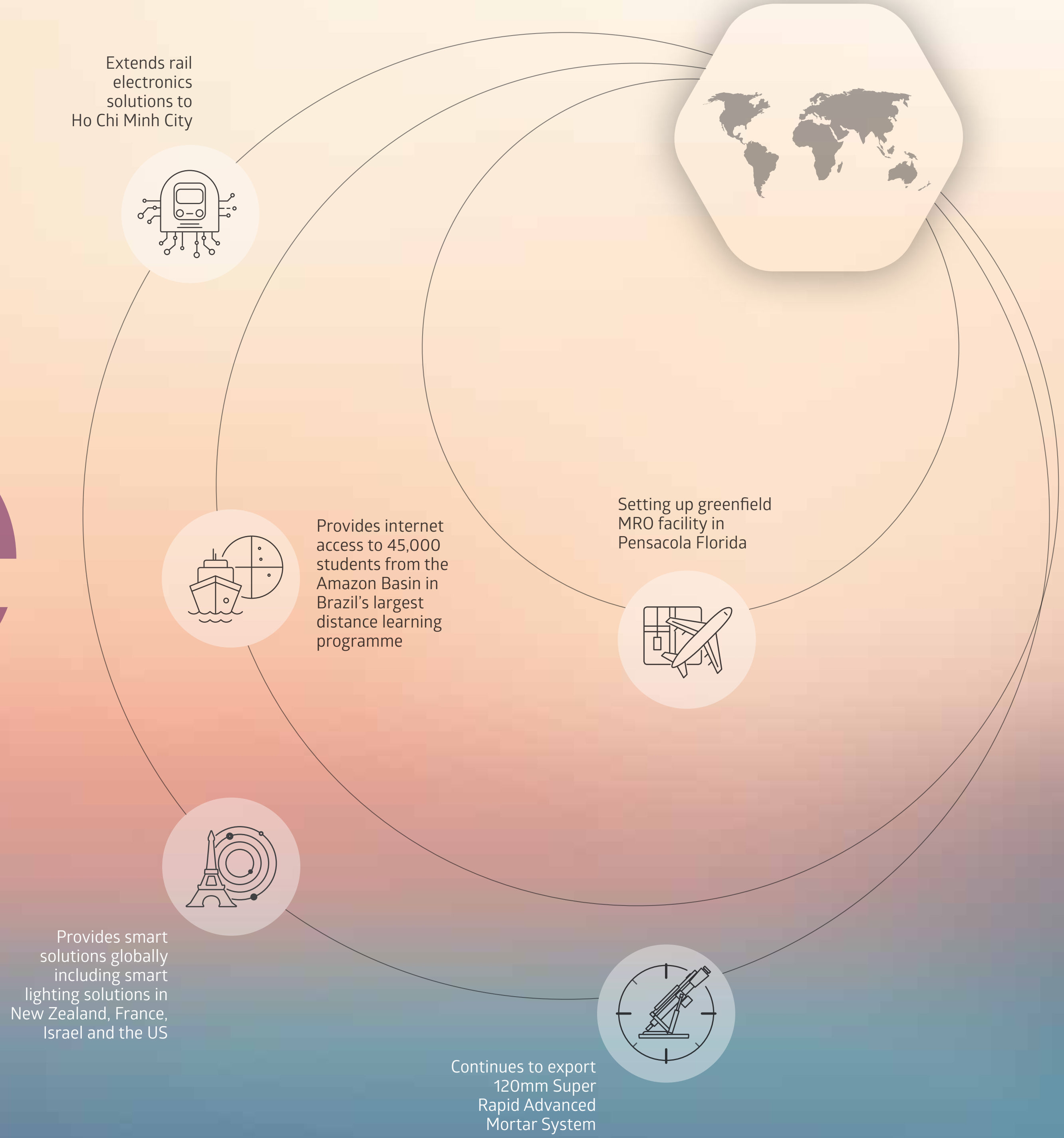
Ms Eleana Tan Ai Ching, 53, was appointed Chief Financial Officer of ST Engineering in March 2008. Ms Tan was previously Managing Director, Finance, Temasek Holdings (Private) Limited (Temasek). Prior to that, she was Director Finance at Singapore Technologies Pte Ltd (STPL) from August 2003 until December 2004, when STPL was restructured, and its assets transferred to Temasek. Prior to 2003, Ms Tan had held various key finance positions in the ST Engineering Group over a period of 13 years and last held the position of Group Financial Controller of ST Engineering. Ms Tan holds a Bachelor of Accountancy (Honours) from NUS and attended the Harvard Business School's Advanced Management Program in 2013. She is a member of the Institute of Singapore Chartered Accountants.

From left to right (standing): John G Coburn, Lim Serh Ghee, Ravinder Singh.

From left to right (seated): Eleana Tan, Vincent Chong, Tan Pheng Hock, Lee Fook Sun, Ng Sing Chan.

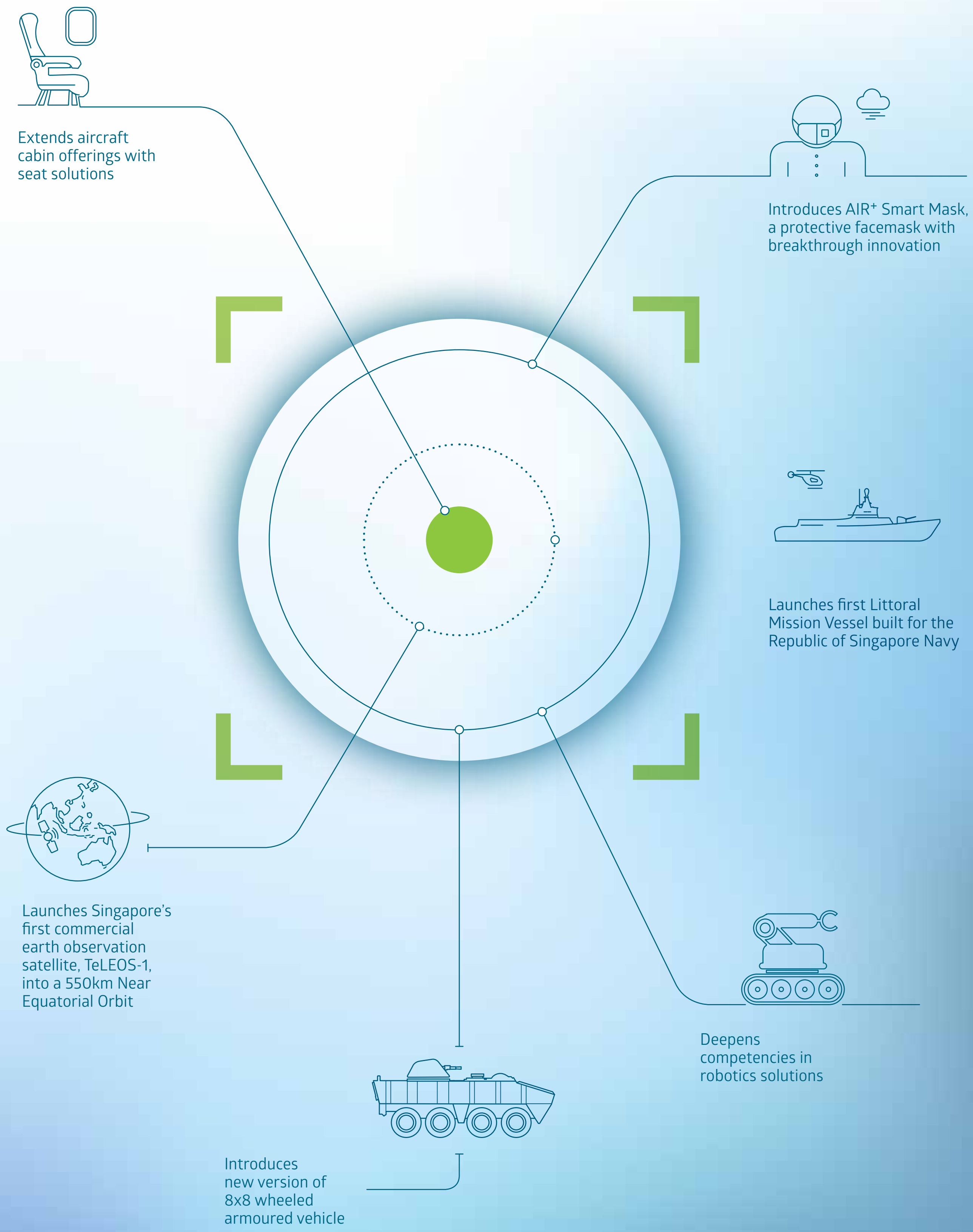
knowing where

In an age where few boundaries exist across geographies and time zones, we are able to go where our customers are and where they are going. While seeking new markets, we are also simultaneously extending our reach and capabilities by engaging in collaborations and global partnerships.


Extends rail electronics solutions to Ho Chi Minh City
Provides internet access to 45,000 students from the Amazon Basin in Brazil's largest distance learning programme
Setting up greenfield MRO facility in Pensacola Florida
Provides smart solutions globally including smart lighting solutions in New Zealand, France, Israel and the US
Continues to export 120mm Super Rapid Advanced Mortar System

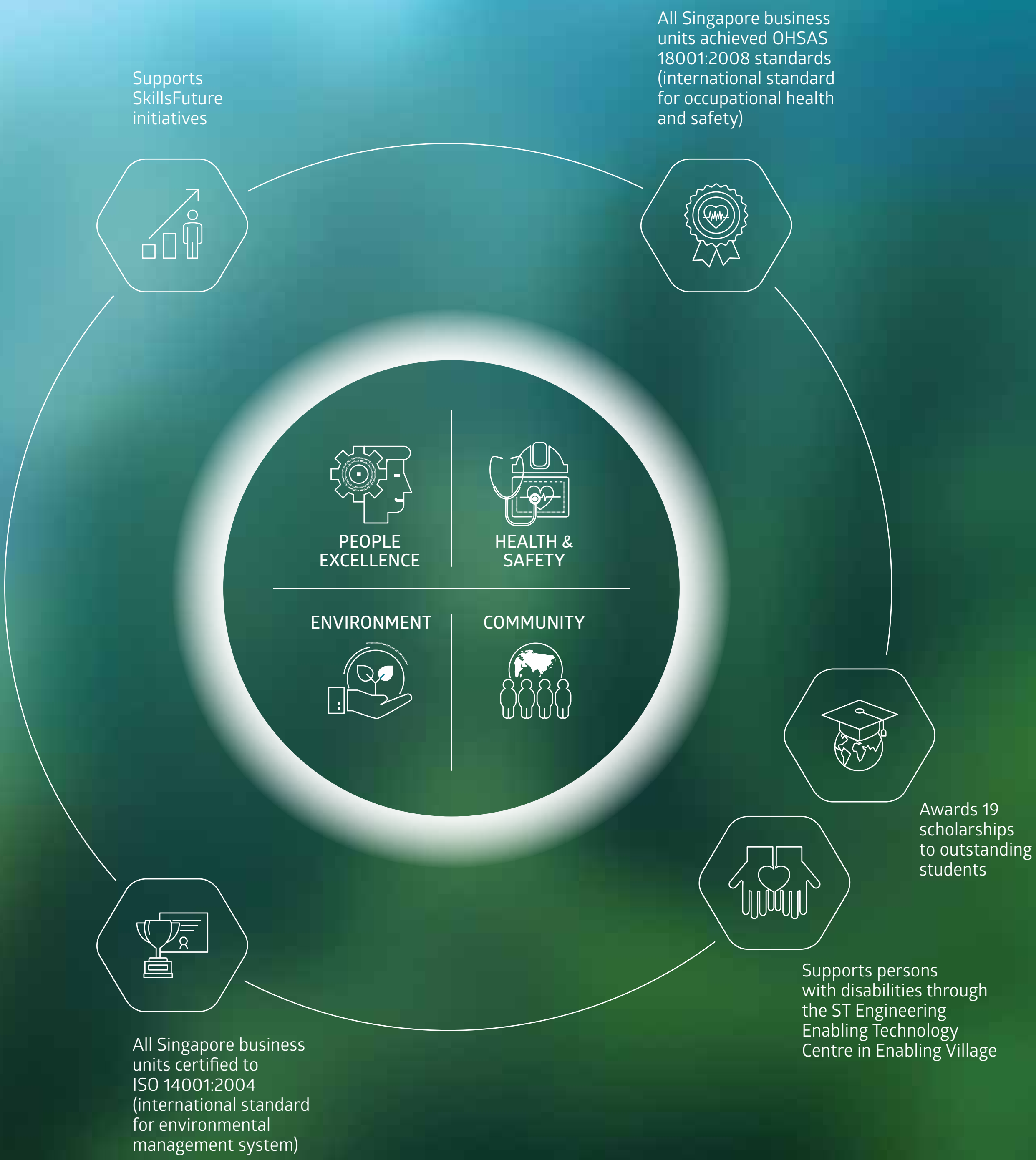
knowing when

Timing is crucial when it comes to technology. Catching the right wave at the right time ensures that our new products are optimised to meet immediate demand and expectations. By staying at the forefront of technology, we are also able to create in anticipation of future needs. We always strive to identify opportunities that will hone our competitive edge.


Extends aircraft cabin offerings with seat solutions
Introduces AIR+ Smart Mask, a protective facemask with breakthrough innovation
Launches first Littoral Mission Vessel built for the Republic of Singapore Navy
Launches Singapore's first commercial earth observation satellite, TeLEOS-1, into a 550km Near Equatorial Orbit
Deepens competencies in robotics solutions
Introduces new version of 8x8 wheeled armoured vehicle

knowing how

Technical know-how is just part of our advantage. Our pursuit of productivity, human resource development and sustainability allows us to build a brighter future for our business, our people and our community.


PEOPLE EXCELLENCE
HEALTH & SAFETY
ENVIRONMENT
COMMUNITY
Supports SkillsFuture initiatives
All Singapore business units achieved OHSAS 18001:2008 standards (international standard for occupational health and safety)
Awards 19 scholarships to outstanding students
Supports persons with disabilities through the ST Engineering Enabling Technology Centre in Enabling Village
All Singapore business units certified to ISO 14001:2004 (international standard for environmental management system)

Operating & Financial Review

We serve our customers through a global network of 100 subsidiaries and associated companies in 46 cities across 24 countries.

SINGAPORE TECHNOLOGIES ENGINEERING LTD

- **100%** 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.

For complete Group structure, please refer to www.stengg.com

GROUP OVERVIEW

ST Engineering is an integrated engineering group that provides innovative solutions and services in the Aerospace, Electronics, Land Systems and Marine sectors. Incorporated in 1997 and headquartered in Singapore, we rank among the largest companies listed on the Singapore Exchange, and are one of Asia's leading engineering groups.

Our network of over 100 subsidiaries and associated companies, supported by a workforce of about 23,000 allows us to serve customers globally. A leader in each of our core businesses, ST Engineering leverages multi sector capabilities to develop advanced solutions for commercial and defence customers across industries.

Our Aerospace sector offers a wide spectrum of aircraft maintenance, engineering and training services for both military and commercial aircraft operators. These services include airframe, components and engine maintenance, repair and overhaul, engineering design and development, materials support, asset management and pilot training.

Our Electronics sector specialises in the design, development and integration of advanced electronics and communications systems for government, defence, commercial and industrial customers worldwide.

Our Land Systems sector delivers integrated land systems, specialty vehicles and their related through-life support for defence, homeland security and commercial applications.

Our Marine sector provides customised shipbuilding, repair and conversion services to both naval and commercial vessels, at our yards in Singapore and the US. We also provide a host of environmental solutions through our environmental engineering subsidiary.

Operating Review & Outlook

robotics

ST Engineering's Next Frontier

ST Engineering started developing robotics capabilities in the early nineties to serve a variety of air, land, sea and underwater applications for the Singapore Armed Forces. Notably, in 2010, ST Aerospace fielded a Close Range – Unmanned Aerial Vehicle (CR-UAV) for the Singapore Army. A longer endurance UAV is also being developed and this is expected to be fielded in the near future. With superior range and payload, this longer endurance UAV will afford the Singapore Army unprecedented battlespace influence. In addition, ST Electronics also launched the multi-mission Venus Unmanned Surface Vehicle (USV) that can undertake numerous hazardous mission-critical tasks for navies.

In 2011, ST Kinetics was selected by the Port of Singapore Authority to develop seaport Automated Ground Vehicles to transport containers in the port.

Recognising the disruptive nature of unmanned technologies and the potential explosive demand for unmanned solutions, ST Engineering has identified robotics as our pivotal new business growth area. Our deep engineering expertise, coupled with our flexibility to leverage the interplay between our defence and commercial businesses offer us strength in deepening our competencies in robotics solutions.

A group-wide initiative on Advanced Autonomous and Collaboration Exploitation (ADVANCE) was set up in 2014 to orchestrate the concerted development of robotics business and capabilities within ST Engineering. The mission of ADVANCE is to harness capabilities across the Group to develop collaborative robotics solutions that will integrate seamlessly and safely in extreme environments, multiply operational effect, whilst reducing manpower demand. In July 2015, the Group achieved another milestone in our quest for excellence in robotics. The ST Engineering-NTU Corporate Lab was jointly formed with Nanyang Technological University, Singapore and National Research Foundation to accelerate the development of core proprietary robotics technology. In addition to cutting edge

The Autonomous People Mover will provide on-demand shuttle service at Singapore's Gardens by the Bay.

The 16m Venus USV for mine countermeasure with Towed Synthetic Aperture Sonar to conduct underwater scans of the seabed safely and with reduced manpower.

A longer endurance CR-UAV with superior range and payload is being developed for enhanced deployment.

platform technologies, the ST Engineering-NTU Corporate Lab focuses on developing leapfrog collaborative technologies in the areas of command and control, machine learning and artificial intelligence to enable multiple heterogeneous robots to work together to complete complex tasks.

In view of severe labour constraints in Singapore and in line with Singapore's national imperative to develop a Smart Nation, the Group continues to deepen our robotics capabilities, while at the same time leverage our experience and solid portfolio of foundational robotics technologies to build unmanned solutions for crisis response, airport, seaport, logistics, urban transport as well as many other applications.

In July 2015, we were one of several companies selected by the Civil Aviation Authority of Singapore, under its Aviation Challenges programme, to develop prototypes that aim to transform the current manpower intensive way of handling baggage and cargo at Changi Airport. Our solutions will see customised robotic manipulators work in unison with unmanned ground vehicles reliably and safely to complete these manual tasks whilst minimising labour demands.

The ST Engineering-NTU Corporate Lab also unveiled its APART (Airside Precision Automation and Robotics Technology) blueprint to develop a spectrum of robots to assist in completing a range of apron related tasks, which are typically very labour intensive in nature.

In August 2015, ST Kinetics drew upon the deep robotics experience and expertise in the Group to deploy an Autonomous People Mover (APM) at Singapore's Gardens by the Bay (GBTB). The APM is currently undergoing trials at GBTB and will be fielded to provide on-demand shuttle service for visitors in early 2016. In October 2015, ST Engineering signed an MOU with the Singapore's Ministry of Transport and Sentosa Development Corporation to jointly develop and deploy APMs to provide a driverless on-demand transport solution by 2017.

Robotics will create unprecedented opportunities. Unmanned technology is truly a game changer that will fundamentally transform the way we live, the way we work, and the way we deliver services. We recognise that the Group must take radical transformation in our robotics organisation and capability so that we can be in a position to ride this next wave.

Operating Review & Outlook

aerospace

As a global total aviation support provider, the Aerospace sector continues to leverage our strong geographic presence, diverse customer base and wide range of offerings in MRO and engineering development.

2015 REVIEW

Amidst a challenging landscape with the global airline industry managing modest growth in profitability in the near term, the Aerospace sector remained resilient with a strong emphasis on a balanced services portfolio, innovation and productivity improvements. We secured a steady stream of new orders worth $2.04b in 2015, and continued to focus on our core business streams.

Aircraft Maintenance & Modification (AMM)

The AMM business continued to grow in capacity and capability during the year. The Aerospace sector redelivered 1,217 aircraft for airframe maintenance and modification work.

Growing our line maintenance support globally, our Mobile-based facility was granted authorisation by the US Federal Aviation Administration to perform line maintenance services, while our airframe facility in Singapore started providing line support for an existing customer's Boeing 787 fleet.

During the year, the Aerospace sector extended our maintenance services to support the world's first commercial spaceline, as our San Antonio facility welcomed Virgin Galactic's Boeing 747 aircraft - the carrier aircraft for its small satellite launch vehicle, into the hangar for a series of D-level heavy maintenance checks.

In China, notwithstanding it being newly established, our airframe facility in Guangzhou inducted its first Airbus A320 aircraft from an Asian low-cost airline for heavy maintenance in the beginning of 2015, and has since completed a series of C-checks for a total of 42 A320 and ten Boeing 767 aircraft through the year.

Separately, our airframe facility in Dresden received its first Airbus A380 for heavy maintenance.

Our VIP aircraft completions business redelivered its first green completion for its VIP 737 BBJ customer, while remaining on track with the nose-to-tail Boeing 777 cabin completion project. As part of its business expansion plan, the VIP completions facility started work to add 14,000 sq ft of space to house new cabinet and upholstery shops as well as an additional building for the design, sales and marketing teams. This new expansion is expected to be completed in mid-2016.

Additionally, our new end-of-lifecycle aircraft part-out and green harvesting business in Hondo, Texas, continued to gain traction, securing several aircraft part-out contracts in the year.

In terms of commercial pilot training, our flight training academy became the only training centre in Singapore to be equipped with an Airbus A320 full flight simulator, certified

CONTRIBUTION TO GROUP'S REVENUE

REVENUE

2015 — $2,090m

2014 — $2,061m

PROFIT BEFORE TAX

2015 — $290.6m

2014 — $283.0m

by the European Aviation Safety Agency. ST Aerospace signed a five-year agreement with a Middle Eastern customer for a Multi-crew Pilot Licence programme, while securing a two-year training agreement with an Asian airline for dry and wet simulator training solutions for pilots. A three-year contract was also sealed with Tigerair Singapore for the provision of simulator training services. Additionally, our US-based flight school received its first batch of students in Hondo, Texas for pilot training. These student cadets are expected to receive their wings by mid 2016.

On the military side of maintenance, we successfully completed the full scale maintenance and modernisation programme for three of the Royal Air Force of Oman's C-130 aircraft, extending the service life of these aircraft for another 20 years.

Component/Engine Repair & Overhaul (CERO)

ST Aerospace continued to invest in new capabilities, expand our global footprint and leverage existing OEM relationships for our CERO business.

While our component repair and overhaul facilities delivered a good stream of 45,092 components and 165 landing gears, our engine repair and overhaul businesses completed 176 engines and over 5,461 EcoPower® engine washes in 2015, supporting over 200 aircraft operators globally.

During the year, the Aerospace sector secured several Boeing 737NG landing gear overhaul and exchange contracts for airline operators in Asia and Oceania, as well as Super Puma transmission component repair contracts from helicopter operators in the region.

In terms of engine support, we signed an agreement for the heavy maintenance of six CFM56-7B engines for a low-cost carrier in Southeast Asia, while we continued to secure contracts for EcoPower® green engine washes.

In terms of strengthening component capability, we continued to develop repair capabilities for engine fan cowls for the GEnX and Trent 100 installed on Boeing 787 aircraft, as well as the engine fan cowls for the Trent 700 installed on the A330 aircraft. We also continued to add on high value repair capabilities for the Boeing 787 electrical systems.

As part of our rationalisation programme to build our Singapore base as the Centre of Excellence for landing gear MRO, we acquired the remaining 50% stake in Singapore Precision Repair and Overhaul, a company specialising in the repair and overhaul of aircraft landing gear systems and components. At the same time, an agreement was signed with Messier-Bugatti-Dowty to remain as an authorised service centre for the OEM's landing gears installed on turboprops, helicopters and regional jets, as well as wheels, brakes and hydraulic components overhaul.

Recognising that engine MRO will continue to lead the global MRO market as the largest segment with the highest growth rates over the next decade, ST Aerospace has been enhancing our engine MRO value

ST Aerospace started providing line maintenance support for Jetstar's Boeing 787 fleet.

Operating Review & Outlook

chain with an expansive range of aftermarket services to stay ahead of the competition. We continued to invest in new MRO capabilities for engine repair and overhaul, eco engine wash and engine leasing. We also increased focus on engine parts and accessories repairs, on-wing support and engine parts trading, while adding capacity to build up a larger pool of spare engines to support our customers' growing requirements.

The engine leasing joint venture received additional capital injection in the year as the business expanded in market reach.

Engineering & Materials Services (EMS)

The EMS business continued to provide a wide spectrum of engineering and design development services, as well as aviation material support to customers worldwide.

Centre of Excellence for Freighter Conversions

ST Aerospace has built a very successful freighter conversions business, with over two decades of experience across various aircraft platforms. Over 400 freighters have been converted to-date, making us the largest specialist with the widest freighter conversions portfolio. With air cargo demand anticipated to grow at a compound annual growth rate (CAGR) of 4.1% over the five years, the industry expects about 1,330 freighters to be converted in that period.

Following the successful collaborative launch of the A330P2F conversion programme in 2013, ST Aerospace, Airbus and Elbe Flugzeugwerke launched a new freighter conversion programme for the A320/A321 aircraft. Besides adding a new freighter conversion capability, we increased our stake in Elbe Flugzeugwerke to 55%, welcoming the Dresden-based facility into the ST Aerospace network as a subsidiary in January 2016. Apart from being the exclusive supplier of composite flat panels for all Airbus aircraft, the company will serve as ST Aerospace's centre for passenger-to-freighter conversions, aircraft MRO, as well as engineering services in Europe, leveraging our global network, track record and expertise in aircraft MRO and engineering.

On the Airbus A330P2F programme, ST Aerospace has since completed the critical design review of the A330-300P2F and secured NTO (No Technical Objection) from Airbus, with entry into service for the first A330-300P2F targeted for late 2017/ early 2018. As for the A330-200P2F variant, we have secured a contract with Egyptair Cargo, for two A330-200P2F plus options for two additional. The critical design phase for the A330-200P2F is planned for first quarter 2016.

The 757-200SF freighter conversion programme continues to be an important platform for ST Aerospace. The sector has redelivered 127 757-200SF converted freighters since 2001, which are now in service around the world. Establishing ourselves as a Centre of Excellence for freighter conversions, ST Aerospace now offers 14/14.5-pallet, 15-pallet and an 8-pallet combi cargo configuration for the 757-200SF converted freighters. The first 15-pallet converted freighter was successfully redelivered to SF Airlines during the year, upon receipt of the supplemental type certificate from the US Federal Aviation Administration. At the end of 2015, 17 converted freighters are scheduled to be redelivered over the next two years.

Value-Adding through Customised MBH Solutions

The Aerospace sector won multiple Maintenance-By-the-Hour (MBH™) contracts during the year. These included a seven-year component MBH™ worth over US$100m, to support European airline Flybe's growing fleet of Bombardier Dash 8 Q400 aircraft, and a contract extension for the component MBH™ of another airline's fleet of Q400 over six years. Additionally, we secured a five-year component MBH™ contract with an existing Asia-based airline customer operating a fleet of Boeing 737NG aircraft.

Integrated Cabin Interiors Offering

As a one-stop cabin reconfiguration solutions provider, we also continued to grow our cabin interiors value chain, developing cabin products and offering a full suite of turnkey cabin retrofit solutions from design conceptualisation and engineering, to implementation and certification.

As part of our expansion into cabin interior product engineering design and manufacturing, ST Aerospace established a new joint venture with Tenryu Holdings, for the end-to-end design and manufacturing of a series of economy, business and first class aircraft seating solutions. During the year, we received the SAR-21 Design Organisation Approval from the Civil Aviation Authority of Singapore (CAAS), for the design and development of aircraft seating systems.

The Aerospace sector secured a cabin reconfiguration contract with Air Canada for eight Airbus A330 aircraft, for which ST Aerospace will be installing additional premium economy seats and enlarging the economy class section. This came on the back of a successful ongoing full cabin reconfiguration programme secured in 2013 for up to 20 of Air Canada's Boeing 767-300 aircraft.

Remaining Focused on Aircraft Leasing

In terms of asset management, ST Aerospace extended our offering beyond engine and component leasing two years ago, to include mid-life to end-of-life aircraft assets. The aircraft leasing business was reorganised during the year as we forged ahead on our own to build up a portfolio of mid-life and end-of-life aircraft assets focused on the Airbus A320 and Boeing 737NG family,

ST Aerospace, Airbus and Elbe Flugzeugwerke launched a new freighter conversion programme for the A320/A321 aircraft.

ST Aerospace introduced a new range of economy class seats.

which align best with our technical capabilities and service offering. During the year, we made successful purchases of an Airbus A320 and a Boeing 737NG aircraft, and will continue to grow the portfolio in 2016.

Enhancing Product Offering through Innovation

With a strong engineering pedigree, ST Aerospace continued to invest in innovative development of the unmanned aerial systems. Our suite of vertical-take-off and-landing (VTOL) multi rotor unmanned aerial vehicles named USTAR, introduced in 2014, was further enhanced in 2015 for market deployment.

INDUSTRY OUTLOOK

Aircraft OEMs expect the global fleet of commercial aircraft to increase by an average of 3.7% annually over the next two decades. However, industry experts expect the global airline industry to record modest growth in operating profits in the near term. The global landscape remains challenging, due to ongoing macro concerns over aviation safety, health scares, terrorism, geopolitical conflicts, territorial disputes and economic uncertainty.

It is also expected that global MRO spending on aircraft maintenance and modification will grow at a slower pace with the newer generation of aircraft requiring less maintenance, and prescribed maintenance intervals further apart. Nonetheless, industry watchers believe that fleet expansion and increasing outsourcing will result in MRO maintaining a 4.1% CAGR to US$100.4b by 2025.

Major MRO spending increases will come from Asia Pacific and the Middle East. Asia Pacific, which includes China, will become the largest MRO market by 2025, with expected growth to US$34.8b over the next 10 years. With a strong and expanded presence in this region, ST Aerospace is well positioned to address this growing market.

Growth prospects remain stable for our aircraft maintenance and modification segment, driven by an increase in demand for aircraft modification services. Aircraft upgrades, including cabin interior reconfigurations, will drive growth in the modification segment.

While the air cargo market has been weak, demand is expected to see a CAGR of 4% over the next two decades. This will create a corresponding demand for nearly 2,200 freighter aircraft deliveries over the next 20 years, of which 1,330 will be converted freighters. In the narrow-body segment, the industry anticipates an increased demand of 612 converted freighters in the same timeframe.

With many airfreight operators' fleets due for renewal, ST Aerospace expects growth in the freighter conversion segment for the next few years, notably with the 757-200 and A320/A321P2F as good candidates for narrow-body conversions due to good payload and range capabilities, while the A330P2F and Boeing 767BCF are expected to provide a good solution for the medium-sized freighter segment.

As the market evolves, demand for cabin interior upgrades and modifications will continue to grow. Seizing the opportunity, ST Aerospace will leverage existing strengths in aircraft maintenance and continue to build capabilities in higher value modification activities such as cabin retrofits, cabin product development, VIP completions and freighter conversions.

Engine MRO will drive market growth, occupying 40% of the global market, while component MRO is expected to grow as fast as engine MRO in the next five years. In line with the above forecast, ST Aerospace will focus on growing both our component and engine repair capabilities to tap these growing segments.

With a more pronounced demand for quality pilots and the industry's need for an additional 533,000 pilots over the next two decades, ST Aerospace remains focused on growing our commercial pilot training in Asia and the US.

The Aerospace sector recorded flat revenue and profits in 2015, on the back of intense operational cost and price pressures. Moving forward in a similarly competitive environment plagued by continued global economic softness, we will continue to review our operations and invest for the future, broadening our service offerings to stay ahead of the curve.

As a global 'total aviation support' provider, we will continue to leverage our strong geographic presence, diverse customer base and wide range of offerings in MRO and engineering development.

Operating Review & Outlook

electronics

Increasing urbanisation brings significant opportunities for infrastructure development including Smart Cities solutions and our ability to leverage this trend across all our businesses is underpinned by R&D. We are at the forefront of technology to develop best-in-class products and build a pipeline of solutions to meet customers' future needs.

2015 REVIEW

The Electronics sector continues to focus on expanding our core strengths in the key areas of Intelligent Transportation Systems, Satellite Communications and Information Communications Technologies (ICT). In 2015, we see robust demand for our solutions, reflected in a steady stream of orders through the year for all our business segments.

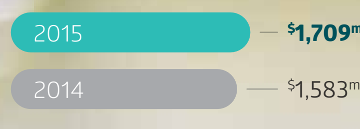
With the pace of urbanisation increasing globally, we have been seeing growing interest in our suite of smart city solutions across multiple business segments such as transportation, environment, healthcare and communications. Smart solutions showcased this year include the Galaxy M2M Communications System (Galaxy) and the Intelligent Aggregation Box (iAG Box) which were exhibited at CommunicAsia 2015. These innovations support the objectives of building a Smart City by providing ubiquitous connectivity for a variety of applications and enabling greater collaboration between different city stakeholders. The Galaxy system, which provides a single platform for multiple smart city and IOT (Internet of Things) applications including street light management, water resource management, smart metering and various other applications, has already been deployed in Israel, New Zealand, UK and the US. Looking to help cities enhance their healthcare services delivery and efficiency, our Hospital C2 Operations Centre, Remote Telehealth Monitoring and mediCAP Fall Detection System help healthcare service providers to monitor stresses on their healthcare infrastructure and extend service delivery beyond hospitals and clinics.

Large-Scale Systems Group

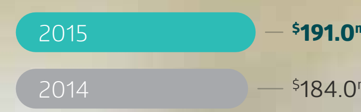
Increasing urban density continues to drive demand for our Intelligent Rail Transportation solutions that serve tens of millions of commuters daily. In 2015, ST Electronics grew our global footprint in Intelligent Rail Solutions, breaking into the Vietnam market while expanding our presence in China, India, the Middle East and the US. New contracts include the provision of the Supervisory Control and Data Acquisition System in Vietnam's Ho Chi Minh City Line 1, a Platform Screen Door System in Saudi Arabia's Riyadh Lines 1 and 2, and the Integrated Supervisory

CONTRIBUTION TO GROUP'S REVENUE

REVENUE



PROFIT BEFORE TAX



Control System in China's Fuzhou Line 1 and Guangzhou Lines 9 and 13. Our Passenger Information System will also be deployed in India's Kochi Metro as well as in 365 new cars for the San Francisco Bay Area Rapid Transit.

In Singapore, we will be deploying the Communications System and Platform Screen Door System for the new Canberra Mass Rapid Transit (MRT) Station on the North-South Line, and will continue to be involved in enhancement and maintenance projects for existing MRT lines.

In the area of building security solutions, we have secured several projects including comprehensive maintenance of the Integrated Security Management System for the Immigration & Checkpoints Authority of Singapore (Woodlands and Tuas Checkpoints), Singapore Civil Defence Force (Headquarters), Singapore Prison Service and Singapore Police Force. We are also upgrading the security system for Nanyang Technological University to support the Contactless e-Purse Application (CEPAS).

Responding to the global call to combat climate change and enable more efficient use of water and energy resources, we have been expanding our portfolio of environment-related solutions. For instance, we support Singapore's National Environment Agency in various projects such as the supply and maintenance of C-Band Meteorological Doppler Weather Radars System, 3D Scanning Doppler Wind and Raman Lidar Systems and maintenance of the S-Band Weather Radar System.

In 2015, ST Electronics also launched the Smart Building Energy Management System which identifies performance gaps and improvement opportunities by measuring energy performance indicators against the original building design.

Communications & Sensor Systems Group

On 16 December 2015, ST Electronics made history with the launch of TeLEOS-1, Singapore's first commercial Earth Observation Satellite, from the Satish Dhawan Space Centre in India. Capable of providing images of one-metre resolution, the satellite's In-Orbit Test is in good progress, and images from TeLEOS-1 are expected to be commercially available in the first half of 2016.

ST Electronics also continues to work with Inmarsat, following the launch of the third satellite in the Global Xpress constellation in August, to provide commercial broadband services to users in the maritime, aviation, oil and gas, government and other industries worldwide.

1 2

1 Both the Galaxy and iAG Box provide ubiquitous connectivity infrastructure for a Smart Nation.

2 ST Electronics continues to secure contracts for Intelligent Rail Transportation Solutions in Asia, the Middle East and the US.

Operating Review & Outlook

Our Agilis VSAT RF products have been well received by customers such as Globecomm Systems Inc in the US, which deployed them to upgrade a global multilateral organisation's private network, improving the connectivity of field offices in hundreds of remote locations.

To conduct R&D and build competencies in satellite cell backhaul technology that will address the growing need for mobile services globally, VT iDirect (iDirect), the sector's affiliate, set up VT iDirect Solutions Limited in Ireland in July.

Rising concerns about public safety and security worldwide have spurred increasing demand for ST Electronics' security sensing solutions. Our AgilFence Perimeter Intrusion Detection System has attracted new projects both locally and overseas, ranging from high security installations to airports and even in a high-end gated community in Malaysia. Enabling autonomous, reliable and non-intrusive mass fever screening in real time, our next generation Infrared Fever Screening System, IFSS2, has been deployed in several airports in Mexico as well as in Ho Chi Minh City. At Interpol World 2015, ST Electronics unveiled the Searchman Survivor Locator System which enables search teams to locate victims quickly in a disaster-hit environment by detecting the presence of cellular signals.

In the area of Intelligent Road Transportation solutions, ST Electronics is delivering a unified intelligent bus management solution to enhance operations control, fleet and information management for the Land Transport Authority of Singapore. Having successfully delivered the country's Expressway Monitoring and Advisory System (EMAS), we were awarded a contract to enhance and maintain the system.

Addressing the shortage of cyber security professionals locally, the DigiSAFE Cyber Security Centre continued to provide operational centric training that equips cyber security professionals to respond to real life cyber threats and attacks.

ST Electronics (Info-Comm Systems) also acquired the remaining 49% stake in STELCOMMS to enable the business to better meet the new security and business intelligence requirements of both public and private sectors.

Software Systems Group

With 30 years of experience delivering Modelling and Simulation solutions, ST Electronics developed the integrated Driving & Service Control (iDSC) Simulation System at the Singapore Bus Training & Evaluation Centre which opened in July. The system facilitates team-based training for bus captains and service controllers.

In training and consultancy, ST Education & Training (STET) won several consultancy projects in various sectors including banking, energy, hotel and resorts, public utilities and transportation. STET has successfully completed the Crew Familiarisation and Onboard System Training for ST Marine's newly built patrol vessels. STET also designed, developed and conducted the inaugural 15-month Port Limit Tug Master programme in collaboration with Singapore's Maritime and Port Authority.

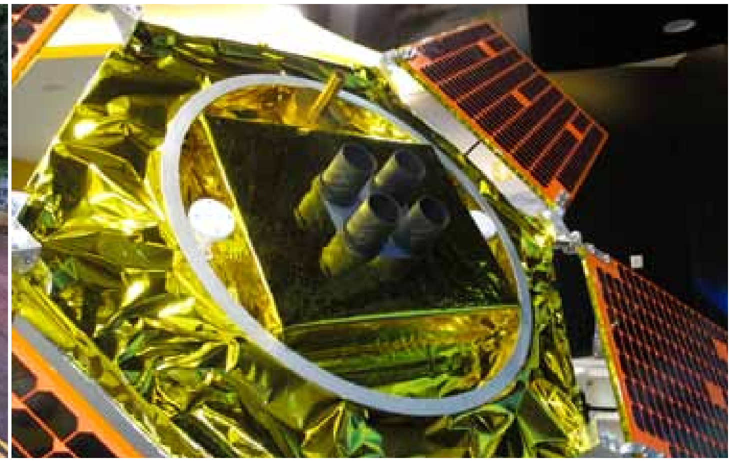
In line with our strategy of optimising resources and capitalising on new business opportunities, ST Electronics (Training & Simulation Systems) acquired the remaining 30% equity stake in STET with plans to expand and provide training services in the maritime, aerospace, land services and commercial industries.

Overseas, the Group's US-based simulation software experts, VT MÄK (MÄK), secured several contracts including support for an Air and Missile Defense Operations Center for Raytheon; high-performance network integration using the MÄK RTI and the HLA Evolved standard for Thales; and DI-Guy human character simulation for the National Advanced Driving Simulator at the University of Iowa. MÄK also released several innovative 3D visualisation and web technology products.

In France, Antycip Simulation delivered the immersive Virtual Reality Suite to IndustriLAB, providing a platform for companies to develop and test their innovations; secured new engineering research projects under the new UK Ministry of Defence (MOD) Towers of Excellence Technical Columns; and was approved as a Niteworks Partner. Niteworks provides a unique collaborative environment which enables the UK MOD and industry to work together to make informed decisions for the MOD.

In China, new projects include provision of a Car Rental Management System for Beijing Shouqi and a Smart Town Portal System for Anhui Wuhu Qingshui Town Government.

We continue to work on the maintenance and enhancement of Singapore's Expressway Monitoring and Advisory System.



TeLEOS-1, Singapore's first commercial Earth Observation Satellite, was successfully launched in December 2015.

Our marketing collaboration with AZIMUT has also led to the first successful sale of ST Electronics' Tower Simulators in Russia.

ST Electronics secured a contract from the Office of the Chief Science and Technology Officer of Singapore's Ministry of Home Affairs, for the design, build, installation, commissioning and maintenance of its Human Performance Centre. This Centre will house various facilities with projects including the qualitative measurement of human performance to different scenarios. We will also be providing content and instructional design, and project management services for the Singapore Armed Forces' LEARNet Phase 2.

INDUSTRY OUTLOOK

Intelligent Transportation

The growth of mega cities around the world has generated immense stress on urban transportation infrastructure. Consequently, Asia, the Middle East and South America are investing heavily in rail transportation. China is pushing ahead with developments in its second and third tier cities, and Saudi Arabia is taking the lead amongst Gulf Cooperation Council countries in developing world class MRT lines. Meanwhile, developed cities in the US and Europe, are looking to improve their existing infrastructure.

ST Electronics continues to lead in this sector, being one of the few corporations in the world that is able to provide a comprehensive suite of Intelligent Rail Transportation solutions. We also offer highly efficient intelligent transportation, traffic and fleet management systems that enable cities to implement effective and safe modes of transportation.

Satellite Communications

The need for connectivity by consumer and enterprise users in unserved and underserved areas will continue to drive demand for more satellite bandwidth and coverage. Satellite operators such as Inmarsat, Intelsat and Yahsat have separate plans to roll out their High Throughput Satellites services. Corporate giants like Google, Facebook, O3b and OneWeb have proposed Internet-From-The-Sky network systems based on technologies such as Low Earth Orbit satellites and drones, to blanket the earth's surface with Internet connectivity by the end of the decade.

As the world's largest enterprise VSAT systems manufacturer with a 32% market share (according to the 13th Edition of The VSAT Report published by UK-based market analyst COMSYS), iDirect has the cutting edge technology to leverage these trends.

Smart Cities

Urbanisation and advances in ICT have created a demand for smart functionality in everything. Globally, there is a drive towards smart cities with the focus on transportation, environment and utilities, public safety and security, and healthcare. With an established track record and wide-ranging solutions spanning the entire value chain from sensors to communications systems, data management platforms, data analytics and domain-specific operational systems, The Group's Electronics sector is well positioned to help customers realise their ambitions for smart and connected cities.

Operating Review & Outlook

land systems

We continue to pursue international and local defence programmes with our proven platforms and solutions.

2015 REVIEW

The Land Systems sector took steps to expand our footprint in the global defence market and pursued new growth areas in our commercial business.

Automotive – Defence

2015 saw us expanding our presence in the global defence market with the launch of the newest version of the Terrex 8x8 wheeled armoured vehicle, and participation in key international tenders.

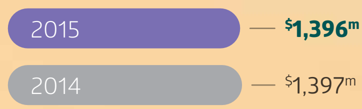
The Terrex 2 was unveiled amidst international interest and anticipation. The newest addition to our stable of proven armoured platforms is a cutting edge 8x8 wheeled armoured vehicle, encompassing superior mobility, innovative survivability and network centricity that can enhance the capabilities of global armed forces to fight as a mobile, networked force. With the new Terrex, we seek to address the wheeled armoured vehicle and infantry fighting vehicle segments – two growing segments in the international defence market.

The Terrex 2 is one of only two candidate vehicles that secured the engineering and manufacturing development contracts from the US Marine Corps for their Amphibious Combat Vehicle (ACV) Phase 1 Increment 1 (1.1) programme. With the Science Applications International Corporation of the US as the prime contractor, ST Kinetics will deliver up to 16 prototype vehicles for evaluation testing by the Marines over the next few years.

We continued to pursue international defence programmes to grow our defence export business. Together with Elbit Systems of Australia, ST Kinetics submitted the enhanced Terrex 2 as one of the candidate vehicles for the Australian Army's LAND 400 Phase 2 Mounted Combat Reconnaissance Capability programme. The enhanced Terrex 2 will feature higher payload and survivability to address the requirements of the LAND 400 Phase 2 programme. With 225 combat reconnaissance vehicles expected to be procured as part of this programme, the Australian Department of Defence is expected to announce the shortlist of tenderers to participate further in the programme in March 2016.

CONTRIBUTION TO GROUP'S REVENUE

REVENUE



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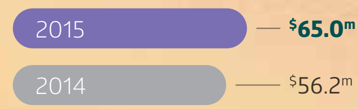


Automotive – Commercial

Autonomous Vehicles – New Growth Area

During the year, we embarked into the new growth area of robotics and autonomous vehicle solutions. ST Kinetics set up a new division, Kinetics Advanced Robotics, to spearhead the development and commercialisation of robotics and autonomous vehicle solutions.

ST Kinetics, jointly with ST Electronics, collaborated with A*STAR's Institute for Infocomm Research to respond to a Request for Information (RFI) on self-driving vehicle technology issued by Singapore's Land Transport Authority (LTA). The RFI sought proposals on using self-driving vehicle technology for land transport mobility concepts such as point-to point mobility-on-demand services, and self-driving buses. LTA is evaluating all proposals submitted for the RFI and the conclusion of their evaluation is expected in 2016.

Leading the autonomous vehicle initiative by Gardens by the Bay, ST Kinetics is overseeing the trial of Gardens by the Bay's Auto Rider autonomous vehicle for full scale deployment by 2016. Through an MOU with Singapore's Ministry of Transport and Sentosa Development Corporation, ST Kinetics was appointed as the technology integrator for the self-driving Shuttle System study in Sentosa. Expected to be completed in two years beginning from 2016, ST Kinetics will contribute our experience and expertise in the development of autonomous vehicle solutions.

Construction Equipment & Specialty Vehicles

The global construction equipment (CE) and specialty vehicles (SV) market continued to be a challenging one in 2015. Inventory overhang and sustained weak conditions in some markets continued to impact the performance of all players. Despite this, the Land Systems sector forged ahead with strategies to mitigate challenging conditions while building capabilities for future growth in niche segments.

The Chinese market saw continued slow down in construction, mining and housing demand, seriously impacting the overall CE market in 2015. According to Off Highway Research, 2015 saw a full year decrease of more than 30% compared to 2014. Against this backdrop, ST Kinetics' Chinese subsidiaries mitigated the market's weakness by controlling costs and adjusting production levels.

Jiangsu Huatong Kinetics (JHK) continued to develop innovative products to meet the expected growth in the road and rail construction and maintenance segments. For example, JHK's SPSE series of Hydraulic Pavers

ST Kinetics unveiled the Terrex 2 in 2015 to address the wheeled armoured vehicle and infantry fighting vehicle segments.

Operating Review & Outlook

were deployed in road construction and city development projects in Hubei, Jilin and Sichuan provinces, capitalising on the expansion of road networks under China's 'One Belt, One Road' development strategy.

Meanwhile, another Chinese subsidiary, Guizhou Jonyang Kinetics (GJK), made progress in targeting the Emergency Response and Disaster Recovery vehicle segments by offering its All Terrain Vehicles and establishing market leadership through alignment and collaboration with Chinese national initiatives.

In the road construction equipment market, VT LeeBoy continued to grow its market share and diversify its revenue by expanding to new international markets. It sold its first units of Rosco RA400 Pothole Patchers to Saudi Arabia in 2015 and continued to secure orders from the Middle Eastern markets for its road construction equipment.

In Brazil, LeeBoy Brazil continued with the localisation of VT LeeBoy's US road construction equipment designs. LeeBoy Brazil continued to secure orders amidst the challenging market conditions and has adjusted its production levels in anticipation of a much weaker 2016.

In India, LeeBoy India saw a better year with recovery in the Indian market as well as expansion of its international sales. LeeBoy India enlarged its dealer network in India and continued to spread its dealer network across the African continent and the Middle East. The year also saw LeeBoy India's 200th motor grader rolling out from its production facilities. Motor graders continue to be LeeBoy India's leading product, with its motor graders increasing market share in the Indian motor grader market.

In the US, the higher demand for refrigerated truck bodies and trailers saw our US affiliates looking to capitalise on the opportunity to grow market share. VT Hackney extended its market leadership with new offerings and breakthroughs in new segments. VT Hackney released a new Performer body for the Ford Transit chassis, expanding its offering of specialty truck bodies for the plumbing, heating, ventilating and air conditioning industry. With the new Cleaning and Restoration Hackney Performer, VT Hackney also addressed the cleaning and restoration industry, with custom shelving and side door compartments to meet operator requirements and increase job site efficiency.

Munitions & Weapons

We continued to build on ST Kinetics' global leadership in 40mm ammunition solutions with new contracts and deliveries. A significant milestone was the securing of our first 40mm ammunition contract with Brazil in 2015. Having sold 40mm solutions to over 30 countries, this is a landmark contract for us in the South American ammunition export market.

We also clinched an overseas contract for our 120mm Super Rapid Advanced Mortar System (SRAMS). This is the latest of several orders for the advanced mortar system in recent years.

The development of the Bullpup Multi-Role Combat Rifle (BMCR), first unveiled at the Singapore Airshow in 2014, is now ready for production. The BMCR is designed to be lightweight with reliability and ergonomics as core considerations for its design.

Services, Trading & Others

Exploring new opportunities in the power sector, Singapore Test Services (STS), ST Kinetics' testing, inspection and certification subsidiary, signed an MOU with the National University of Singapore Centre for Energy Research and Technology and the Singapore Institute of Power and Gas on integrating energy storage systems with Singapore's power grid. Energy storage systems are technologies capable of storing electricity on a large scale. These could be used to support the large scale deployment of intermittent electrical generation sources like solar energy. The collaboration will see STS as the primary anchor for the development of a product technical standard for energy storage systems in Singapore.

In Myanmar, we appointed a single dealer for MAN trucks and buses and successfully delivered MAN CLA trucks and various coaches to several customers. In Singapore, we continued to build up our MAN trucks and bus distribution business, with ST Kinetics successfully securing our first order of the reliable MAN double-decker buses to SMRT Buses. This contract follows a series of contracts awarded by SMRT Buses in recent years for the MAN city buses in Singapore.

INDUSTRY OUTLOOK

The Land Systems sector will continue to participate in key international defence programmes, expand its capabilities in products and solutions for new growth areas and adapt growth strategies to mitigate the challenging conditions in its construction equipment specialty vehicles markets.

VT LeeBoy successfully sold its first units of the Rosco RA400 Pothole Patchers to Saudi Arabia in 2015.

In 2015, VT Hackney released the new Performer body for the Ford Transit chassis, expanding its offering of specialty truck bodies for the plumbing, heating, ventilating and air conditioning industry.

ST Kinetics secured the first order from SMRT Buses for the reliable MAN double-decker buses.

Defence

Reducing security threats continue to be the focus of many nations. Thus, there will be sustained demand for advanced armoured platforms, weapon systems and munitions in the coming years as armed forces look to replace ageing equipment or procure new ones for new capabilities. ST Kinetics will continue to pursue international and local defence programmes with our proven platforms and solutions.

Commercial

ST Kinetics will continue to pursue opportunities globally for its intelligent driveline business with our NexDrive™ and InfiniDrive™ range of innovative transmissions. In the area of robotics and autonomous vehicle solutions, we will explore new opportunities while delivering the various autonomous vehicle programmes we are involved in.

According to reports, investments in public infrastructure in the US, like the anticipated long term Federal Highway spending programme, will sustain road and other infrastructure-related construction, spurring the demand for road construction equipment. VT LeeBoy will continue to focus on enhancing its product lines to meet the infrastructure development needs of the US states.

In the trailers and specialty bodies segment, VT Hackney will focus on pursuing major tenders and growing its market share.

For China, the slowdown in the CE market in 2015 is expected to continue into 2016. However, there is optimism for longer-term growth. Oxford Economics in their Global Construction 2025 report expects the Chinese construction market to grow in the medium term and represent over a quarter of global output by 2025.

The Chinese government's 'One Belt, One Road' development strategy to connect and extend road and rail networks to Central Asia is expected to fuel infrastructural development in the long run and create positive demand for construction equipment . The setting up of the Asian Infrastructure Investment Bank further helps to provide funding for Chinese CE original equipment manufacturers to tap on infrastructure projects in Asia Pacific.

ST Kinetics' Chinese CE subsidiaries will continue to improve and enhance their existing construction and road construction equipment to meet the demand expected from China's development strategy. For example we are already focusing on enhancing our product lines to target China's road maintenance segment which will be a new growth area.

For India, infrastructure development is a priority for the government and market watchers expect the total spend on Indian infrastructure to reach US$19 billion by 2017. LeeBoy India will continue to enhance its product lines to target the growth in the road construction segment.

2016 is expected to continue to be a very challenging year for Brazil. LeeBoy Brazil will continue to adjust its growth strategy and focus on gaining market share in the greater Latin American region to mitigate the sustained downturn in Brazil.

In Singapore, ST Kinetics will continue to grow the MAN trucks distribution business by capitalising on potentially higher demand for new trucks as fleet owners seek to replace their ageing trucks in order to comply with the Euro V emissions standard. In the bus business, we will continue to deliver MAN city buses as part of our contracts with SMRT Buses. In the bus segment, we will continue to capitalise on the higher demand for city buses with Singapore LTA's continued rolling out of the Government Contracting Model for the public bus industry. In Myanmar, we will continue to grow our market share through targeting government contracts for the supply of trucks and buses, as well as continue to drive sales for the MAN CLA trucks.

Operating Review & Outlook

marine

We believe that our strength and diversity in the naval segment will cushion us against the sluggish commercial segment, which is dragged by low oil prices and declining demand for OSVs and SSVs.

2015 REVIEW

Depressed oil prices and cutbacks in exploration and production activities by oil majors, caused a significant reduction in the utilisation rate of drilling rigs worldwide. This resulted in an oversupply of offshore and subsea support vessels as many of them had to be laid up. The shipbuilding segment of the oil and gas industry entered a period of adjustment as ship owners scaled back on their newbuilding orders while waiting for market conditions to improve.

To mitigate these headwinds, we focused on ensuring our current shipbuilding projects stayed on track in terms of costs, quality and schedule. In shiprepair, we continued to deliver excellent services with fast turnaround times, and at the same time expanded our reach with a wider agency network that now includes Norway, Korea and Vietnam. In the US, we continued to build on our good track record in the second full year of shiprepair operations.

We participated in major exhibitions and conferences including the International Maritime and Defence Exhibition (Singapore), Pacific 2015 (Sydney, Australia), Norshipping (Oslo, Norway), MarineLog-Ferries (Boston, US), International Workboat Show (New Orleans, US) and Offshore Patrol Vessels (Toulon, France). In addition to driving brand visibility, these shows presented valuable opportunities to showcase new as well as proven products, designs and solutions to potential customers.

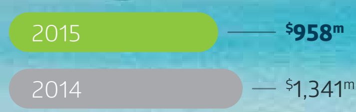
Shipbuilding

We celebrated milestones for shipbuilding programmes with customers like the Royal Navy of Oman (RNO), the Republic of Singapore Navy (RSN), Hornbeck Offshore Services, Inc (Hornbeck), Bouchard Transportation Co. Inc. (Bouchard), Pasha Hawaii, and Crowley Maritime Corporation (Crowley).

In Singapore, the Al-Ofouq programme remained on track, with delivery of the fourth vessel by 3Q2016. The second vessel (*RNOV Shinas*) has completed her live firing trials in Oman since her departure in October 2015, while Interim Acceptance of the third (*RNOV Sadh*) and naming of the fourth (*RNOV Khassab*) took place in January 2016. Littoral

CONTRIBUTION TO GROUP'S REVENUE

REVENUE



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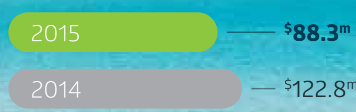


Mission Vessel (LMV) *Independence*, the first of eight LMVs for the RSN, was launched in July 2015. These vessels are expected to be delivered progressively from 2016 onwards.

In the US, VT Halter Marine successfully completed the delivery of ten 97.2m Super 320 Offshore Support Vessels (OSVs) to Hornbeck. The four vessels delivered in 2015 were *HOS Caledonia*, *HOS Crestview*, *HOS Carousel* and *HOS Cedar Ridge*. The first of two Articulated Tug Barges (ATBs), *MV Kim M. Bouchard* and *B.No.270*, were delivered to Bouchard, with sister unit *MV Donna J. Bouchard* and *B.No.272* expected to be delivered in 2016. We also delivered the second Container Roll-on/Roll-off (ConRo) vessel, *MV Marjorie C*, to Pasha Hawaii.

The *MV Marjorie C* is the second US Flag, Jones Act-qualified vessel built for Honolulu-based Pasha Hawaii, and will join sister ship *MV Jean Anne* in providing additional services to Hawaii via the Hawaii/Mainland trade lane.

VT Halter Marine was contracted to build two liquefied natural gas (LNG) powered ConRos for Crowley. *El Coqui* and *Taino*, had their keels laid in January and August 2015 respectively. Both are expected to be delivered in 2H2017.

In the naval segment, VT Halter Marine completed delivery of *A. GAD*, the last of four Fast Missile Craft to the US Navy for the Egyptian Armament Department. VT Halter Marine is now pursuing opportunities to market the 'Ambassador' design vessels to the US Navy via the Foreign Military Sales (FMS) or Foreign Military Funding (FMF) programmes as well as directly to commercial customers.

On new business, we see several tender opportunities. We are tendering for a Hydrographic and Oceanographic Vessel, and several OSVs which our repeat customers have called for. We will be participating in the Australia's SEA 1180 Programme which is the design, build and long term support of offshore patrol vessels. ST Marine will be offering our proven classes of patrol vessels, incorporating a mission bay where modular mission modules can embark, and a stern launch and recovery system for more efficient operations of boats at sea.

VT Halter Marine delivered the first of two ATBs, *Kim M. Bouchard* and *B.No.270* to Bouchard.

Operating Review & Outlook

Shiprepair

Shiprepair in Singapore saw a decline in activity during the year due to the absence of major repairs and conversions in the market. The sector was also hit by the reduction in maintenance expenses of the OSV segment as more ships were laid up. Projects delivered include the repair of livestock carriers *Ocean Drover, Ocean Swagman, Bison Express* and *Al Shuwaikh*; fisheries vessels *Demiku* and *NOAA Oregon II*; chemical tankers *Stolt Sun, Songa Eagle, Tasco 1* and *CPO Malaysia*; seismic vessel *BGP Explorer* and *Duke*; trailing suction hopper dredger *Cornelis Zanen*; cargo vessel *Fair Player*; research vessel *Fugro Stout*; and multi-purpose offshore vessel *Lewek Atria, UOS Navigator* and *Seven Eagle*.

In a declining market where owners are cutting maintenance costs, we will deepen our focus on quality service and faster turnaround times. We will further strengthen our relationship with repeat customers, who currently contribute about 80% of our shiprepair work, and ensure that our offerings remain relevant to their needs.

For the naval segment, we were engaged in various upgrading, logistics management and maintenance programmes for the RSN, marine police and foreign navies. These included upgrading of the existing Landing Ships Tank, extension in scope of logistics management and maintenance contracts to cover shore units and new ships. Our focus on operations and support services, including engine servicing for overseas navies, contribute to our reputation as a Total Naval Solutions provider. This, along with our established track record in the naval segment, gives us a competitive advantage, especially with customers whose platforms we built.

In the US, VT Halter Marine saw strong demand for its services as it completed its second full year of shiprepair operations. During the year, it delivered the conversion of a pipe-layer vessel to EMAS and the conversion of the tug *Honor* for Express Marine. The latter involved installing a 3.66m (12 ft) mid-body, repowering the tug as well as the overhaul and replacement of all major equipment. Other works completed include repeat contracts from the National Oceanic and Atmospheric Administration (NOAA), Crowley, and Hornbeck. It also saw new customers for both dock-side and dry-dock repairs, such as Kirby and Signet Maritime. Enquiries continued to remain strong, and VT Halter Marine is in negotiations with many existing and new customers.

Engineering

The Roll-on/Roll-off Passenger (Ropax) Vessel, *MV Nova Star* completed her second season in the ferry service between Yarmouth, Nova Scotia, and Portland, Maine. This service restored an international link between the Canadian and American ports after cessation of the CAT ferry in 2009. The charter of the Vessel was terminated in November 2015 when the charterer of Nova Star did not win the concession to operate the service from 2016 onwards. We have re-possessed the vessel and are working with brokers, potential charterers and buyers to find a meaningful employment for her in 2016.

In the environmental engineering segment, STSE Engineering Services Pte Ltd (STSE) won a contract by Singapore's Public Utilities Board for the design, build, testing and commissioning of a 5m gallon per day extension to the existing Kranji NEWater Plant. This marked a significant milestone in STSE's water treatment projects.

STSE also won an extension contract from the Brunei Economic Development Board for the operation and maintenance of the country's Integrated Waste Management System (IWMS). Built and operated under a design, build, operate and transfer contract since 2010, the IWMS comprises a sanitary landfill at Sungai Paku and a transfer station at Sungai Akar. The extension affirms our proven track record in the solid waste segment.

In China, STSE delivered a Pneumatic Waste Collection System for the collection of recyclables, non-recyclables and food waste in the Eco Business Park in Tianjin Eco-City.

INDUSTRY OUTLOOK

Shipbuilding

The drop in oil prices has dampened demand for our products and services in the oil and gas segment, and we do not foresee any improvement in commercial shipbuilding until 2017/18. However, we believe that OSVs and Subsea Support Vessel (SSVs) will continue to be the backbone of the offshore industry. In anticipation of the eventual rebound, our engineers are developing new OSV designs to meet future needs. Our track record puts us in a good position to benefit from a recovery in the OSV and SSV segment.

In the US, rigs are likely to continue to be pulled out from the Gulf of Mexico (GOM) at the current pace. Hence, we do not foresee the utilisation rates of OSVs improving there. However, as the US economy continues to recover, there is potential demand for ATBs, Inspection/Maintenance/Repair

Launch of LMV Independence at ST Marine's Benoi Yard on 3 July 2015.

The Interim Acceptance of *RNOV Shinas* and the Naming of *RNOV Sadh* took place on 10 September 2015.

(IMR) vessels and multi-purpose tankers, new designs in fishing trawlers, dredgers and product tankers. Another positive factor is that the Jones Act continues to give US shipyards like VT Halter Marine an advantage in shipbuilding and related works. Meanwhile, the FMS and FMF programmes provide opportunities for naval projects. VT Halter Marine is also pursuing direct commercial sales to foreign navies with whom we have a good track record.

Shiprepair

The offshore oil and gas industry has been challenging since late 2014 following the slump in oil prices. A stronger US dollar also impacted OSV owners in Southeast Asia. In the shipping sector, the decline in China's trade, coupled with an oversupply of container ships, sharply reduced freight rates and in turn the repair budgets of vessel owners. On the other hand, crude oil and product tanker earnings grew as low oil prices accelerated crude oil throughput and increased demand for transportation of feedstock and refined oil products. We are working closely with our repeat and new customers during this time, anticipating to grow with them when the offshore market rebounds. Our excellent track record in repairing chemical and product carriers makes ST Marine an attractive option for customers. Moving forward, dredging activities are expected to increase in East Asia due to projects such as land reclamation and port development. We will continue to invest in dredger repairing capabilities in order to attract new customers and maintain partnerships with current ones.

In the US, VT Halter Marine will focus on attracting more repair businesses from repeat customers. To mitigate increasing competition, it will seek customers on the East Coast as well as customers operating in the GOM. VT Halter Marine will also pursue additional certifications for its repair facility in order to qualify for repair work from the US Navy.

Engineering

In environmental engineering, our core markets in Singapore, Southeast Asia, China and the Middle East will continue to enjoy steady growth as governments invest in tackling environmental pollution and waste treatment. Solid waste treatment and disposal represents a rapidly growing business segment in Southeast Asia as local governments move away from open dump sites to sanitary landfills. We will use our experience in designing and operating the Brunei IWMS to cater to this growing demand.

Financial Review

RESILIENCE AMIDST A CHALLENGING ENVIRONMENT

The Group registered comparable year-on-year Revenue, Profit Before Tax (PBT) and Net Profit of $6.34b, $630.3m and $529.0m respectively for FY2015.

In 2015, the Group invested $293m of capital expenditure in new capabilities and capacity to tap the growth opportunities across the four sectors. We ended the year with an order book of $11.7b, which provides good visibility of the Group's future revenue stream and will further add to our resilience.

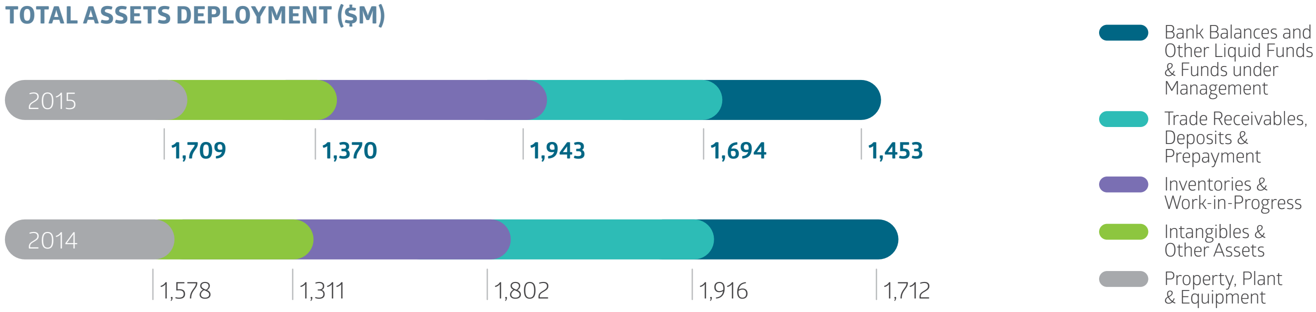
The Group continued to generate good operating cash flow, ending the year with cash and cash equivalents balance (including funds under management) of $1.4b. In addition, the Group continued to deliver positive Economic Value Added (EVA) of $366.2m.

The Board is proposing to pay shareholders a final dividend of 10 cents per share. Together with the interim dividend of 5 cents per share paid in September 2015, a total of 15 cents dividends per share would have been paid for FY2015.

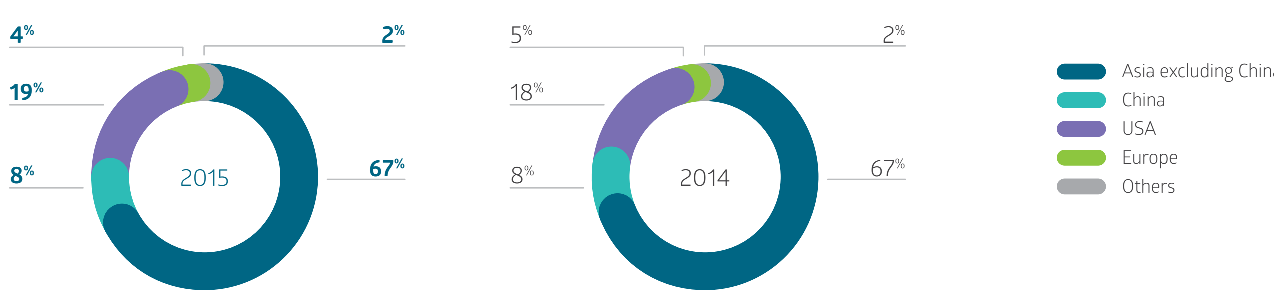
FINANCIAL POSITION

As at 31 December 2015, the Group's total assets of $8,169m was $150m or 2% lower than that of 31 December 2014. The lower total assets were mainly due to lower cash and advances from customers, partially offset by increases in property, plant and equipment, inventory & work-in-progress, and intangible assets.

TOTAL ASSETS DEPLOYMENT ($M)



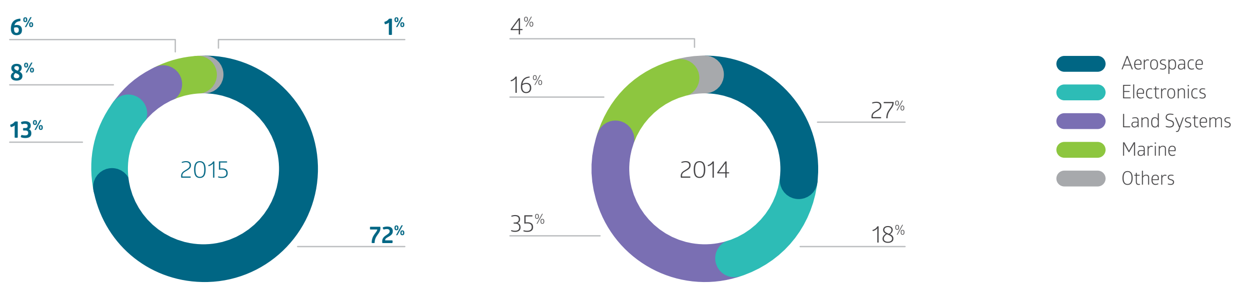
TOTAL ASSETS BY GEOGRAPHY



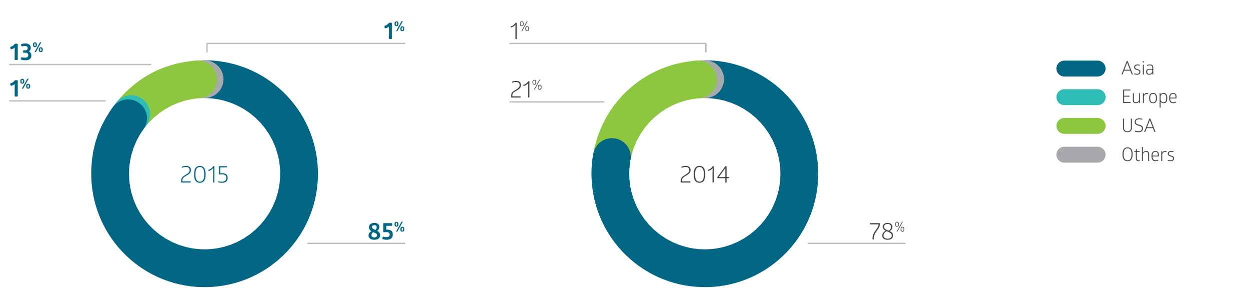
CAPITAL EXPENDITURE

During the year, the Group continued to invest for growth with capital expenditure of $293m (2014: $240m). About 91% or $267m of the total capital expenditure was for investments in new capacity and capability. Additional capital expenditure included purchase of rotable components to support the growth in MBH™ programmes, engines to support the portfolio of engine leasing business, and aircraft to support the new aircraft leasing business.

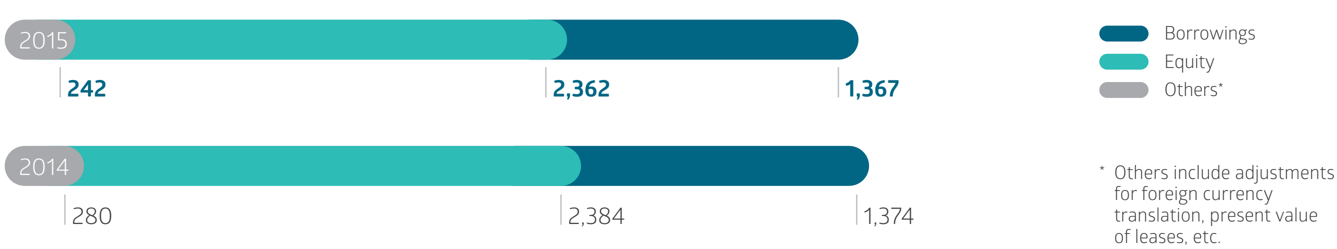
CAPITAL EXPENDITURE BY SECTOR



CAPITAL EXPENDITURE BY GEOGRAPHY



CAPITAL EMPLOYED ($M)



Average capital employed in 2015 was $3,971m compared to $4,038m in 2014.

Financial Review

TREASURY MANAGEMENT

ST Engineering operates internationally and is exposed to financial risks, comprising currency, interest rate, credit and liquidity risks. The Group recognises that prudent management of financial risks is important and has in place a set of treasury policies and guidelines to mitigate these risks. Treasury activities are managed through the Group Treasury Division.

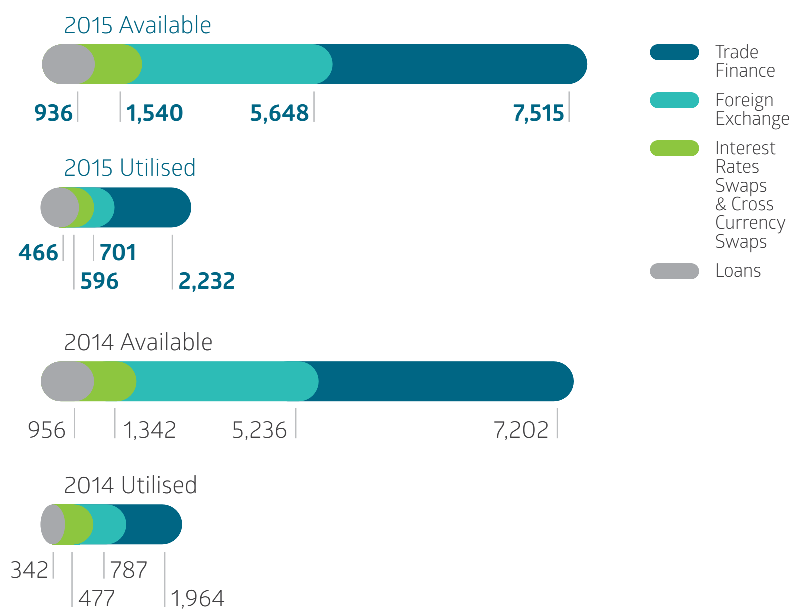
Banking Facilities

To support the Group's business operations globally, banking facilities have been secured in regions where the Group has its footprints. The Group has approximately $15.6b (2014: $14.7m) of banking facilities as at year end. These facilities include trade financing line for performance bonds, bankers guarantees, and letters of credit, foreign exchange facilities, Cross-Currency Swap ("CCS") and Interest Rate Swap ("IRS") facilities and loan facilities. Of the $15.6b of banking facilities, the Group has utilitised $4.0b (2014: $3.6b), $11.6b (2014: $11.1b) or 74% remain available for use.

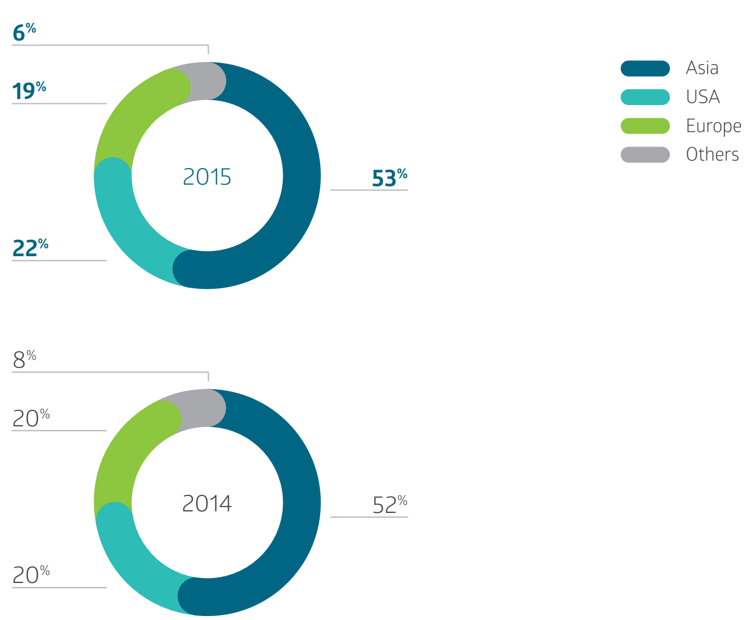
Foreign Exchange

The Group has receivables and payables denominated in foreign currencies. Foreign currency exposure arises from fluctuation of exchange rate against the Singapore dollar, which is the Group's reporting currency. The Group actively manages its currency exposure through netting across our business units, and the net exposure is hedged through plain vanilla foreign exchange forward contracts. The top three currencies which the Group is exposed to are USD, EUR and GBP. During the year, the Group engaged in approximately $1.0b equivalent of foreign exchange transactions. As at year end, $0.7b (2014: $1.0b) remained as outstanding foreign exchange transactions.

BANKING FACILITIES ($B)



BANKING FACILITIES BY NATIONALITY OF BANKS



Liquidity

The Group takes an integrated approach to cash management across its business units through a sweep arrangement. Cash from business units with surplus funds is lent to those units which have funding requirements. Further unutilised cash of the Group is pooled and placed out as fixed deposits with Financial Institutions of high credit rating as well as managed through a portfolio of investment bonds by a fund manager. As at 31 December 2015, ST Engineering's cash and cash equivalents including funds under management was at $1.4b, compared to $1.7b as at 31 December 2014. The decrease, compared with 2014, was due to the utilisation of cash for share buyback and the acquisition of property, plant and equipment to support growth.

During the year, effort to enhance yield was made to tighten liquid funds left as working capital. Funds under management increased from $0.2b as at 31 December 2014 to $0.5b as at 31 December 2015. Funds under management which primarily invested in fixed income instruments, earned higher yields ranging from 1.50% to 4.95% per annum as compared with interest income from fixed deposits which earned an average yield of 0.95% in 2015 (2014: 0.87%).

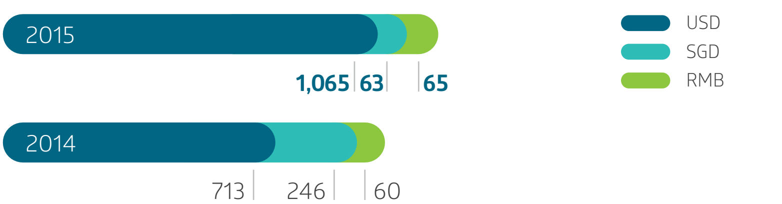
Borrowings

As at 31 December 2015, the Group has borrowings amounting to $1.2b (2014: $1.0b) comprising $0.7b (2014: $0.6b) from bonds and $0.5b (2014: $0.4b) short & long term loans from banks, lease obligations and other loans. Borrowings are predominately in USD (89%), RMB (6%) and SGD (5%) to support the Group's operations in USA and China.

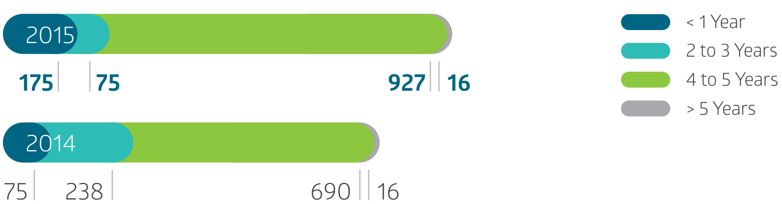
78% of the Group's total borrowings mature in 4-5 years' time as at end 2015, compared to 68% as at end 2014.

The Group seeks to minimise its interest rate risk exposure through tapping different sources of funds to refinance the debt instruments and/or enter into interest rate swaps, where appropriate. The Group actively manages its interest rate risk exposure through close tracking of developments in the financial market. In view of the rate hike by the US Federal Reserve, the Group refinanced U$100m term loan with the bank ahead of maturity in 2016. The Group also unwind U$100m of IRS in 2015 to convert floating rate to fixed rate borrowings. 80% of the Group's total borrowings were on fixed interest rate as at end 2015, as compared with 63% as at end 2014.

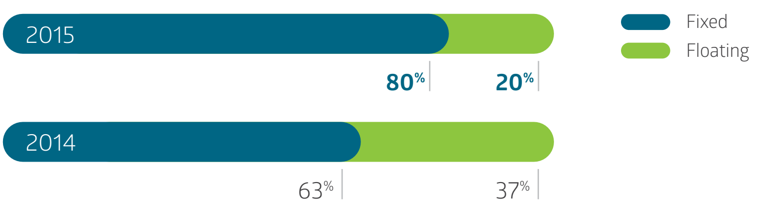
BORROWING PROFILE BY CURRENCY ($M)



BORROWING PROFILE BY MATURITY ($M)



BORROWING BY FIXED AND FLOATING RATE



Financial Review

INTEREST COVER RATIO

The Group's interest cover reduced from 16.7 times in 2014 to 15.4 times in 2015. The lower interest cover was attributable to lower profits and an increased in interest expense by $1.9m due to the impact of stronger US dollar on the USD bond coupon payments and also higher interest rate as a result of converting more floating rate borrowings to fixed rate borrowings.

Gross debt/equity ratio increased from 0.4 times in 2014 to 0.5 times in 2015 with additional borrowings for investments, including the new aircraft leasing business.

Operating Activities

Compared to FY2014, net cash from operating activities of $465 million in FY2015 was lower by $159 million. This was mainly due to unfavourable working capital movements from inventories and work-in-progress, progress billings in excess of work-in-progress, partially offset by favourable working capital movement from trade receivables.

Investing Activities

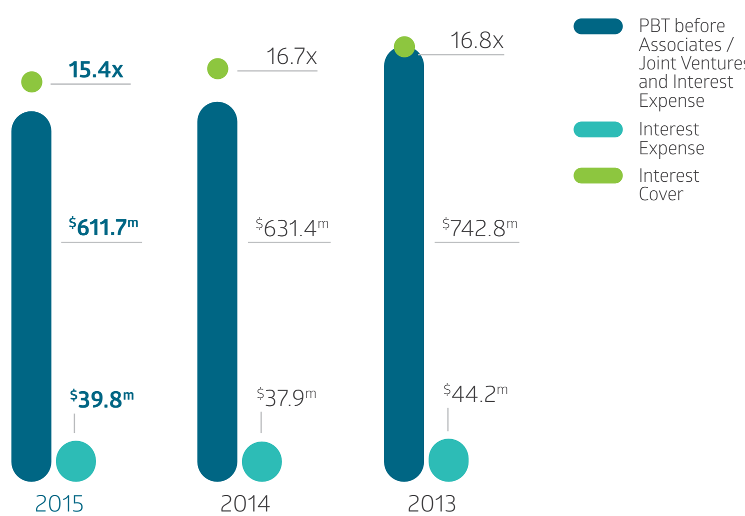
The Group's net cash used in investing activities of $477 million in FY2015 was higher than that of FY2014 by $320 million. The higher cash outflow was due to increased purchases of property, plant and equipment (by $49 million), including aircraft for leasing, and investments in bonds, net (by $259 million).

Financing Activities

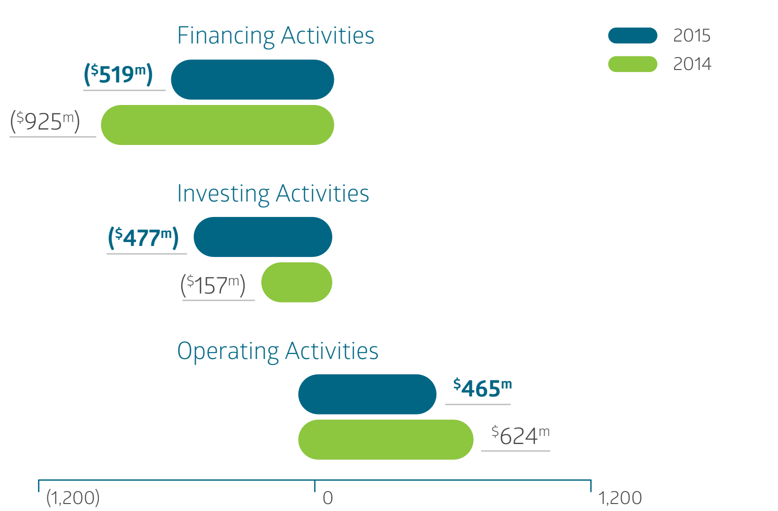
The Group's net cash used in financing activities of $519 million for FY2015 was lower than that of FY2014 by $406 million, mainly attributable to increase in bank loans in FY2015 (by $103 million) vis-à-vis net repayment of bank loans in FY2014 (by $391 million), partially offset by utilisation of cash for the purchase of treasury shares (by $83 million).

	2015	2014	2013
Gross Debt/Equity Ratio	**0.5**	0.4	0.6
Operating Cash Flow ($M)	**465**	624	930
Free Cash Flow ($M)	**(12)**	467	672
Net Cash ($M)	**252**	686	856

INTEREST COVER RATIO



CASH FLOWS ($M)



TAX

The Group continues to benefit from the Government's Productivity and Innovation Credit (PIC) scheme and enjoyed tax deductions/allowances for the investments in innovation and productivity improvements, building on our strengths to bring engineering and technology together to create solutions that will give our customers an edge in what they do. Our operations in the US have also tapped on government incentives and have successfully obtained more tax credits for research and development expenditures.

In compliance with the updated transfer pricing (TP) guidelines released by the Inland Revenue Authority of Singapore, requiring taxpayers to prepare contemporaneous TP documentation, the Group has reviewed existing TP documentation and put in place a TP policy framework.

The Group's effective tax rate for 2015 is 16% (2014:17%).

SIGNIFICANT ACCOUNTING POLICIES

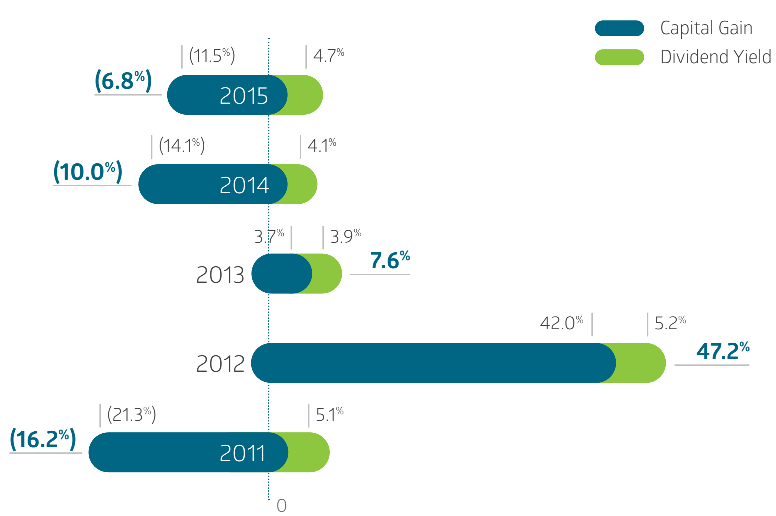
The Group's significant accounting policies are presented in Notes to the Financial Statements, Note 3 (pages 135 to 158). The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2014 except for the adoption of all the new and revised Singapore Financial Reporting Standards, that are mandatory for financial years beginning on or after 1 January 2015 as indicated on page 157 to 158.

TOTAL SHAREHOLDER RETURN

With positive cash flow generated from operating activities, the Group ended the year with $1.4b of cash and cash equivalents including funds under management. Management will continue to recommend return of excess cash generated from its operations to the shareholders. ST Engineering paid an interim ordinary dividend of 5 cents per share to shareholders in September 2015 and would recommend to shareholders at the forthcoming Annual General Meeting a final dividend of 10 cents per share. The total Dividend Per Share (DPS) for FY2015 will amount to 15 cents. Based on the average share price of $3.21, the DPS of 15 cents translates to a dividend yield of 4.68%.

ST Engineering share price ended the year at $3.01, a drop of 11.5% compared to a year ago. Over the same period, the STI Index declined by 14%. With dividend yield at 4.68%, the total return to ST Engineering shareholders was negative 6.8%.

TOTAL SHAREHOLDER RETURN



Financial Review

ECONOMIC VALUE ADDED (EVA)

The Group generated yet another year of positive EVA. Group's FY2015 EVA attributable to ordinary shareholders of $366.2m was 6% or $21.7m higher than that achieved in FY2014. The increased EVA was mainly attributable to higher Net Operating Profit After Tax (NOPAT) and a lower capital charging arising from a decrease in the Weighted Average Cost of Capital (WACC) to 5.5% in 2015 from 5.6% in 2014.

EVA STATEMENT	2015 $M	2014 $M
Net profit before tax	**572.0**	593.5
Adjust for:		
Share of results of associates and jointly controlled entities, net of tax	**58.3**	57.2
Interest expense	**49.4**	46.3
Others	**(13.7)**	(18.5)
Adjusted profit before interest and tax	**666.0**	678.5
Cash operating taxes (Note 1)	**(88.1)**	(113.0)
NOPAT - (a)	**577.9**	565.5
Average capital employed (Note 2)	**3,971.0**	4,038.1
Weighted average cost of capital (Note 3) (%)	**5.5**	5.6
Capital charge - (b)	**(218.4)**	(226.1)
EVA - [(a) - (b)]	**359.5**	339.4
Non-controlling share of EVA	**6.7**	5.1
EVA attributable to ordinary shareholders	**366.2**	344.5
Unusual items (UI) losses (Note 4)	**2.6**	14.6
EVA attributable to ordinary shareholders (exclude UI)	**368.8**	359.1

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

Note 2: Monthly average equity plus interest bearing liabilities, timing provision and present value of operating leases.

Major Capital Components

	$M
Borrowings	1,367.1
Equity	2,362.0
Others	241.9
	3,971.0

Note 3: The Weighted Average Cost of Capital is calculated in accordance to ST Engineering Group EVA Policy as follows:
i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2014 @ 5.0%);
ii) Risk-free rate of 2.15% (2014 @ 2.48%) based on yield-to-maturity of Singapore Government 10 years Bonds;
iii) Ungeared beta at 0.73 (2014 @ 0.74) based on ST Engineering risk categorisation; and
iv) Cost of Debt at 3.49% (2014 @ 3.07%) using actual cost of debt of the borrowings in US, Europe, China and Singapore.

Note 4: UI refer to divestment of investment properties, subsidiaries and associates, long term investments and disposal of major property, plant and equipment.

VALUE ADDED

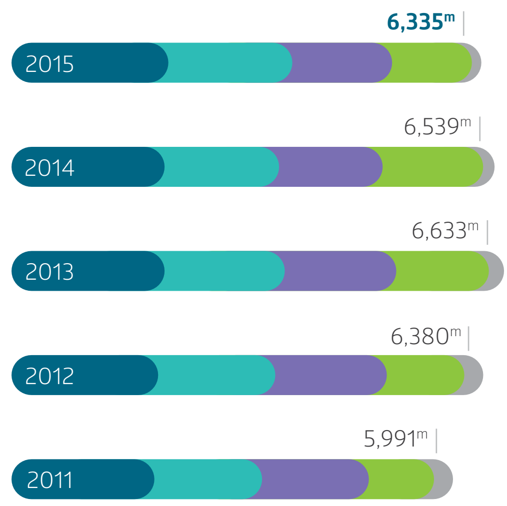
The Group's total value added for FY2015 of $2,702m was comparable to that of FY2014.

VALUE ADDED STATEMENT	2015 $M	2014 $M
Value added from:		
Revenue earned	6,335.0	6,539.4
Bought in materials and services	(3,792.5)	(4,022.0)
	2,542.5	2,517.4
Other income	55.4	40.2
Finance income	56.2	43.5
Finance costs (exclude interest expenses)	(10.1)	(7.3)
Share of results of associates and joint ventures, net of tax	58.3	57.2
Total value added	2,702.3	2,651.0
Distribution of total value added		
To employees in wages, salaries and benefits	1,807.7	1,739.2
To government in taxes and levies	118.4	136.5
To providers of capital on:		
• Interest paid on borrowings	39.7	37.9
• Dividends to shareholders	497.6	498.8
	2,463.4	2,412.4
Balance retained in business		
Depreciation and amortisation	187.3	170.5
Retained profits	36.3	48.2
Non-controlling interests	2.6	5.0
	226.2	223.7
Non-production costs	12.7	14.9
Total distribution	2,702.3	2,651.0

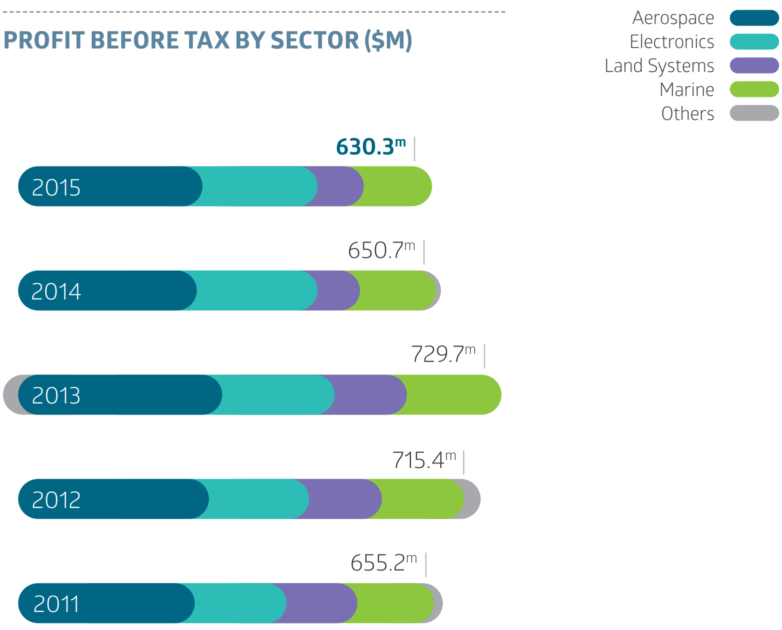
Financial Review

5-YEAR KEY FINANCIAL DATA	2015 $M	2014 $M	2013 $M	2012 $M	2011 $M
Income statement ($M)					
Revenue	**6,335**	6,539	6,633	6,380	5,991
Profit					
EBITDA	**697.6**	725.5	815.2	795.0	742.7
EBIT	**510.3**	555.0	673.2	658.0	607.7
PBT	**630.3**	650.7	729.7	715.4	655.2
Net Profit	**529.0**	532.0	580.8	576.2	527.5
Balance Sheet ($M)					
Property, plant and equipment, and investment property	**1,709**	1,578	1,520	1,213	1,358
Intangible and other assets	**1,370**	1,311	1,290	1,049	1,027
Inventories and work-in-progress	**1,943**	1,802	1,808	1,922	1,594
Trade receivables, deposits and prepayment	**1,694**	1,916	1,860	1,777	1,659
Bank balances and other liquid funds and funds under management	**1,453**	1,712	2,229	2,070	1,769
Current liabilities	**3,720**	3,716	4,094	3,890	3,479
Non-current liabilities	**2,188**	2,339	2,353	2,128	2,052
Share capital	**896**	889	853	782	723
Treasury shares	**(67)**	(6)	-	-	-
Capital and other reserves	**48**	24	71	(20)	10
Retained earnings	**1,255**	1,225	1,192	1,133	1,033
Non-controlling interests	**129**	132	144	118	110
Financial Indicators					
Earnings per share (cents)	**17.05**	17.06	18.73	18.76	17.28
Net assets value per share (cents)	**68.74**	68.38	68.14	61.51	57.79
Return on sales (%)	**8.4**	8.2	8.9	9.2	9.0
Return on equity (%)	**24.8**	24.9	27.4	30.4	29.9
Return on total assets (%)	**6.5**	6.5	6.8	7.3	7.3
Return on capital employed (%)	**14.6**	14.0	15.4	17.4	19.8
Dividend					
Gross dividend per share (cents)	**15.00**	15.00	15.00	16.80	15.50
Dividend yield (%)	**4.68**	4.08	3.86	5.16	5.07
Dividend cover	**1.13**	1.14	1.25	1.11	1.11
Productivity Data					
Average staff strength (numbers)	**22,388**	22,671	22,837	22,560	22,193
Revenue per employee ($)	**282,965**	288,449	290,456	282,795	269,944
Net profit per employee ($)	**23,630**	23,464	25,434	25,540	23,771
Employment costs ($m)	**1,813.7**	1,745.8	1,789.7	1,760.2	1,633.2
Employment costs per $ of revenue ($)	**0.29**	0.27	0.27	0.28	0.27
Economic Value Added ($m)	**366.2**	344.5	413.8	437.9	405.0
Economic Value Added spread (%)	**9.1**	8.4	10.2	12.1	12.0
Economic Value Added per employee ($)	**16,357**	15,197	18,118	19,411	18,250
Value added ($m)	**2,702.3**	2,651.0	2,731.7	2,710.5	2,494.5
Value added per employee ($)	**120,704**	116,935	119,616	120,149	112,398
Value added per $ of employment costs ($)	**1.49**	1.52	1.53	1.54	1.53
Value added per $ of gross property, plant and equipment ($)	**0.78**	0.83	0.91	1.06	0.90
Value added per $ of revenue ($)	**0.43**	0.41	0.41	0.42	0.42

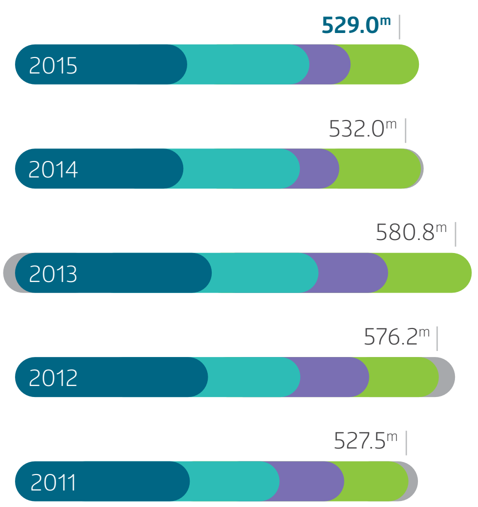
REVENUE BY SECTOR ($M)



PROFIT BEFORE TAX BY SECTOR ($M)



NET PROFIT BY SECTOR ($M)



10 YEAR ORDER BOOK ($B)

Investor Relations

ST Engineering is committed to high standards of transparency and timely disclosures to the investing community. We aim to provide comprehensive information through various platforms to enable stakeholders to make informed decisions.

Our investor relations team engages investors and analysts regularly to communicate the Group's results, strategies and outlook. These meetings, conducted as one-on-one meetings, teleconferences, sell-side conferences, non-deal roadshows or luncheons, allow for candid discussion of the Group's various opportunities and challenges. In 2015, the team held about 200 investor meetings.

Quarterly financial results briefings are webcast live and are accessible by the public and viewers can pose questions realtime. Analysts and the media are invited to these briefings, which are led by the President and CEO of the Group and supported by the CFO and senior management. All SGX announcements, marketing press releases and results briefing presentation materials are archived on our corporate website.

Through these varied channels, we offer platforms for long term and open dialogues with our various stakeholders, so that they gain a better understanding of our businesses, while we better understand our investors' concerns.

Facility visits for analysts, such as this visit to ST Electronics, allow them to gain a better understanding of the business.

2015 INVESTOR RELATIONS EVENT HIGHLIGHTS

Q1

- FY2014 results briefing for media and analysts with live webcast
- Post-results investor lunch

Q2

- 18th Annual General Meeting
- 1Q2015 results briefing for media and analysts with live webcast
- DB Access Asia Conference – Singapore
- Non-Deal Roadshow to USA and Canada

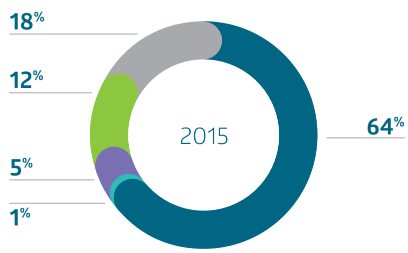
Q3

- 2Q2015 results briefing for media and analysts with live webcast
- Post-results investor lunch
- Analysts' visit to ST Electronics

Q4

- DBS Corporate Day – Kuala Lumpur
- 3Q2015 results briefing for media and analysts with live webcast
- Morgan Stanley Asia-Pacific Summit – Singapore

SHAREHOLDING



- Singapore
- Asia (ex Singapore)
- Europe
- North America
- Others (including unidentified holdings and holdings below analysis threshold)

As at end of 2015, shareholders from Singapore held about 64% of our shares, followed by North America at 12% and Europe at 5%. Temasek Holdings remained our single largest shareholder, with about 50% of the shareholdings.

(For list of major shareholders, please refer to page 274.)

(Based on Share Register Analysis as at 31 December 2015)

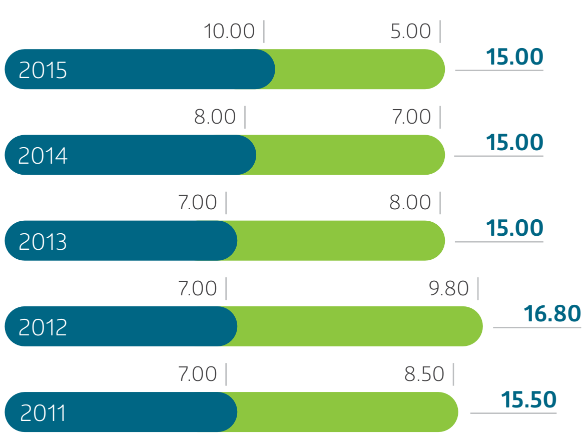
ST ENGINEERING SHARE PRICE VS STRAITS TIMES INDEX (STI)

Source: Bloomberg 2015

- ST Engineering Share Price
- STI

ST Engineering's market capitalisation was $9.3b as at 31 December 2015. The average share price for the year was $3.28 and average daily trading volume was about 3m shares.

DIVIDEND



- Ordinary
- Special

For FY2015, the Board has proposed a final dividend of 10 cents per share, consisting of ordinary dividend of 5 cents per share and special dividend of 5 cents per share. Together with the interim dividend of 5 cents per share paid to shareholders in September 2015, the total dividend for the full year will amount to 15 cents per share, same as FY2014. This translates to a dividend yield of 4.68% (computed using the average closing share price of the last trading day of 2015 and 2014.)

Awards

BUSINESS EXCELLENCE

Internal Audit Excellence Award 2015 – Hall of Fame at the 16th Investors' Choice Awards
by Securities Investors Association (Singapore)
– ST Engineering

Business Excellence Gold Jacket
by the SQA Governing Council and the SQA Management Committee
– ST Engineering's Harnek Singh for significant contributions to the BE initiative

DEFENCE

Total Defence Award 2015 – NS Advocate Award for Small and Medium-sized Enterprises
by MINDEF
– ST Electronics (Info-Security)
– STELCOMMS

WORKPLACE SAFETY AND HEALTH

LTA Annual Safety Award Convention (ASAC)
by Land Transport Authority

Most Improved Contractor Award
– ST Electronics

Accident Free Million Man-hours Award (Category 3)
– ST Electronics

Certificate of Merit (E&M Category)
– ST Electronics

Certificate of Excellence (E&M Category)
– ST Electronics

Safety and Health Award Recognition for Projects (SHARP)
by Ministry of Manpower and Workplace Safety & Health Council (WSH Council) for six projects
– ST Electronics

Singapore HEALTH Award – Platinum
by Health Promotion Board
– ST Aerospace
– ST Marine
– ST Aerospace Engines
– ST Aerospace Systems

Singapore HEALTH Award – Silver
by Health Promotion Board
– ST Aerospace Supplies
– ST Electronics (Satcom & Sensors Systems)

Workplace Safety and Health (WSH) Innovation Award 2015
by WSH Council (supported by the Ministry of Manpower)
– ST Aerospace Services

WSH Innovation Awards (Manufacturing) - Silver
by Singapore Manufacturers' Federation
– ST Aerospace Engineering

BizSAFE Partner
by WSH Council
– ST Marine

Jerome Lee, representing the Air+ Smart Mask development team, giving his acceptance speech at the President's Design Award. The Air+ Smart Mask and Micro Ventilator was one of the winners of Design of the Year 2015 at the President's Design Award Singapore.

PRODUCT QUALITY

ATEM – Best Component MRO Award
by Aircraft Technology Engineering and Maintenance
– ST Aerospace

Aviation Week Top 10 Airframe MRO Provider 2014
– ST Aerospace

Top 50 Products of China Construction Machinery Award
by Chinese trade magazine, Construction Equipment & Maintenance
– Jiangsu Huatong Kinetics' SPL60 Paver

Best Aftersales Importer 2014 from MAN Trucks & Bus
– ST Kinetics

Top 100 Guizhou Enterprise Award
by Guizhou Government
– Guizhou Jonyang Kinetics

New Product Innovation Award
by China Assembly Innovation Bureau
– Guizhou Jonyang Kinetics

Allison Transmission Performance Rewards Programme – Gold Level Location Award
– SDDA

Design of the Year 2015 at the President's Design Award Singapore
– Air+ Smart Mask and Micro Ventilator

PEOPLE

Xiamen Egrets Friendship Award
by Xiamen Bureau Commerce
– STATCO's Angie Ng

Service Outsourcing Enterprise Award – Key Talents
by Xiamen Bureau Commerce
– STATCO

COMMUNITY

Community Chest SHARE Platinum Award
by Community Chest
- ST Aerospace
- ST Electronics
- ST Kinetics
- Advanced Material Engineering
- ST Aerospace Engineering
- ST Aerospace Engines
- ST Aerospace Services
- ST Aerospace Supplies
- ST Aerospace Systems
- ST Electronics (Info-Software Systems)

Community Chest SHARE Gold Award
by Community Chest
- ST Marine
- ST Electronics (Info-Comm Systems)
- ST Electronics (Training & Simulation Systems)
- ST Electronics (Info-Security)
- SDDA
- Singapore Test Services

Community Chest SHARE Silver Award
by Community Chest
- ST Electronics (eServices)
- ST Electronics (Satcom & Sensors Systems)

20-Year Outstanding SHARE Award
by Community Chest
– ST Kinetics

INVESTOR RELATIONS

Gold Award at Singapore Corporate Awards 2015 – Best Annual Report (companies with $1 billion and above in market capitalisation)
– ST Engineering

Corporate Information

BOARD OF DIRECTORS

Mr Kwa Chong Seng
(Chairman)

Mr Tan Pheng Hock
(President & CEO)

Mr Koh Beng Seng

Major-General Perry Lim Cheng Yeow

Mr Ng Chee Khern

Mr Quek Tong Boon

Mr Venkatachalam Krishnakumar

Mr Davinder Singh s/o Amar Singh

Dr Stanley Lai Tze Chang

Mr Khoo Boon Hui

Mr Quek See Tiat

Ms Olivia Lum Ooi Lin

Dr Beh Swan Gin

Mr Lim Sim Seng

Mr Lim Ah Doo

Colonel Alan Goh Kim Hua
(Alternate Director to
Major-General Perry Lim Cheng Yeow)

Mr Vincent Chong Sy Feng
(Alternate Director to Mr Tan Pheng Hock)

COMPANY SECRETARIES

Mrs Chua Su Li

Ms Ng Kwee Lian (Karen)

REGISTERED OFFICE

ST Engineering Hub
1 Ang Mo Kio Electronics Park Road
#07-01
Singapore 567710
Tel: (65) 67221818
Fax: (65) 67202293
www.stengg.com

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

AUDITORS

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Ms Ang Fung Fung
(Partner-in-charge)
(Date of Appointment: 24/04/2013)

PRINCIPAL BANKERS

Bank of America, N.A.
50 Collyer Quay
#14-01 OUE Bayfront
Singapore 049321

Citibank N.A.
8 Marina View
#21-01 Asia Square Tower 1
Singapore 018960

DBS Bank Ltd
12 Marina Boulevard
Level 45, MBFC Tower 3
Singapore 018982

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#10-00 OCBC Centre
Singapore 049513

This section is a summary of our sustainability efforts, and should be read in conjunction with information published in the Sustainability section of our website at www.stengg.com.

In this section, we focus on our sustainability targets, initiatives undertaken and performance in 2015. We report our management approach and data in accordance with the Global Reporting Initiative (GRI) G4 guidelines online.

This year we have included information on the sustainability efforts relating to our operations in the US.

Unless otherwise stated, data and activities relate to our Singapore operations only.

risk and sustainability

Risk Governance

The governance of risk by the Board is performed by the Risk Review Committee whose responsibility is one of oversight. The responsibility for the ongoing management and monitoring of risks rests with the management team of ST Engineering.

BOARD

4th LINE OF DEFENCE
Risk Review Committee (working closely with the Audit Committee) provides oversight of the risk and system of risk management

3rd LINE OF DEFENCE
Group Internal Audit provides independent assurance on the effectiveness and adequacy of the system of risk management and internal control

2nd LINE OF DEFENCE
Corporate Functions develop framework and policy and ensure compliance.
Senior Management reviews and monitors performance and risk

1st LINE OF DEFENCE
Business Units implement strategies and policies, manage and report performance and risk

Enterprise Risk Management System

The ST Engineering Enterprise Risk Management Framework was established in 2005 to provide discipline for the Group to identify, assess, control and monitor key business risks. It sets out a consistent definition of risk and risk tolerance limits to ensure that business units have a common understanding when identifying and assessing risks. This allows us to focus on those risk issues that may materially affect the Group's long-term objectives and sustainability. The framework makes risk management a part of ST Engineering's culture and integrates risk management into our philosophy, practices and business plans.

Not only do the Board and Management have a shared understanding of the risk philosophy and overall appetite for risk as they establish the strategies and objectives, our business managers must also be aware of the Group's risk appetite and policies so as to know how much risk they should take on and how these risks should be managed and mitigated in order to preserve and create value.

Further details on the Group's risk governance, including responsibilities of the Board, Audit Committee and Risk Review Committee, can be found on pages 103 to 107.

ENTERPRISE RISK MANAGEMENT SYSTEM

ERM INFRASTRUCTURE

Vision / Goals

Oversight Structure

Role & Responsibility

Common Lanaguage

Policies & Manual

Tolerances & Limit

Technology & Tools

ERM PROCESS

ERM REPORTS

Risk and incident registers

Financial and risk reports

ESTABLISHING A STRONG ERM CULTURE

BUILDING ERM CAPABILITIES

Change Management

Continuous Improvement

Communication

Information Sharing

Awareness / Training

Measuring Performance

We measure a range of operational, financial and non-financial Key Performance Indicators (KPIs) to help manage our long-term performance and achieve our business strategies and plans. To encourage our executives to adopt strategies that are aligned with the long-term interests of the Group, we tie the variable components of compensation and performance appraisals to these KPIs. These KPIs are also linked to the material risks of the Group. By linking risks to compensation, we hope to foster risk-related decisions when our business managers pursue economic returns.

The KPIs are important in assessing the Group's performance in the following areas:

FINANCIAL PERFORMANCE

- Total operating expenditures
- Net cash flows from operations

CUSTOMER FOCUS

- Order book and new orders
- Customer satisfaction

OPERATIONAL EXCELLENCE

- Participation and completion in value innovation projects
- Improvements in production, quality and procurement processes

SAFETY AND QUALITY

- Accident Frequency Rate
- Accident Severity Rate

PEOPLE EXCELLENCE

- Leader competencies
- Employee satisfaction

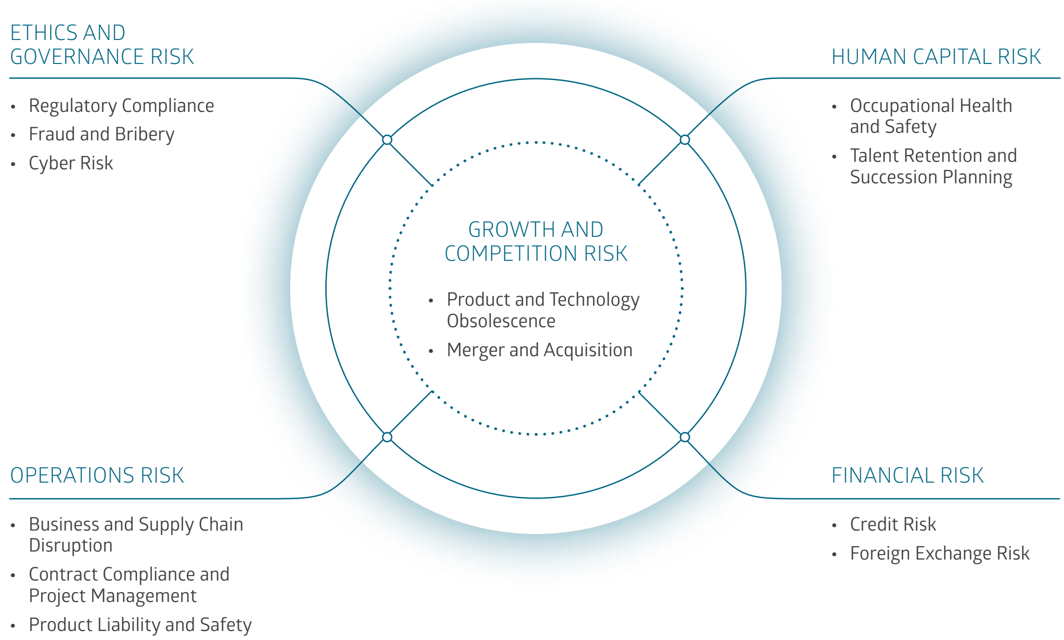
TECHNOLOGY EDGE AND NEW CAPABILITIES

- New capabilities, products or competencies
- Unique inventions filed or granted

Material Long-Term Risks

The Group has identified the following long-term material risks. These risks have been reviewed and discussed with the Risk Review Committee and endorsed by the Board.

Measures have been put in place to manage these risks, and these are discussed in greater detail in the next section.



1. GROWTH AND COMPETITION RISK

1.1 Product and Technology Obsolescence

Innovation is fundamental to maintaining our competitive edge; it serves as a critical lever to create products and services that enable our customers to operate in a sustainable and resource-efficient manner. In a similar vein, productivity is strategic for ST Engineering; by ensuring our resources are used in a more efficient manner, we improve our value proposition to our customers.

ST Engineering's Technology, Intellectual Property and Innovation Committee, chaired by our Group Chief Technology Officer, ensures a consistent stream of ideas and innovative products and solutions in the pipeline. Furthermore, each of our business sectors has a Productivity/Economic Value Added Steering Committee that identifies critical initiatives to focus on and determines the monitoring and reviewing processes.

1.2 Merger and Acquisition

One of the avenues through which we seek to grow the Group's businesses is the acquisition of business entities, operating assets, intellectual property or entry into joint ventures. M&A risks include, inter alia, underestimating the scale, scope and work required for integration, inability to meet the projected financial performance, failure to realise synergies, loss of key personnel and the inability to integrate different cultures. A robust framework is in place encompassing the full spectrum of an M&A transaction, from screening and due diligence, to approvals and integration.

Material Long-Term Risks

- M&A activities, ranging from the screening and identification of investment targets to conducting due diligence and completion of an investment, are championed by the business unit and supported by a dedicated M&A team, internal Finance and Tax, Legal, Human Resource and Information Technology teams, and augmented by external professional advisers for specialised services. The investment proposals are guided by a set of internal investment criteria, evaluated by senior management and, depending on the size of the investment, cleared by various internal approving authorities. Where required, shareholders' approval is sought, in line with the SGX listing rules.

- Due diligence is carried out on each investment encompassing different areas. Risks identified by each work stream during the due diligence process are highlighted and risk containment proposals are put forward to the approving authorities for review and comments.

- To mitigate the risks involved in any acquisition, a cross-functional integration team is formed to integrate the acquired assets or acquired entity's key processes, work flow, reporting structure, policies, etc., with those of our organisation, with a focus on mitigating key risks and extracting synergies. A major part of our integration effort goes towards communication with key stakeholders, i.e. employees, customers and suppliers, with a focus on business continuity.

- Post acquisition, the integration progress is reported to the investment committee at regular intervals to track actual financial and non-financial performance against original targets. The risks relating to the new business or acquired entity are reviewed and discussed at the respective sector's Risk and Audit Committees and the Risk Review Committee of ST Engineering.

2. ETHICS AND GOVERNANCE RISK

2.1 Regulatory Compliance

ST Engineering, with operations in several parts of the world, is subject to applicable laws and regulations of various jurisdictions. Failure to comply with these laws and regulations may result in criminal liabilities such as fines and penalties, and/or suspension or debarment from government contracts.

The Group has in place a regulatory compliance framework that proactively identifies applicable laws and regulatory obligations, and embeds compliance into the day-to-day business processes. Annually, a report is prepared showing performance in this area. It sets out information such as training conducted, audits and audit findings, violations, fines and penalties, if any. This report is shared at the Sector Risk and Audit Committee and the Risk Review Committee meetings, where lessons learnt from major violations of laws are distilled and shared.

Examples of those laws and regulations which the Group deems to be material include anti-corruption laws, aviation laws and regulations, export controls and safety and environmental regulations. Our fraud risk management framework (see 2.2 below) helps to mitigate the risk of fraud, and is deployed Group-wide.

Our Aerospace sector also implements sector-wide quality and safety management systems for compliance with aviation laws and regulations.

Exports of ordnance products, which constitute a portion of ST Engineering's sales, are typically subject to export control regulations. Changes in these regulations could impact the Group's sales, while non-compliance could result in financial penalties, suspension of projects or even restrictions on future export business. We continue to place great emphasis on this area and have instituted formal systems and designated personnel to ensure export control regulations are complied with.

There were no significant fines or incidents of non compliance in 2015.

2.2 Fraud and Bribery

ST Engineering has zero tolerance for fraud and corrupt practices. We have a framework for combating fraud and corruption (see diagram on page 67).

Senior management sets the tone and promotes an anti-fraud culture throughout the Group, through a set of Core Values.

Our Values

Our strategy is underpinned by our values: Integrity, Value Creation, Courage, Commitment and Compassion. Our values shape our motivations as we approach increasingly complex needs in our business environment.

Stakeholder expectations of business, government and society are diverse and changing, even as the world becomes more interconnected through modern communications technologies. A successful business needs to consider these varying expectations to execute its strategies smoothly.

Code of Business Conduct and Ethics

To maintain an ethical environment that encourages and promotes professional and ethical conduct of the management and staff members, a Code of Business Conduct and Ethics has been promulgated.

We believe that for a policy to be effective, it should be understood. The Code is therefore written in clear and simple language.

Our Code applies and is communicated to all employees of ST Engineering and subsidiary companies in which we have management control. All employees are briefed on the Code at least once every two years. Contractors, consultants and agents are required to act consistently with the Code when acting on our behalf.

The Code reflects our expectations of responsible behaviour towards our material sustainability issues. It sets out the guiding principles and desired behaviour with which our people are expected to operate, and embraces the business practices and standards of behaviour that support our commitment to honest and ethical business conduct. Many standards set out in the Code have also been embedded in various policies and procedures.

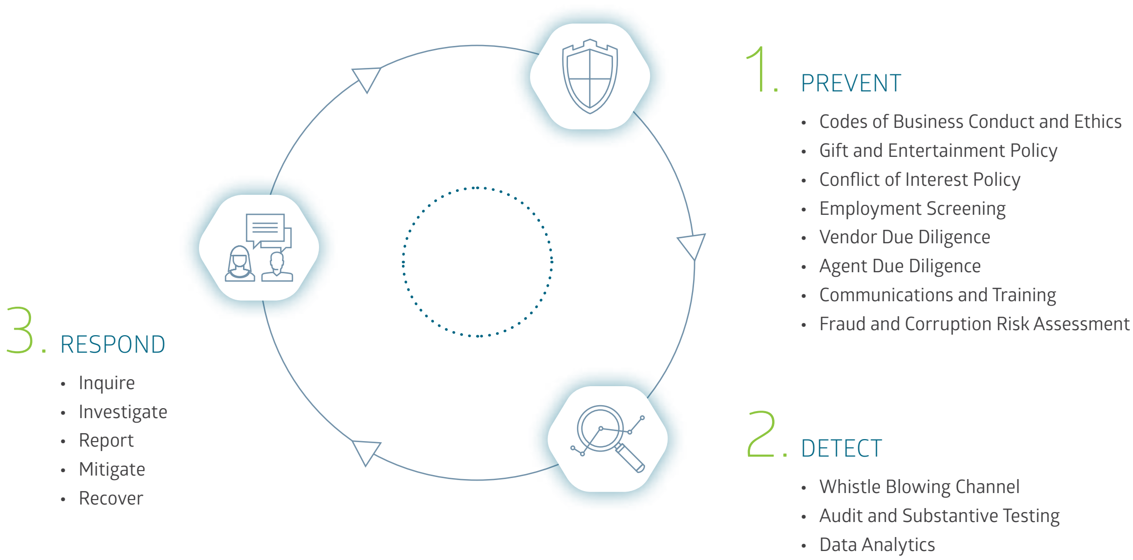
Violations of the Code, as well as violation of laws or regulations, or any other wrongdoings may be reported through the whistle-blowing channel. The whistle-blowing channel is published in the employee intranet portal. Employees can report to the channel on an anonymous basis. Subject to applicable laws, the identity of the employees who raise any such reports is kept in strict confidence and they are protected from any disciplinary or retaliatory action arising by reason of their having made these reports. All fraud and suspected fraud cases received through the whistle-blowing channel are notified to the Audit Committee Chairman. The Audit Committee has the powers to inquire into the concerns raised.

Communications and Training

Training on the Code is compulsory for all employees and is conducted at least once every two years.

Training on the core anti-fraud and anti-corruption policies is carried out annually by way of briefings and structured online learning courses for all relevant employees. The Code is included as one of the important

FRAMEWORK FOR COMBATING FRAUD AND CORRUPTION



Material Long-Term Risks

ANTI-CORRUPTION TRAINING ACROSS GLOBAL OPERATIONS

NUMBER OF EMPLOYEES	2014	2015
Singapore	1,885	**5,198**
US	–	**182**
Europe	–	**34**
China	–	**37**
Total	**1,885**	**5,451**

BRIEFING OF ANTI-CORRUPTION POLICIES AND PROCEDURES, DONE IN PHASES:

	2013	2014	2015
Number of employees	1,424	3,043	**11,891**
Percentage of employees	10%	21%	**79%**

documents for the orientation of all new Directors to the Board. Contracts with independent service providers (ISP) including agents, consultants and advisers, must include anti-corruption undertakings and representations as well as acknowledging the ISP Anti-Corruption Policy.

In 2015, we rolled out more training courses to Singapore and overseas employees. Some 5,400 employees in the Group completed the anti-corruption training course during the year.

Fraud and Corruption Risk Assessment

Fraud and corruption risk assessment is carried out at the business unit level and at the market level. The significant corruption risks identified were:

- Corruption by intermediaries;
- Corruption by employees;
- Gifts and entertainment to government officials construed as kickbacks or bribes.

The aim of these risk assessments is to generate awareness among the employees of such risks, and to ensure that there are adequate controls in place to prevent as well as to detect such occurrences.

At its quarterly meetings, the Risk Review Committee reviews the following:

- Progress and results of the Fraud Risk Assessments (an assessment of risks related specifically to corruption and fraud) against the annual work plan;
- Progress of training on the Code and other anti-corruption/anti-fraud training against the annual training plan;
- Substantiated fraud and corruption related incidents. Lessons learnt and actions taken to strengthen the related controls are shared, including updates, if any, to the policies and procedures;
- Offset contracts.

ST Engineering conducted Fraud Risk Assessments across Singapore operations between 2013 and 2014. The Fraud Risk Assessments were also rolled out to our Chinese entities in 2015 with plans to extend them to our US entities from 2016.

The following were reported in 2015:

There were two new cases brought against former employees of ST Marine for alleged corruption in Singapore. More information on these cases is available in the Press Release section of our website.

2.3 Cyber Risk

ST Engineering is a major defence and government contractor providing cyber security related products and services. We hold significant information assets such as proprietary technology, processes and patents. Any breach of cyber security defences could potentially result in the theft of such assets leading to a substantial loss of reputation for the organisation. It might also undermine the competitiveness of the organisation and expose us to potential litigation. Breach of cyber security defences can also result in wilful destruction and damage of information assets, and to critical information infrastructure. If we are unable to recover such assets or infrastructure, it can impede our ability to undertake the normal course of our day-to-day business.

ST Engineering implements and enforces strict IT controls to reduce our risk. These controls are codified into our IT Policies and form our IT Governance framework regulating how IT infrastructure and assets are accessed, used and maintained.

On top of the governance framework, we have multiple layers of cyber security defence infrastructure to detect, prevent and alert us of possible cyber attacks, whether these ultimately result in a breach or not.

We also operate a Security Operations Centre that performs pro-active monitoring of cybersecurity threats in real-time to ensure total visibility of threat levels across the organisation at any point in time.

We conduct regular cyber security awareness exercises to improve the situational awareness of our employees and reduce the likelihood that they become the weak link in our defence against cyber attacks.

ST Engineering IT conducts regular reviews of its IT controls, policies governance framework and infrastructure to ensure that they continue to be relevant to the evolving cyber security threat landscape. We work with Internal and External auditors to regularly conduct end-to-end audits to ensure compliance with controls, policies and governance framework as well as identify weaknesses in systems or procedures.

Business Continuity Plans are in place to ensure that complete recovery of information systems and assets is possible in the event of damage or loss. Each business unit is also required to conduct annual exercises to ensure that the plans are and continue to be relevant and serve their intended purposes.

3. HUMAN CAPITAL RISK

3.1 Talent Retention and Succession Planning

Investment in our people is the key to our continued success and strategic advantage locally and globally. The recruitment and retention of qualified and experienced personnel is critical to achieving the Group's strategic objectives. We continue to work with local authorities in markets where we operate, and leverage training, retention schemes, scholarships as well as alternative sources for hire to sustain growth. Talent management programmes also help to create a pool of potential successors for key positions.

Our human capital management and development programmes are driven by our People Excellence and Learning Organisation committee.

We report and analyse key performance indicators monthly at the business sector level. Such indicators include turnover and training utilisation rates. Our business sectors also have talent management and development programmes that are adapted to their specific industry needs.

3.2 Occupational Health and Safety

ST Engineering is committed to 'Safety Before Profit'. We recognise that good health and safety improve work effectiveness, employee morale and our reputation; we are also aware of the negative impacts resulting from lost time, higher costs and delays.

Our Environment, Health and Safety (EHS) Committee is assisted by three sub-committees (Occupational Health, Workplace Safety, and System Safety), and meets every quarter to review the Group's overall performance in health and safety and the progress of each sub-committee.

To provide a safe working environment, ST Engineering has integrated safety measures into key business activities with detailed occupational health and safety (OHS) policies. The Group also seeks continuous improvement through proactive hazard and risk identification and constant monitoring of safety targets. We have also initiated various programmes and activities to raise OHS awareness and inculcate a safety culture in all employees. These include regular safety briefings and training, health talks and recreational activities. Our business sectors also encourage individuals and teams to develop innovative solutions to health and safety challenges by giving awards and recognising specific business sectors at the group, industry and national levels.

Material Long-Term Risks

4. FINANCIAL RISK

4.1 Credit

This is the risk of non-payment by the Group's customers and other counterparties with whom the Group deals.

Our Receivable and Doubtful Debt Policy governs how credit risk in the Group should be managed. It comprises a framework of credit reviews, limit setting, monitoring of exposures against the limits and the management and approval of credit limit excess.

Accounts receivable in excess of 180 days are closely monitored and followed up on. Limits for exposures to a single customer or group of customers are also established, and these are monitored against actual exposures.

4.2 Foreign Exchange

The Group's foreign exchange exposures arise both from subsidiaries operating in foreign countries, generating revenue and incurring cost denominated in foreign currencies, and from operations of local subsidiaries which are transacted in foreign currencies. Our foreign exchange exposures are primarily from USD and Euro.

The Group's Foreign Exchange Management policy guides us in identifying and managing foreign exchange exposures. Our foreign currency exposures are managed centrally by the Group Treasury department. The policy requires open foreign currency exposures to be hedged so as to reduce the level of volatility in the Group's earnings.

Reports of all hedged and unhedged exposures are prepared for regular reviews with the Audit Committee. Hedging strategies are also reviewed periodically with the Board.

5. OPERATIONS RISK

5.1 Business and Supply Chain Disruption

Disruptive events that halt production can have business consequences if not appropriately managed. Such events include extreme weather events, industrial accidents or labour strikes. ST Engineering recognises that quick recovery and resumption of business operations after a disruption are critical to minimise the impact and maintain public confidence. An inability to fulfil critical business obligations may result in significant financial losses or even cause contagion or systemic impact with broader disruptions to the entire business.

Besides insurance coverage which recovers certain quantifiable losses, to protect against erosion of reputation and loss of public confidence the Group has in place a business continuity programme that covers all significant operations and facilities as well as operations and facilities of key vendors or service providers that provide us with critical services. To date, all significant business entities in Singapore have achieved BCM certification in accordance with ISO 22301.

Annually, periodic tests on the business continuity plans are carried out. The results, together with audit findings and areas for improvement in the BCM framework, are reviewed and discussed with the respective Sector Risk and Audit Committees and the Risk Review Committee.

5.2 Contract Compliance and Project Management

The main business activity of ST Engineering relates to management and execution of projects for defence and commercial customers. Risks relating to projects are therefore inherent in the business. These may include issues relating to project costs and schedules, as well as contractual and quality matters.

The Group has a project review and quality assurance system in place to mitigate such risks.

All contracts of material value require review by legal counsel, and significant deviations from pre-approved standard contract terms and conditions are to be highlighted and presented to higher levels of management for review and approval.

5.3 Product Liability and Safety

Customers expect products and services to fulfil their intended functions satisfactorily, and not pose a risk to health and safety. The Group recognises that the risks posed by unsafe or unreliable products or services not only affect us financially, they also adversely affect the Group's reputation. We have implemented system safety, starting from safety at the design stage, carrying through to safety in use, and all the way to disposal. The Group actively promotes awareness and a culture of system safety within the organisation and among our key suppliers. In addition, we have a comprehensive insurance programme for product and service liability.

Sustainability Governance

ST Engineering believes that creating sustainable value for our stakeholders is essential to the Company's long term success and that appropriate sustainability measures are not just necessary in today's world but often bring about improvements in efficiency, giving us a competitive edge and benefiting the bottom line.

Our business processes reflect long-term and multi-stakeholder considerations, balancing customers' needs for today with longer-term developments.

We are equally committed to conduct our business in a responsible manner. As a responsible military technology manufacturer, we do not design, produce and sell anti-personnel mines and cluster munitions and any related key components.

In identifying business risks and opportunities that are material to the Group's long-term sustainability, we also define the various material sustainability issues. Accordingly, the Group's corporate governance system and enterprise risk management system underpin how we manage sustainability. The overall responsibility for sustainability lies with the President & CEO, who chairs the Business Excellence Council, assisted by several committees.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is another important element of governance as it ensures the Group is well positioned to achieve positive outcomes for all our stakeholders. ST Engineering's key stakeholder groups include our customers, employees, shareholders, regulators and suppliers. We conduct surveys both internally and externally to gather feedback and determine what issues are most important to our stakeholders.

We carry out annual customer surveys to seek feedback from the customers to determine their satisfaction levels and develop action plans to address their areas of concern. Customers rate the quality, delivery, responsiveness, service levels and value for money of our products and services. In 2015, the Group achieved above 95% customer satisfaction[1].

[1] The total number of survey questions which scored more than or equal to 6 points, out of a perfect score of 10, is divided by the total number of questions responded by the customers to derive the satisfaction rate.

Senior management addressing questions from employees at the Business Excellence Seminar

Assessing Materiality

In assessing materiality the Group looks at both the financial and non-financial impact which we are prepared to absorb to meet corporate objectives. In the materiality assessment, we also take into account the significance of such impact on the various key internal and external stakeholders comprising: shareholders and investors; customers; regulators and governments; employees and other workers; and suppliers. See the table below.

IMPACT CONSIDERATION

STAKEHOLDER	FINANCIAL	QUALITY, HEALTH & SAFETY	COMPLIANCE	REPUTATION
Shareholders & Investors	O			O
Customers		O		O
Regulators & Governments			O	O
Employees & Other Workers		O		O
Suppliers	O			O

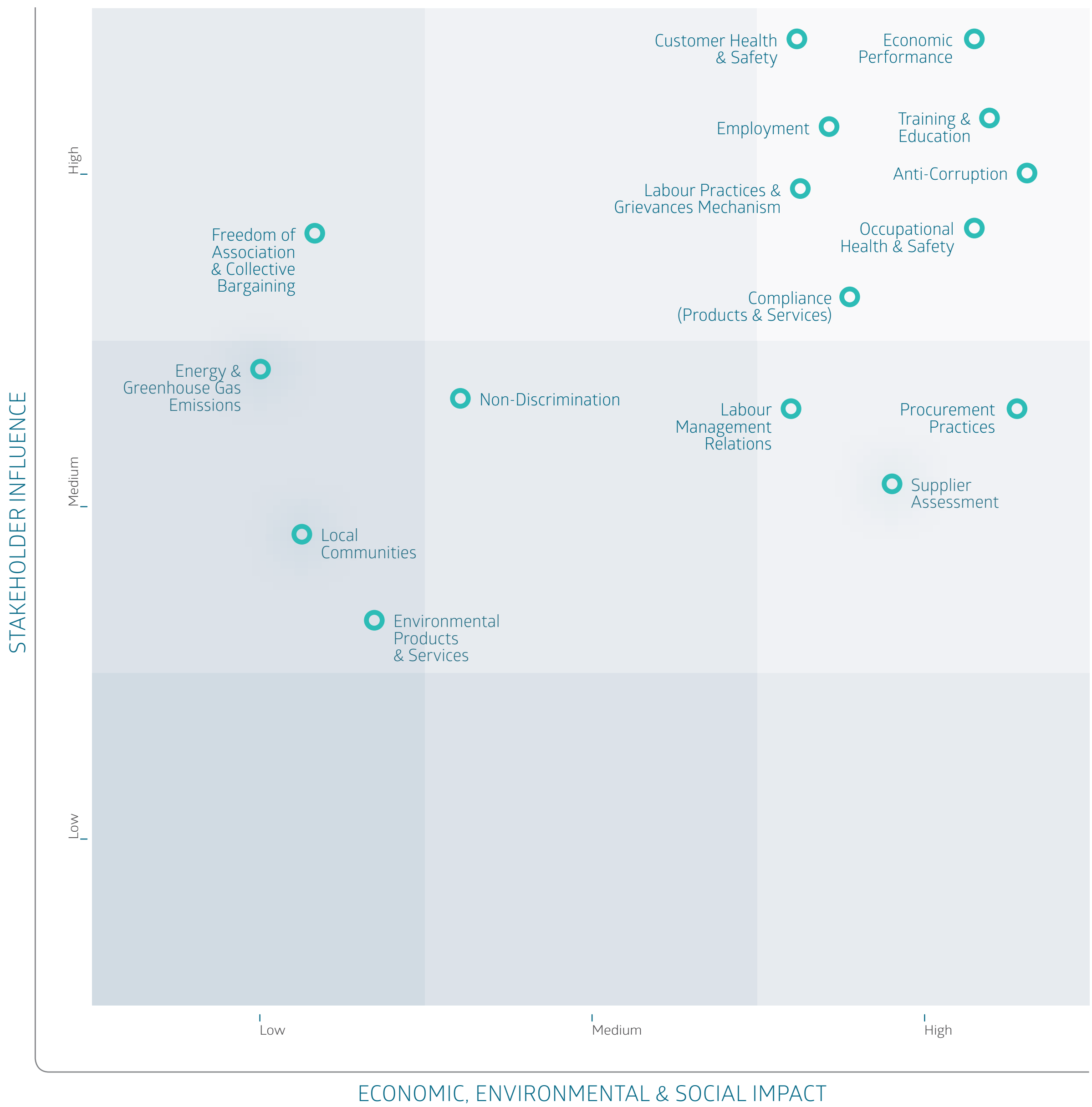
In 2013, the Group conducted a materiality assessment of aspects in the Global Reporting Initiative (GRI) G4 guidelines led by the Risk Management department. Responsibilities for management and reporting were assigned for each material aspect. The material aspects were mapped onto the key business risks of the Group to ensure completeness and a clear understanding of areas of risks each material aspect posed.

In 2015, the key business risks and material aspects were reviewed and revised where relevant.

The inherent risks identified and discussed on pages 65 to 70 determine the level of influence each key stakeholder group has on the material aspects.

The Group is satisfied that the ERM framework is sufficiently robust in capturing financial and non-financial impact arising from sustainability issues. Notwithstanding, ST Engineering recognises that there is room for improvement in strengthening our capacity and practices in the sustainability journey.

INFLUENCE AND ASSESSMENT IMPACT OF MATERIAL ASPECTS



Sustainability Performance

Targets and Priorities

	2014 PERFORMANCE	WHAT WE SAID WE WOULD DO IN 2015	WHAT WE DID IN 2015	WHAT WE WILL DO IN 2016
PROPELLING SUSTAINABLE GROWTH				
Sustainability Governance	Commenced alignment of environmental management approach of US operations	Start to include US operations in sustainability report progressively from 2015	Reported qualitatively on US sustainability efforts	To report targets and performance of the US sustainability efforts
Innovation	Met target spending on R&D	Meet target spending on R&D	Met target spending on R&D	Review the existing R&D model with the aim of renewing and refreshing our approach where necessary
People Excellence	Reviewed annual Team Excellence Competition assessment criteria Organised Team Excellence Convention 2014 based on enhanced assessment criteria	Review questions for Employee Opinion Survey 2015 Organise Team Excellence Convention 2015 Organise Business Excellence Seminar 2015	Conducted the Employee Opinion Survey 2015 with updated questions Organised Team Excellence Convention 2015 Organised Business Excellence Seminar 2015	Implement action plans to address issues raised in the Employee Opinion Survey 2015 Organise the Team Excellence Convention 2016
EXECUTING OPERATIONS RESPONSIBLY				
Environment	Implemented energy management system in line with ISO 50001 Participated in the Carbon Disclosure Project (CDP) report for first time Tracked water consumption No significant fines or sanctions for non-compliance with environmental laws and regulations	Continue journey to reduce GHG intensity by 16% on a business as usual basis for Singapore operations by 2025 with 2010 as the base year Achieve ISO 50001 certification for all Singapore operations Measure water efficiency for Singapore operations No significant fines or sanctions for non-compliance with environmental laws and regulations	Implemented various initiatives to reduce GHG emission All Singapore operations achieved ISO 50001 certification All significant business entities in Singapore developed and submitted their respective Water Efficiency Management Plans to local regulators No significant fines or sanctions for non-compliance with environmental laws and regulations	Installation of Solar PV system Validation of GHG via ISO 14064 Certification Implement ISO 14001:2015 Benchmark Pollution Control and Waste Management practices Continue journey to reduce GHG intensity by 16% on a business as usual basis for Singapore operations by 2025 with 2010 as the base year

	2014 PERFORMANCE	WHAT WE SAID WE WOULD DO IN 2015	WHAT WE DID IN 2015	WHAT WE WILL DO IN 2016
Health & Safety	Improved noise conservation programme for employees identified to be at risk for Early Noise Induced Deafness (E-NID) No significant fines or sanctions for non-compliance with safety laws and regulations Achieved accident frequency rate (AFR) and accident severity rate (ASR) below national benchmarks	Strengthen safety culture and improve health and safety performance through continuous review of programmes No significant fines or sanctions for non-compliance with safety laws and regulations To strive towards zero injury while aiming for AFR and ASR below national benchmarks	Reviewed and improved upon crane safety procedures, as well as those relating to from heights, and preventing slips, trips and falls. Reviewed and updated practices relating to Ergonomics, back injury, and the prevention of musculoskeletal disorders. No significant fines or sanctions for non-compliance with safety laws and regulations AFR and ASR were below national benchmarks	Review existing practices against Total WSH Guidelines and identify areas for improvement Organise campaigns and activities to promote health and safety Benchmark best practices through cross audits Improve on both the AFR and ASR
Sustainable Procurement	Engaged a consultant to help develop a Group-wide sustainable procurement strategy	Develop ST Engineering Sustainable Procurement Policy and Code of Conduct for Suppliers	Established the statement of commitment to sustainable procurement, and reported on the subject	Develop a work plan to implement sustainable procurement
SUPPORTING COMMUNITIES				
Community	Adopted London Benchmarking Group (LBG) guidelines Extended strategic community development partnership that leverages ST Engineering's unique expertise	Improve reporting based on LBG guidelines Continue community initiatives, including strategic and long-term partnerships	Continued reporting based on LBG guidelines, but with more focus on community benefits and their impacts Focused community efforts to benefit the persons with disabilities	Develop other strategic areas that would leverage ST Engineering's unique expertise

Sustainability Performance

FY2015 Initiatives & Performance

INNOVATION & PRODUCTIVITY

ST Engineering's strong capabilities in engineering allow us to translate our research into industry applications, generating new products and services.

Our efforts to nurture an innovative spirit continue. In 2015, the Technology, Intellectual Property and Innovation Committee organised the ThinkerSparks and InnoChamps Competitions as well as the Intellectual Property Workshop. The latter is organised every other year to promote innovation and awareness of intellectual property in ST Engineering. About 1,000 employees including senior and middle management and technical employees from various business areas and units attended the workshop. The theme of the workshop was 'Enhancing Business Competitiveness'.

We met our target spending in R&D. Additionally, more than 75% of employees were involved in contributing towards productivity initiatives during the year. Below are some examples.

Technology to improve everyday lives – ST Engineering-NTU Corporate Lab

With the rising trend in robotics and autonomous systems, the vision for ST Engineering is to develop the next generation of robotics and autonomous systems that can be applied to various areas such as airport gateways, logistics, healthcare, urban development, transportation, environmental conservation, defence and homeland security. These will be solutions that improve and impact everyday life.

During the year, the Group started a joint laboratory with Nanyang Technological University of Singapore (NTU) to spearhead research and development in advanced robotics and autonomous systems that will improve airport operations and disaster rescue efforts. The two main research areas of the ST Engineering-NTU Corporate Lab will be in airport precision and airside technology and in enhancing intelligence support for crisis management.

The purpose of this Corporate Lab is to tap NTU's nascent technologies, develop proprietary intellectual property rights and translate these technologies to higher Technology Readiness Level 6 through joint research. The business sectors will actively participate in research projects that are aligned to their core businesses, with Aerospace sector focusing on Unmanned Aerial Vehicle technologies, Land Systems sector on Unmanned Ground Vehicle technologies, Advanced Engineering Centre on Multi-robot Collaborative and Scene Understanding technologies, and Electronics sector on Unmanned Surface Vehicles, Autonomous Underwater Vehicles and C2 technologies. The outcome of any successfully applied research will be channelled to the respective sectors for application in their projects and solutions.

Power on the go – JerryE

Inspired by the jerry can, ST Engineering designed and developed the JerryE, a high capacity portable energy storage system based on lithium battery technology. Its metal-nylon construction is tough and durable, designed to withstand high impact. The JerryE comes with an IP67 rating, making it suitable for all-weather operation. Its 2000 Watt-hour capacity can be rapidly charged in 30 minutes. While in operation, the JerryE is silent and fume-free, making it a safe and tactical alternative to diesel generators. It can be configured as a portable off-grid energy system for sustained electrical loads to power critical systems (medical equipment, refrigeration equipment), command posts (computers, servers, projectors) and communications and sensor grids (nodes, networks, satellite uplinks).

Collaborative teaming of UGV and UAV as part of Crisis Response Intelligence Support Programme (CRISP) initiative led by ST Engineering-NTU Corporate Laboratory.

THE AIR+ SMART MASK

The Air+ Smart Mask is designed with a unique vent valve and attachable micro ventilator to improve breathing comfort, and fits a wider range of face sizes.

The AIR+ Smart Mask is an example of how the Group invented the next generation of respirators through the application of innovation and engineering expertise. The AIR+ Smart Mask, comprising a new protective mask (the Smart Mask) and the world's first attachable micro ventilator (the AIR+), better protects mask wearers against airborne contaminants while creating an enhanced level of comfort during use. Certified to meet both the EN 149:2001+A1:2009 (European) and the N95 NIOSH-approved (American) standards, the AIR+ Smart Mask was the result of more than a year's R&D and trial testing by ST Engineering Advanced Engineering Centre and Innosparks (a subsidiary of the Group).

The AIR+ Smart Mask features three new innovations – three sizes in small, medium and large designed to fit the typical Asian face profile; a built-in valve to improve the ease and speed in which exhaled air vents from the mask; and an attachable, lightweight and rechargeable micro ventilator that eliminates the unpleasant build-up of heat, moisture and carbon dioxide inside a conventional mask after prolonged use. The micro ventilator (the AIR+) when used with the Smart Mask, is able to reduce relative humidity inside the mask by up to 40% and reduce temperature by up to 4°C.

The AIR+ Smart Mask provides better seal protection for all ages including children and the elderly, and is recommended for frontline workers who have to wear masks for prolonged periods in exposed areas in the healthcare, construction, and mining industries.

AIR+ Smart Mask was named Design of the Year in 2015 President's Design Award Singapore

"AIR+ Smart Mask is truly an innovation brought to life through advanced engineering ingenuity and intuitive industrial design. The task was simple: to challenge the status quo by engineering a protective mask that delivers protection without compromising comfort. Users can choose from three mask sizes, as well as two types of detachable ventilators to suit individual requirements."

~ Jury Citation, President's Design Award Singapore 2015

It is easy to transport, store and set up, requires little to no training to use, and eliminates the labour and training required to maintain a diesel generator fleet.

MD500 – the new Infinidrive transmission engine

Amphibious assault vehicles require flexibility in terms of switching between land and sea modes as well as a blended operation of both. Besides having to overcome weight and space constraints, there is also a need to preserve high operational reliability. Kinetics Drive Solutions (KDS), a company in the Land System sector, was able to innovate and adapt its existing Infinidrive transmission engine HMX3000 to come up with a new marine drive transmission engine, the MD500. This highly advanced solution provides an efficient and high power dense package which results in a more powerful vehicle with improved mobility, without compromising the unique amphibious operational needs of amphibious vehicles in the marketplace.

Lightweight Aircraft Seat – saving energy and costs

ST Aerospace has embarked on the development of economy class seats for commercial aircraft that are more comfortable and elegant but lighter. Lightweight seats help airlines save on fuel costs, while comfort and elegance help provide a competitive edge in the airlines' marketing. The seat is designed to be of modular construction, allowing for cost-effective customisation and differentiation.

About one-third of the weight of a seat comes from its frame, which provides support and rigidity. Through intelligent load path design, coupled with finite element modelling simulations and measured results from various actual tests, ST Aerospace has achieved the most optimum frame design. Making up the other two-thirds of the weight are modules that comprise seat back,

Sustainability Performance

seat pan, upholstery, covers and supports. ST Aerospace incorporates advanced plastics, specially rated suspension systems, advanced foams and a patent-pending design that interfaces seat back and seat pan to achieve ergonomic lumbar support. Together with the uniquely shaped headrest providing improved neck support, and modern amenities like in-seat power supply and personal electronic device holder packed within, this new range of seats offers digital-age travellers with superb overall comfort while minimising seat weight.

Littoral Mission Vessel (LMV)

ST Marine launched its first Littoral Mission Vessel (LMV), *LMV Independence*, built for the Republic of Singapore Navy on 3 July 2015. Incorporating innovative operating concepts and design, complemented by a high level of automation, the LMVs can operate with a leaner crew size. They are versatile and can be quickly configured with mission modules to meet specific operational needs.

Smarter, faster and with sharper capabilities, the LMV comes with many innovative features. These include having an integrated and centralised operations centre – comprising the Bridge, Combat Information Centre and Machinery Control Room – that boosts effectiveness and efficiency, especially for maritime security operations. The ship is capable of speeds in excess of 27 knots, and can support a medium-lift helicopter and rigid hull inflatable boats allowing for rapid response to maritime security incidents. It also comes with greater endurance and the ability to stay at sea for longer periods of time. Equipped with lethal and non-lethal options to deliver calibrated responses, the LMV can deter and defend against a wide range of threats. Advanced radars and sensors and a 360-degree bridge provide an all-round visual awareness of surroundings in congested waters.

Improving manufacturing turnaround time

In investment casting, the manufacturing turnaround time could be as long as 16 weeks. ST Aerospace has successfully implemented 3D printing of wax patterns, a prerequisite process for making the shell mould and thus cutting manufacturing turnaround time by 50%. In addition, ST Aerospace invented a new VAC LOC system which innovatively enables a 3D printer to 'print beyond' its print build size. VAC LOC is an enabler for hybrid manufacturing where 3D printing technology is integrated with the conventional manufacturing method. This innovative process gives ST Aerospace competitive gains through factory space optimisation, improved material utilisation and improved turnaround time for manufacturing the wax pattern.

ST Aerospace also invented a 'water-bath' post processing for the removal of support material in 3D printouts. This new process is eco-friendly as it replaces chemicals with water. The project has been well received by many major aerospace companies, and it has enabled ST Aerospace to penetrate into a new market of supplying high value casting.

Automated testing to enhance productivity

Project M is a turnkey manufacturing project which required the production team to deliver three types of Radio Frequency (RF) modules in various quantities to the customer. The time required to set up the tester was substantial due to the large volume of modules and because only 50% to 60% of the test processes were automated.

The production team acquired new test equipment, re-designed the set-up of the RF modules and Highly Accelerated Stress & Screening testers, and modified the test programme to improve the capability of the testers to function automatically. These initiatives enabled testing to be performed with minimal intervention from the engineers.

The improvements resulted in a 20% manpower reduction in the project. Production throughput also increased, allowing the organisation to take on bigger production contracts.

ST Marine launches Littoral Mission Vessel built for the Republic of Singapore Navy.

PEOPLE EXCELLENCE

During the year, our People Excellence and Learning Organisation (PELO) committee successfully organised the Business Excellence Seminar which was attended by 945 employees in Singapore from the junior management level and up. The theme for the year was 'Embracing Challenges to Achieve Excellence'. At the seminar, awards for Ideas and Innovation, Team Excellence and Environment, Occupational and Workplace Safety were presented and the winners recognised. Our President & CEO, Deputy CEOs and the Chairmen of the respective Business Excellence Committees engaged the participants in the lively 'Conversation with Our Leaders' segment.

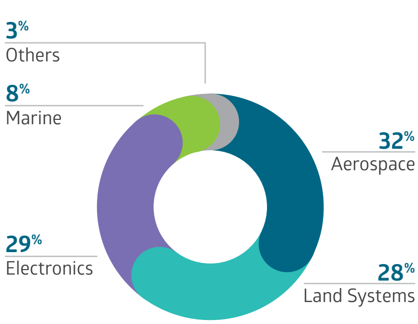
In celebration of Singapore's 50th birthday in 2015, we took the opportunity to thank our pioneers who have played a key role in bringing the Group to where it is today. A total of 162 pioneer employees, all with at least 40 years of service, were invited to an appreciation lunch cum certificate award ceremony. At the Business Excellence Seminar where they were invited to attend, they received special mention in our President & CEO's opening speech, and a standing ovation by all participants.

During the year the PELO committee organised the Team Excellence Convention to promote people engagement, team excellence and continuous improvements at the workplace. The convention also recognises high performing teams within the Group who demonstrate team excellence through creativity, use of technology, innovation, concepts and continuous improvement tools to enhance their process, product, services and work environment. The Convention promotes employee recognition and motivates staff to create, innovate and embrace quality and excellence. The 2015 convention was held on 20 November 2015 with 14 participating teams. The teams were assessed by a panel of external judges against a set of assessment criteria set by Singapore Productivity Association for Star, Gold, Silver and Bronze awards.

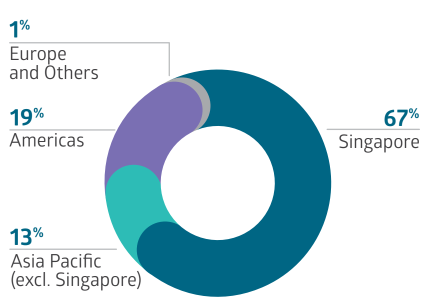
The business sectors carried out the Employee Opinion Survey in December 2015 to obtain feedback on organisational style, systems and policies, climate, and effectiveness. The last survey was conducted 2013. Since then, the survey questions have been reviewed and streamlined to provide greater clarity. The results of the 2015 survey will be analysed and necessary action will be taken to address areas requiring improvement.

GLOBAL EMPLOYEE PROFILE (2015)
TOTAL: 22,363

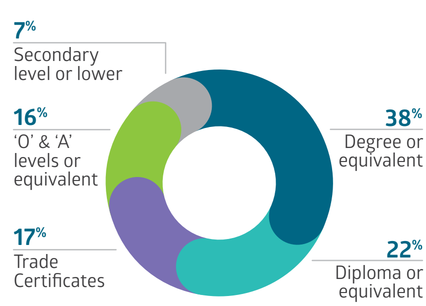
By Sector



By Geography



By Qualifications



Sustainability Performance

WORKFORCE PROFILE FOR SINGAPORE OPERATIONS (2015) TOTAL: 17,379

Employees

Supervised Workers*

Employee Turnover Rate

8.1%

Average training hours per employee

38.6

* Supervised workers refer to foreign workers we hire through local contractors. They are on short-term contracts, work in our facilities and are supervised by ST Engineering.

Total workforce refers to employees and supervised workers

Promoting Work-Life Harmony

A formal framework for flexible work arrangements has been introduced.

Nurturing a Talent Pool

During the year we awarded 19 scholarships to outstanding students who have demonstrated leadership qualities, and selected 24 students for the Young Engineers Programme. We also offered internships to 416 tertiary students to provide exposure to various business and career opportunities.

Grooming Our Leaders

ST Engineering engages consultants to facilitate leadership competency assessments. 12 senior employees were selected for the Senior Leadership Development Programme and Executive Education Programmes.

Diversity and Inclusion

There were no reported incidences of discrimination by employees in 2015, and there were 590 employees aged 62 and above. ST Engineering also had 22 interns from China and eight from India in 2015.

Career Development

During the year, 50 employees received sponsorships for undergraduate and graduate studies, including the Master of Defence Technology and Systems Programme.

Rewarding Our People

In 2015, the Group gave out awards to recognise deserving employees. To inculcate a culture of innovation, teamwork and safety, Innovation, Team Excellence, and EHS (Environment, Health & Safety) awards are given out to employees during the annual ST Engineering Business Excellence Seminar.

To promote work-life harmony as well as improve camaraderie among our employees, we organised a comprehensive range of social and recreational activities throughout the year. Events included social activities such as paintball and karaoke as well as sporting activities such as bowling, football and badminton. Some of these events were also open to employees' families so as to build a more close-knit organisation.

Union Relations

In 2015, 31% of our employees were covered under collective bargaining agreements. We achieved zero stoppage of work arising from any industrial action to date.

HEALTH AND SAFETY

Product Quality and Safety

ST Engineering achieved full compliance with product quality and safety requirements in 2015.

We continued to participate actively in the annual International System Safety Conference to learn and share processes, methods and techniques in Systems Safety. In 2015, a paper we submitted was selected for presentation at the conference. In addition, each business sector also presented at the internal Annual System Safety Seminar, held in September 2015.

We aim to better our practices and learn from experts in the field. This was the second year that ST Engineering engineers attended the Safety Critical Systems Development course conducted by the Head of the School of Computing Science, University of Glasgow.

We carried out a benchmarking exercise on safety critical items across the four business sectors. In addition, we undertook a study of industries in developed countries to understand how organisations manage safety-critical items, with the aim of adopting best practices.

Occupational Health and Safety

In 2015, our occupational health programmes focused on management of noise induced deafness (NID), occupational health and training programmes, as well as sharing of best practices in Workplace Safety and Health (WSH). A new NID management checklist was introduced to standardise the follow-up actions for handling NID cases. The Occupational Health Sub-Committee recommended adopting the Guide to Total WSH published by the WSH Council. The guide will be used as a reference and benchmark for our existing programme.

Besides ergonomics and training programmes, the sub-committee studied the return to work programme and concluded the programme would be effective in shortening the time away from work and allay employees' concerns over their ability to work after work related injury.

In January 2015, the annual ST Engineering EHS Excellence Awards were given for the following:

(1) a customised hydraulic turntable which, when used during inspections in the Aerospace sector, reduces Musculoskeletal Disorder. This improves working conditions and increases efficiency and productivity;

(2) ST Marine's enhanced method of changing the Voith Schneider Propeller blades on ships, which not only reduces the number of processes and workers involved, but also eliminates the need for hot works, enhances transportation, and reduces the incidence of heavy manual lifting which may cause work injuries.

In September 2015, employees from all the sectors participated in the Business Excellence EHS forum, a platform for sharing EHS initiatives. The topics shared included Energy Efficiency Project Funding, Total Workplace Safety and Health and Managing Excessive Noise at Workplaces.

In 2015, the WSH teams also won various WSH awards in both industry and national conventions.

NO.	COMPANY	AWARD TYPE	NO. OF AWARDS
1	ST Aerospace	WSH Innovation Awards (Manufacturing)	**1 Gold** **1 Silver**
		WSH Innovation Award (National)	**1**
2	ST Electronics	SHARP Award^	**6**

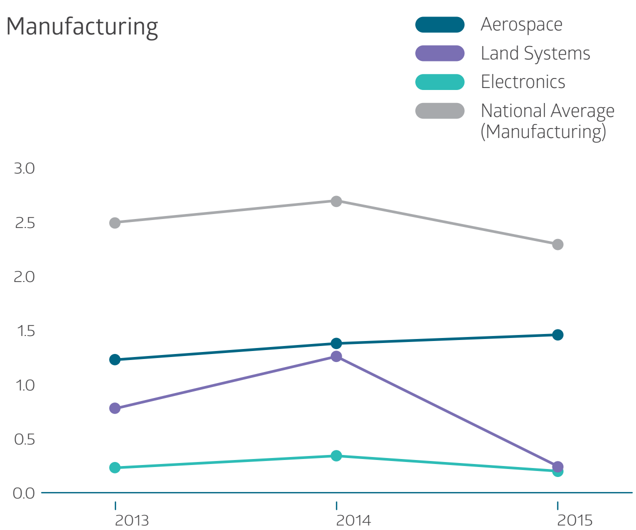
^ The Safety and Health Award for Projects (SHARP) is an annual award presented by the Workplace Health and Safety Council in collaboration with the Ministry of Manpower to give recognition to companies or organisations that have performed well in safety and health through implementation of sound safety and health management systems.

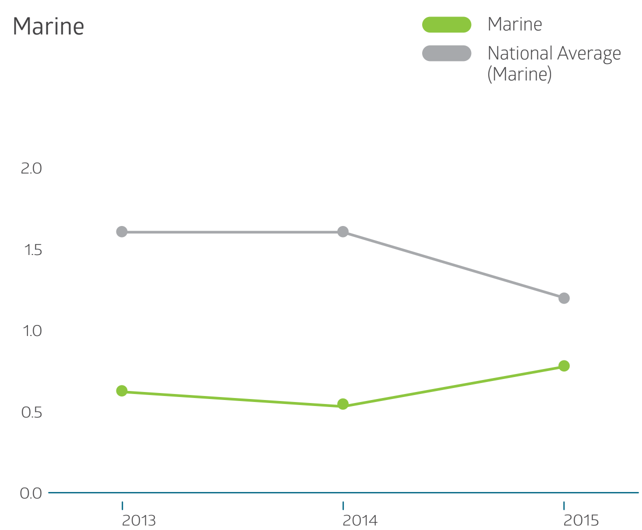
Sustainability Performance

Accident Frequency Rate (AFR) and Accident Severity Rate (ASR) figures across sectors remained below national industry averages. Nevertheless, ST Marine continued to face some challenges in the area of Behaviour Based Safety, with two cases incurring high number of medical leave days. A mass review session was convened to address these areas and to look into ways to improve the safety record.

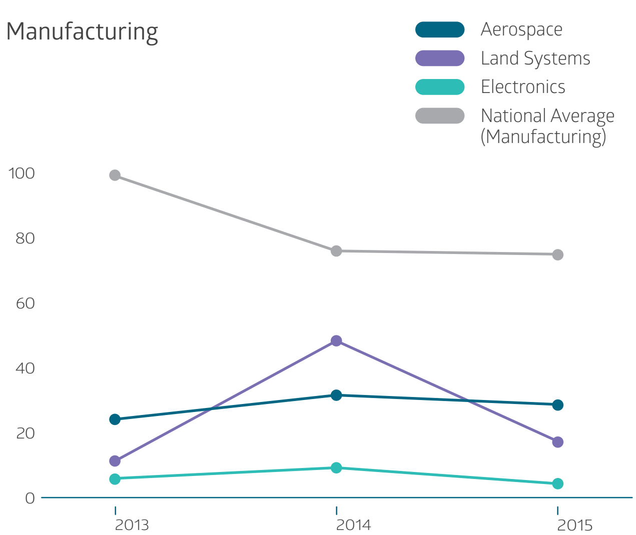
In ST Aerospace, the inclusion of new business units and the higher numbers of medical certificates incurred from 'slips/trips/falls' were contributing factors to the higher AFR. A task force was formed to look into lowering the number of 'slips/trips/falls', for example through a better work-stand/platform design.

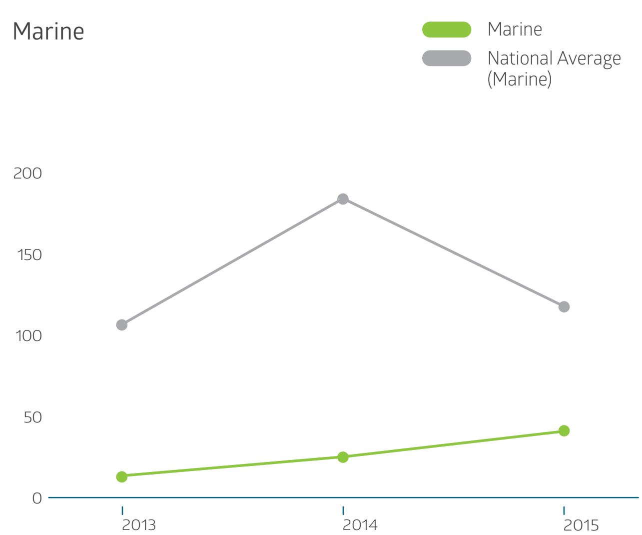
ACCIDENT FREQUENCY RATE (NUMBER OF INCIDENTS PER MILLION MAN HOURS)





ACCIDENT SEVERITY RATE (NUMBER OF INCIDENTS PER MILLION MAN HOURS)





OTHER OCCUPATIONAL HEALTH & SAFETY PERFORMANCE INDICATORS (2015)

	AEROSPACE	ELECTRONICS	LAND SYSTEMS	MARINE
No. of Occupational Health Activities Organised (target >4)	24	11	24	21
Audiometric Examination (Percentage of at-risk staff who attended)	100%	100%	100%	100%
Respiratory Protection Training (Percentage of at-risk staff who attended)	100%	100%	100%	100%
Number of Occupational Disease Cases (excluding NID Cases)	1	0	0	0
Number of Advanced Noise Induced Deafness ('NID') Cases	0	1	0	0

100% of employees identified to be at risk of hearing and respiratory occupational hazards attended audio metric examination and respiratory protection training respectively.

ENVIRONMENT

Climate Change & Energy

Climate change is a global issue that will require new and innovative technologies to mitigate its effects. ST Engineering acknowledges the role we play in international efforts to mitigate and adapt to the effects of climate change by developing low-carbon and clean energy technologies as well as the business risks and opportunities arising from climate change.

The Energy Sub-Committee, the Technology, Intellectual Property and Innovation Committee and the Business Foresight Committee keep abreast of climate change trends and issues and review the impacts and opportunities that arise.

Some of the trends and corresponding risk impacts reviewed by these committees included:

1. Countries and customers' requirements on emissions reporting prior to conduct of business;
2. Increasing fiscal measures such as additional taxes on fuel and energy, as well as changes in product efficiency regulations and standards imposed by countries as they seek to manage the impact of climate change;
3. Unpredictable weather such as heavy rain or heavy snowfall causing increasing incidents of disruption to businesses and the supply chain.

The workplan of the Energy Sub-Committee is adjusted annually to take into account actions that must be taken in response to the trends and issues. These actions included adopting ISO 14064 to monitor and report the level of greenhouse gas (GHG) emissions, as well as third party verification; implementing the ISO 50001 energy management system as a structured approach to manage operational energy efficiency and identify opportunities for better energy performance; building up the necessary technical capability and competency to respond to different market needs and requirements in terms of green product design and manufacturing standards and regulations.

ISO 50001 EnMS (Energy Management System) is an ISO management system published and launched worldwide in 2011, with the aim of focusing on energy planning to attain efficient use of energy. By adhering to this ISO standard, ST Engineering will be able to improve overall energy performance, reduce energy costs and GHG emissions. The operating entities in Singapore achieved ISO 50001 certification in 2015.

In the same year, a subsidiary of ST Kinetics, Singapore Test Services (STS), signed a MOU with the Centre for Energy Research and Technology (CERT) of the Faculty of Engineering, National University of Singapore, and the Singapore Institute of Power and Gas (SIPG), to jointly collaborate in creating platforms and training opportunities for integrating Energy Storage Systems (ESS) with Singapore's power grid. The MOU underscores

Sustainability Performance

STS' interest in working with partners in the local energy industry to achieve Singapore's long-term plan to integrate renewable energy sources, such as solar energy, into the nation's electricity grid.

Other business opportunities, new products and services arising from the climate change trends are set out in the Innovation and Productivity Section on pages 76 to 78.

In 2015, our investments in innovation resulted in energy reductions from our products and services, with an estimated savings of 4,030 terajoules.

The Group is constantly exploring ways to improve energy efficiency in order to achieve our target of a 16% reduction in GHG emissions intensity by 2025 (using 2010 as a base year). Several initiatives were evaluated, including alternative clean energy sources such as solar energy. We will explore the installation of solar panels at various locations around Singapore with the aim of supplementing existing energy sources with clean solar energy starting 2016.

Another simple but impactful energy efficiency initiative this year was the use of pizza tray LED lights to replace the High-Intensity Discharge (HID) high-bay lighting system in one of ST Aerospace's workshops. The HID lights were less durable, which translated to frequent maintenance and replacement. By reducing recurring maintenance and lamp replacements, productivity is improved and the risk of accidents, due to 'fall from height' and 'struck by falling objects' is decreased. Energy consumption and carbon footprint is also reduced. These factors contributed to lower overall operating and maintenance cost.

While the amount of energy consumed is heavily dependant on the product mix delivered during the year, GHG intensity reduced 17% in 2015 compared to 2014. This is 18% decrease compared to the base year 2010.

Environmental Protection

In 2015, there were no significant fines or incidents relating to non-compliance with environmental laws and regulations.

STAGE OF DEVELOPMENT	NUMBER OF PROJECTS TO REDUCE INTERNAL ENERGY CONSUMPTION	TOTAL ESTIMATED ANNUAL CO_2 SAVINGS
To be implemented	2	135
Implementation commenced	11	3,226
Implemented	4	411

ENERGY CONSUMPTION

	2013	2014	2015
Direct Energy Consumption (GJ)	336,243	364,311	338,334
Indirect Energy Consumption (GJ)	538,247	535,920	480,353
Energy Intensity* (GJ/$ m)	226.05	238.09	207.76

2013 and 2014 figures were adjusted as a result of the greenhouse gas emission audit. Figures are restated accordingly.

Water

The total water consumption of the Group in 2015 was 728,000m³, which was lower than the target of 817,000m³. This substantial savings was a result of the implementation of the following initiatives:

(1) to collect and channel rain water for common toilet flushing;

(2) to reduce the flotation pool water level for vehicle testing; and

(3) to replace potable water with NEWater

Effluents & Waste

We manage trade effluents in accordance with the Environmental Protection and Management (Trade Effluent) Regulations. We continually look out for opportunities to reduce, reuse and recycle waste. These include:

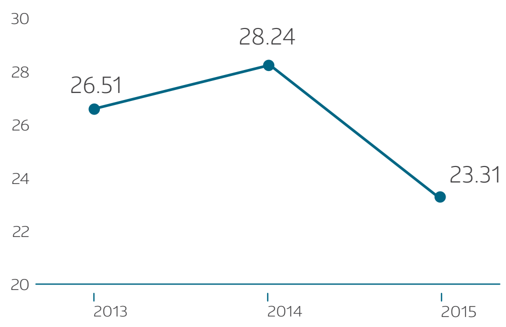
a) Regularly monitor waste discharge;

b) Segregate waste through waste bin management programme, where paper and electronics wastes are collected for recycling;

c) Make conscious effort to replace toxic chemicals with environmentally friendly substitutes;

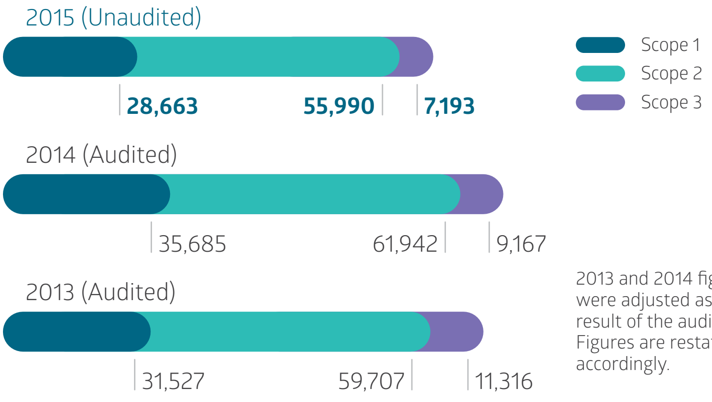
d) Ensure toxic wastes such as heavy metals, are disposed by approved toxic waste collectors.

GREENHOUSE GAS INTENSITY* (tCO_2e/$ M)



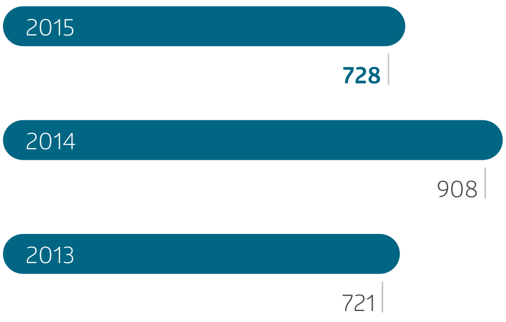
*Note: Intensity figures are normalised using revenue from Asia, which Singapore is a significant contributor.

GREENHOUSE GAS EMISSIONS (tCO_2e)



2013 and 2014 figures were adjusted as a result of the audit. Figures are restated accordingly.

WATER CONSUMPTION ('000 m³)



Sustainability Performance

SUSTAINABLE PROCUREMENT

In 2015 we formalised a Sustainable Procurement Vision and Statement which sets out the Group's commitment to incorporate the following principles into our procurement activities:

1. We practise value for money procurement
2. We do not compromise on the quality and safety of our products and services
3. We practise ethical procurement
4. We protect the health and safety of our workers
5. We protect the environment

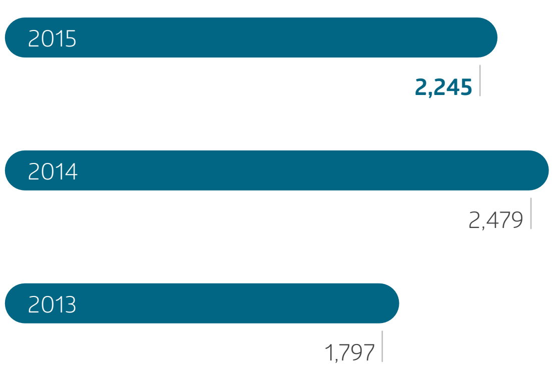
Through the Group Procurement Risk Management Framework we have for many years embraced value for money procurement, and put in place quality management systems to ensure the quality and safety of the products and services from our key suppliers.

Meanwhile, our fraud risk management framework, policies and processes place great emphasis on ethical procurement. Please refer to pages 66 to 68 for more information on this.

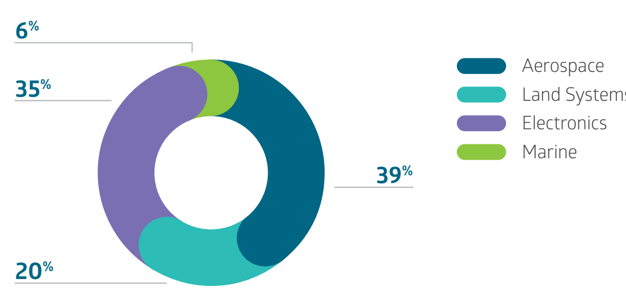
In 2015, we started the process of communicating the above vision and intent internally to all employees in Singapore.

We sent out a survey to our critical suppliers to establish their sustainability practices and the extent of their alignment to our principles. Critical suppliers are suppliers whom we have been actively dealing with and which have contributed significantly towards our procurement values during the past two years. The full results of the surveys will be analysed in 2016. Based on the results, we intend to develop a roadmap for implementing sustainable procurement, including assessment of potential and actual negative impacts.

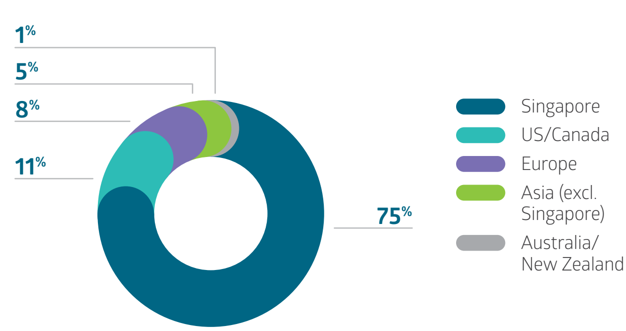
TOTAL PURCHASE VALUE ($M)



PURCHASE VALUE BY SECTOR (2015)



NUMBER OF SUPPLIERS BY LOCATION (2015)
TOTAL NUMBER OF SUPPLIERS: 11,147



COMMUNITY

We believe that technology can be a powerful force for good, making a difference to lives at a personal level and at the community level.

We are engineers driven by technology and innovation. We believe we make the most impact to our community when we leverage our unique technological expertise.

Our community focus is on the underprivileged, while we also endeavour to deliver innovative solutions that benefit the wider community.

As we explore and build long-term community partnerships that tap on our engineering expertise, we continue to contribute financially to various charities on a regular basis. Employees are also encouraged to leverage on our staff strength to raise funds and awareness for causes they feel passionate about.

The following are a few examples of our community initiatives in 2015:

Supporting technological improvements – ST Engineering Enabling Technology Centre

The ST Engineering Enabling Technology Centre, one of the centres housed within a facility called Tech Able in the Enabling Village, was opened in early October 2015.

The Centre focuses on assistive technology, equipped with an on-site team of specialists to assess users' needs, recommend and facilitate the trying out of suitable assistive devices, as well as provide advice on subsidies and the purchase of equipment.

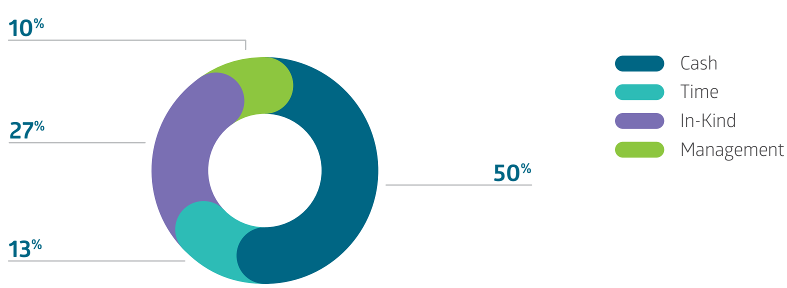
It is hoped that through our financial support, $970,000 over a three-year period from 2014 to 2016, persons with disabilities and their caregivers can make better informed decisions on assistive devices.

The ST Engineering Enabling Technology Centre focuses on assistive technology to help people with disabilities live and work independently.

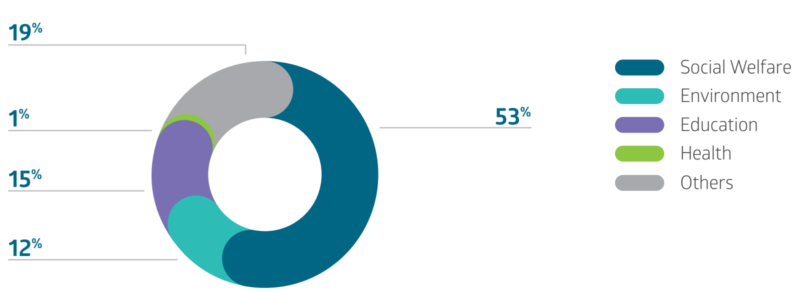
Sustainability Performance

COMMUNITY CONTRIBUTIONS (2015)
TOTAL: $1,888,202

Our Contributions



Issues Addressed



In addition, our employees raised $0.9m and dedicated 5,665 hours to our Charity Partners in 2015.

Protection from severe haze – AIR+ Smart Mask

Our community efforts are focused on the less fortunate in society. We also seek to leverage our technological expertise in our community efforts. We believe that technology can be a powerful force for good, making a difference to lives at a personal level and at the community level.

The launch of the Air+ Smart Mask was one such effort that had a positive impact on the community. Since its launch in March, ST Engineering gave out more than 75,000 masks and 18,000 micro ventilators to children and the elderly through various nationwide and international initiatives.

Through initiatives by Temasek Cares, a non-profit organisation under Temasek Holdings, some 13,000 children from low-income families and children's homes received free Air+ Smart Masks and Air+ Micro Ventilators. More than 29,000

In support of Relief.sg, ST Engineering donated small and medium sized Air+ Smart Masks to children in the Central Kalimantan city of Palangkaraya.

Photo credit: RSG/Edwin Koo

Prime Minister Lee Hsien Loong distributed the Air+ Smart Mask to about 100 seniors at a senior activity centre in Ang Mo Kio.

Photo credit: Temasek Cares

masks and 6,000 micro ventilators were also distributed to 60 senior activity centres across Singapore, ensuring that the more vulnerable members of our community are adequately protected against the haze.

During August to October when Singapore was affected by severe smoke haze due to forest fires in the region, the Air+ Smart Mask, with its innovative Air+ Micro Ventilator, quickly became the most sought after mask in Singapore for its better seal protection and improved breathing comfort.

In support of Relief.sg, a humanitarian social enterprise, we also distributed Air+ Smart Masks to children in Kalimantan, South Sumatra, areas most affected by the haze. We also donated the Air+ Smart Masks to the Samsung Medical Centre in South Korea for protection against the Middle East Respiratory Syndrome (MERS) outbreak.

Volunteering as an organisation – APSN Walkathon 2015

200 volunteers from across our business units helped in ticketing, manning the 30 games and merchandise stalls, ushering and providing logistical support for the 10,000 participants at the APSN Walkathon 2015.

The APSN Walkathon 2015, organised by the Association for Persons with Special Needs, raised more than $300,000 for vocational training and the running of the APSN Centre for Adults.

Sustainability Performance

UNITED STATES

Vision Technologies Systems, Inc. (VT Systems) was established as the regional headquarters for all our legal entities in the US. Reporting to the President & CEO of ST Engineering, the CEO of VT Systems has profitability oversight for the US as a region. Additionally, he has legal and financial responsibilities, including sustainability management. The US headquarters provides the regional views and expertise, develops and promotes strategies that leverage US group synergies, as well as develops and manages key customer relationships.

Sustainability programmes are developed with due consideration to the legal and environmental legislation in the US. Beyond compliance, VT Systems, in November 2013, established an Environmental Sustainability Policy which has an environmental framework with four areas of focus: energy management, greenhouse gas emissions reporting, waste management and sustainable procurement. Features of this framework include alignment to ISO 50001, and reduction targets for energy and waste.

Each US subsidiary has an Energy Policy, trained Energy Managers and a programme manual to address the four areas of focus in the environmental framework. Given the diverse business operations, each business unit sets its own targets for energy, greenhouse gas emissions, waste reduction and sustainable procurement.

VT Systems is committed to providing equal opportunities for all employees in a work environment free from discrimination and harassment of any type. Our inclusive policies protect applicants and employees from discrimination based on race, colour, religion, sex, age, marital status, national origin, sexual orientation, citizenship status, disabilities or protected veteran status. Discrimination is prohibited in any condition of employment or career development. Each of VT Systems' operating subsidiaries also appoints a Compliance Officer who is responsible for communicating the policies, training of the personnel, as well as developing and maintaining a violation reporting mechanism.

In order for employees to develop to their maximum potential and achieve their career goals, our employees undergo relevant periodic training. Training hours are tracked, reviewed and analysed (by employee categories and demographics).

As responsible corporate citizens, subsidiaries of VT Systems also serve the community where they operate. Notable charity partners include the American Cancer Society, St. Jude's Children Hospital and the Paralyzed Veterans of America's Operation PAVE (Paving Access for Veterans Employment).

VT Systems contributed US$214,881 to the community in 2015, with 50% towards social welfare and 30% towards health issues. In addition, employees raised over US$20,000 and dedicated 700 hours to charity partners.

WORKFORCE PROFILE FOR US OPERATIONS (2015)
TOTAL: 5,386

Employees

Supervised Workers*

* Supervised workers refer to workers we hire through local contractors. They are on short term contract, work in our yard and are supervised by VT Systems.

Corporate Governance

ST Engineering's framework of corporate governance reflects an institutional mindset of accountability and transparency at all levels of the Group. We believe that good corporate governance is not only the Board's responsibility, but that of the management and every level of the organisation. Good corporate governance is the foundation for long-term value creation of the Group. This Report sets out ST Engineering's corporate governance processes, practices and activities in 2015 with specific reference to the guidelines of the Singapore Code of Corporate Governance 2012 (the Code).

BOARD MATTERS

Board's Conduct of its Affairs
(Principle 1)

The Board is accountable to shareholders for overseeing the effective management of the business. To this end, the Board relies on the integrity and due diligence of its senior management and its external advisors and auditors. In addition to its statutory responsibilities, the Board reserves the following key matters for its decision:

- setting the Group's overall long term strategic objectives and ensuring that decisions made are consistent with these objectives;
- approval of annual budgets, major funding proposals, investment and divestment proposals in accordance with the approved delegation of authority framework;
- appointment of the President & CEO, Board succession and appointments on Board committees;
- appointment of key management personnel and succession planning as an ongoing process;
- review of the risk management framework through its Risk Committee as set out in page 105; and
- approval of the unaudited quarterly, half yearly and full year audited results prior to their release.

Besides monitoring the performance of the Group, the Board also provides guidance on sustainability issues such as environmental and social factors, as part of the overall business strategy. Board meetings may include presentations by the managements of its four key subsidiaries to discuss growth strategies relating to their specific business sectors.

In the discharge of its functions, the Board is supported by nine Board committees to which it delegates specific areas of responsibilities for review and decision making, and the Executive Office. The Executive Office comprises the President & CEO, President & CEO (Designate), Deputy CEO and the Chief Financial Officer (CFO). Board members receive monthly consolidated management reports on the financial performance of each business sector, capital commitments and significant operational highlights to keep the Board apprised of business and performance updates in the Group.

A formal letter is sent to a director upon his appointment setting out his duties and responsibilities. A new director is also given a briefing by the President & CEO on the strategic direction and performance of the Company and its key subsidiaries as well as his/her duties and obligations.

Visits to the Group's facilities are also arranged for new directors to enable them to develop a good understanding of the Group's business and operations and the respective key managements. The Board is routinely updated on the relevant laws, continuing listing obligations and accounting standards requiring compliance, and their implications for the Group, so as to enable each Director to properly discharge his duties as Board and Board committee member.

Depending on their skillsets and background, directors are sponsored for relevant courses, conferences and seminars in order that they can be better equipped to fulfil their governance role and to comply with directors' obligations. Where there are statutory and regulatory changes that affect the obligations of directors, the Company will organise briefings by external legal counsel.

The Board convenes scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly results. Special Board meetings may be convened as and when necessary to consider urgent corporate actions, long term strategies or specific issues of importance.

To facilitate the Board's decision-making process, the Company's Constitution provides for Directors to participate in Board meetings by teleconference or video conference. Decisions of the Board and Board committees may also be obtained via circulation. The Board monitors the performance of the Group through its Board committees. At the end of every Board meeting, the Chairman allocates time for its non-executive Directors to meet without the presence of Management.

The number of Board and Board committee meetings held during the year is tabulated in page 92:

Corporate Governance

TYPE OF MEETING	NO. OF MEETINGS	ATTENDANCE AVERAGE^
Board	5	83%
Audit Committee	5	95%
Business Investment and Divestment Committee*	-	-
Executive Resource and Compensation Committee	4	100%
Nominating Committee	2	100%
Senior Human Resource Committee	1	100%
Risk Review Committee	5	79%
Budget and Finance Committee	1	67%
Research, Development and Technology Committee	3	89%
Tenders Committee#	-	-

Minutes of the Board Committee meetings are made available to all Board members.

* The Business Investment and Divestment Committee (BIDC) is given the authority to consider investment/divestment proposals of subsidiaries that exceed the threshold limit of these subsidiaries. Beyond the BIDC's limit, such proposals are directly considered by the Board. During the year, there were no investment/divestment proposals that fell within the remit of the BIDC. Hence no meeting occurred during the year.

\# Matters of the Tenders Committee during the year were resolved via resolutions in writing.

^ The computation of average attendance at Board meetings took into account the absence of Mr Tan Pheng Hock, who was on medical leave of absence during part of the 2nd half of 2015. Mr Tan is a member of the Business Investment and Divestment Committee, Senior Human Resource Committee, Risk Review Committee, Budget and Finance Committee as well as Research, Development and Technology Committee.

Board Composition and Guidance
(Principle 2)

The Board comprises 15 directors and 2 alternate directors.

The Board, through the Nominating Committee (NC), reviews the size and composition of the Board taking into consideration the need to balance the diversity of skillsets and backgrounds with the independence element. The Board acknowledges the relatively large board size of 15 members. This is transitional due to our board rejuvenation process which is ongoing and the need to pace changes to avoid disruption to the Board and Board committees. Following changes to the Board composition shortly after the April 2016 AGM, the Board will have 14 directors. This is not too large and is mitigated by the global nature of the Group's business and taking into cognizance ST Engineering's key role in supporting Singapore's defence technology ecosystem. The Board will continue to review its composition and size to facilitate effective decision making.

During the year, the Board welcomed the following 3 new non-executive directors:

- Mr Lim Sim Seng joined the Board as independent non-executive Director on 15 May 2015. He is Country Head, DBS Singapore and Chairman of DBS Vickers Securities Holdings Pte Ltd.
- MG Lim Cheng Yeow Perry was appointed non-independent non-executive Director and member of the Business Investment and Divestment Committee, Senior Human Resource Committee and Risk Review Committee on 20 October 2015. He is the Chief of Defence Force in the Ministry of Defence, Singapore.
- Mr Lim Ah Doo was appointed independent non-executive Director and member of the Audit Committee on 10 November 2015.

In MG Lim's position as Chief of Defence Force, it may be necessary for him to be called away on urgent duty at times and not be able to attend Board meetings. The Board has therefore agreed with MG Lim's request to appoint COL Alan Goh Kim Hua as his Alternate Director. COL Goh was appointed Alternate Director to MG Lim on 20 October 2015. Management ensures that COL Goh is fully apprised of all Board matters, receives notices to attend Board meetings, and receives Board papers in time as well as board resolutions by circulation.

Mr Vincent Chong Sy Feng, who is President & CEO (Designate), was appointed an Alternate Director to Mr Tan Pheng Hock on 1 December 2015. Following the nomination by

Mr Tan and the recommendation of the Nominating Committee, the Board is satisfied that Mr Chong will be able to support Mr Tan effectively at Board discussions. It is intended that Mr Chong will succeed Mr Tan as President & CEO of ST Engineering, and will also be appointed a full fledged Director of ST Engineering when Mr Tan steps down from the Board sometime in 2016.

The Board consists of members with established track record in defence, business, finance, banking, technology, legal and management. Each non-executive director brings to the Board an independent perspective based on his training and expertise to make balanced and well considered decisions.

The Board has eleven, independent directors who represent more than 70% of the Board. The Code requires the independent directors to comprise at least half of the Board. The independence of each director is determined upon appointment and reviewed annually by the NC.

The NC has affirmed that the independent directors are Mr Kwa Chong Seng, Mr Koh Beng Seng, Mr Venkatachalam Krishnakumar, Mr Davinder Singh, Dr Stanley Lai, Mr Khoo Boon Hui, Mr Quek See Tiat, Ms Olivia Lum, Dr Beh Swan Gin, Mr Lim Sim Seng and Mr Lim Ah Doo. The Board agrees with the NC's assessment.

Two of our independent directors, Mr Koh Beng Seng and Mr Venkatachalam Krishnakumar, have each served more than 9 years.

Mr Koh was appointed independent non-executive Director on 15 September 2003. He has extensive experience in financial services and knowledge of financial regulations which enables him to effectively lead the Audit Committee in providing oversight on internal controls to support the Board. He has also demonstrated independence of character and judgment in his deliberations at the Audit Committee and Board level. The Board has, on the recommendation of the NC, determined that Mr Koh is independent notwithstanding that he has served more than nine years on the Board. As Chairman of the Audit Committee, Mr Koh continues to express his independent and objective views at Audit Committee meetings.

Mr Krishnakumar was appointed independent non-executive Director on 15 April 2002. In keeping with the momentum of our board succession plan, he has indicated that he will step down from the Board shortly following the April 2016 AGM.

The Board has, at all times, exercised independent judgment in decision making, using its collective wisdom and experience to act in the best interests of the Company. Any director who has an interest that may conflict with a subject under discussion by the Board either recuses himself from the information flow and discussion of the subject matter or declares his interest and abstains from decision-making.

The Board, through the NC, reviews its size and composition from time to time to ensure it has the right blend and diversity of skills, expertise, experience and perspectives to enable the Board to effectively oversee ST Engineering.

The Board held a total of five meetings during the year to consider, among other things, the approval of the FY2014 results and release of the 1Q2015, 2Q2015 and 3Q2015 results. The Board reviewed the Group's strategy plans to ensure that the work of the Group is aligned with its charter and corporate objectives taking into account the major challenges in the global environment in which we operate.

Chairman & Chief Executive Officer
(Principle 3)

The Chairman and President & CEO roles and responsibilities are kept separate in order to maintain effective oversight. No individual or small group of individuals dominates the Board's decision making process. The President & CEO and senior management regularly consult with individual Board members and seek the advice of members of the Board committees through meetings, telephone calls as well as by electronic mail.

The Chairman is responsible for leading the Board and ensuring the effective functioning of the Board to act in the best interests of the Company and its shareholders. The Chairman facilitates the relationship between the Board, President & CEO and management, engaging them in constructive discussions over various matters, including strategic issues, sustainability, risks and business planning processes. He ensures that discussions at the Board level are conducted objectively and professionally where all views are heard and key issues are debated in a fair and open manner. The Chairman also ensures that adequate time is provided for discussion of strategic issues and key concerns at Board meetings. He represents the views of the Board to the shareholders.

Mr Tan who is an executive Director, and the President & CEO, is accountable to the Board for the conduct and performance of the Group. He sits on the boards of its

Corporate Governance

key subsidiaries to ensure that decision-making processes and information flows are effectively channelled in a timely manner to ensure alignment with the ST Engineering Group's policies. He has been delegated authority to make decisions within certain financial limits authorised by the Board. He is supported in his work by Mr Chong, President & CEO (Designate) and Mr Lee Fook Sun, Deputy CEO who is concurrently President, Defence Business and President of ST Electronics. Mr Chong was appointed President & CEO (Designate) on 1 October 2015 following Mr Tan's disclosure of his intention to retire in 2016. An extensive search was initiated by the Board to shortlist potential internal and external CEO candidates to undergo a structured selection process. An external consultancy search firm was engaged to assist with the search. The Board is satisfied with the rigour of the CEO search process and Mr Chong as the designated successor to Mr Tan. Mr Tan continues to be supported by the CFO, Ms Eleana Tan Ai Ching and the respective Presidents of the subsidiaries.

Board Membership & Evaluation of Performance

(Principles 4 and 5)

Supporting the Board are the following Board committees:

- Nominating Committee
- Audit Committee
- Business Investment and Divestment Committee
- Executive Resource and Compensation Committee
- Budget and Finance Committee
- Research, Development and Technology Committee
- Senior Human Resource Committee
- Risk Review Committee
- Tenders Committee

Nominating Committee

The NC is responsible for reviewing the composition of the Board and identifying and selecting suitable candidates to the Board, in particular, candidates with the appropriate qualifications, skillsets and experience who are able to discharge their responsibilities as directors. Shortlisted candidates are recommended to the Board for approval. The NC is also responsible for reviewing annually and determining the independence of non-executive directors, conducting board performance evaluation, succession planning for CEO and director training and development.

The NC comprises three non-executive independent directors. Mr Venkatachalam Krishnakumar is the Chairman of the NC. The other members are Mr Kwa Chong Seng and Dr Stanley Lai. Following the stepping down of Mr Venkatachalam Krishnakumar, he will be succeeded by Mr Kwa Chong Seng as Chairman of the NC. At the same time, Mr Lim Sim Seng will be appointed a member of the NC.

During the year, the NC was actively engaged in the board renewal process of ST Engineering and its key subsidiaries, having regard to the skills, experience and industry expertise needed for a balanced board composition to, among other things, oversee governance and risks within the Group's business. The NC also reviewed and affirmed the independence of the Company's independent directors.

The NC conducted a collective assessment of the Board to gauge the effectiveness of the Board's performance, the adequacy of the blend of skillsets and experience of the Board, and the quality and timeliness of board and committee meeting agendas and papers submitted by the Management. The review was internally undertaken with each Director being asked to complete a questionnaire. Their feedback was collated and shared with the Board. The review indicated that the Board continues to function effectively. The NC also took on board the feedback of the Board members and identified areas for improvement.

The NC has also noted the list of other directorships held by our directors taking into consideration their principal commitments. The NC is satisfied that each of the directors is able to devote time to carry out his duties as director in the Company.

The Board has considered and agreed not to set guidelines for maximum directorships in a listed company that a director can hold. Annually, an incumbent director is asked to affirm that he has adequate time to devote to his Board responsibilities. The ST Engineering Board members are selected on the basis of their ability to contribute to the Board through their relevant skillsets, experience, calibre and willingness to devote time. In addition, each Director is required to provide an annual affirmation of commitment to his Board responsibilities. With these considerations, the Board is of the view that setting a maximum number of board representations on listed companies for our directors is not needed.

The NC is also responsible for renewal and succession plans to ensure Board continuity. At each AGM, one third of the directors with the longest term in office since his last re-election is required to retire. A retiring director may submit himself for re-election. Under this provision, Messrs Kwa Chong Seng, Tan Pheng Hock, Quek Tong Boon and Dr Stanley Lai will retire. Mr Lim Sim Seng, MG Perry Lim and Mr Lim Ah Doo, who are newly appointed, will hold office until the forthcoming AGM of the Company. The retiring directors, being eligible, have offered themselves for re-election.

Each of the retiring non-executive directors has confirmed that he does not have any relationship with his fellow directors nor with the Company and its substantial shareholders.

The Board, acting on the recommendation of the NC, proposes that each of the retiring Directors be re-elected at the Company's forthcoming AGM.

With the exception of Mr Tan Pheng Hock, the remaining 14 directors are non-executive Directors.

The composition of the Board and Board committees as at 31 December 2015 is tabulated below:

BOARD MEMBER	**AUDIT COMMITTEE** (ESTABLISHED ON 15/1/1998)	**BUSINESS INVESTMENT AND DIVESTMENT COMMITTEE** (ESTABLISHED ON 8/9/1997)	**EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE** (ESTABLISHED ON 6/12/1997)	**NOMINATING COMMITTEE** (ESTABLISHED ON 4/12/2002)	**BUDGET AND FINANCE COMMITTEE** (ESTABLISHED ON 5/1/1998)	**RESEARCH, DEVELOPMENT AND TECHNOLOGY COMMITTEE** (ESTABLISHED ON 1/8/2003)	**SENIOR HUMAN RESOURCE COMMITTEE** (ESTABLISHED ON 16/1/1998)	**RISK REVIEW COMMITTEE** (ESTABLISHED ON 7/12/1998)	**TENDERS COMMITTEE** (ESTABLISHED ON 5/1/1998)
Mr Kwa Chong Seng		C	C	M			C		Rolling list of any 3 Board Directors
Mr Tan Pheng Hock		M			M	M	M	M	
Mr Koh Beng Seng	C								
MG Lim Cheng Yeow Perry*		M					M	M	
Mr Ng Chee Khern					M				
Mr Quek Tong Boon						C			
Mr Venkatachalam Krishnakumar	M		M	C				M	
Mr Davinder Singh					C			M	
Dr Stanley Lai Tze Chang	M		M	M		M			
Mr Khoo Boon Hui								C	
Mr Quek See Tiat	M								
Ms Olivia Lum Ooi Lin								M	
Dr Beh Swan Gin		M			M				
Mr Lim Sim Seng#									
Mr Lim Ah Doo^	M								
COL Alan Goh Kim Hua+									
Mr Vincent Chong Sy Feng~									

DENOTES:
C – Chairman
M – Member

* Appointed Member on 20 October 2015
# Appointed Director on 15 May 2015
^ Appointed Member on 10 November 2015

\+ Appointed Alternate director to MG Lim Cheng Yeow Perry on 20 October 2015
~ Appointed Alternate director to Mr Tan Pheng Hock on 1 December 2015

Corporate Governance

Access to Information
(Principle 6)

The Management furnishes Board members with monthly management reports, providing updates on key operational activities and financial analysis. The Board also has unrestricted access to the President & CEO, President & CEO (Designate), Deputy CEO, the CFO, management and the Company Secretary as well as the internal and external auditors and the risk management team. The Board may also seek independent professional advice, if necessary.

Board papers are sent to directors at least three days prior to meetings in order for directors to be adequately prepared for the meetings.

The Company Secretary attends all Board meetings and ensures that board procedures are followed. The Company Secretary advises the Board on governance matters including their timely disclosure obligations. She also assists with the co-ordination of continuing training for board members to keep the Board up-to-date on corporate governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole to decide.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies
(Principle 7)
Level and Mix of Remuneration
(Principle 8)
Disclosure on Remuneration
(Principle 9)

ROLE OF EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE

The Executive Resource and Compensation Committee (ERCC) performs the role of the remuneration committee. The ERCC comprises Mr Kwa Chong Seng as Chairman, Mr Venkatachalam Krishnakumar and Dr Stanley Lai. The members of the ERCC have held senior positions in large organisations and are experienced in the area of executive remuneration policies and trends. All the ERCC members are independent non-executive directors.

The ERCC met four times during the year. All decisions at any meeting of the ERCC are decided by a majority of votes of the ERCC members present and voting (the decision of the ERCC shall at all times exclude the vote, approval or recommendation of any member who has a conflict of interest in the subject matter under consideration).

The ERCC performs the following duties and responsibilities:

Executive Remuneration General Framework

- Reviews and recommends to the Board the Group's general framework for determining executive remuneration including the remuneration of the Chief Executive Officer (CEO), top five key management executives of the Group Companies and other Senior Management Executives (collectively referred to as "Senior Management Executives").

Executive Director and Senior Management Executives

- Reviews and recommends to the Board the entire specific remuneration package and service contract terms for the CEO, who is also the Executive Director.

- Considers, reviews, approves and/or varies (if necessary) the entire specific remuneration packages and service contract terms for the Senior Management Executives of the Group Companies. For FY2015, the Board reviewed and approved the specific remuneration packages and service contract terms for the key management executives.

Non-executive Director Remuneration

- Reviews and recommends to the Board the remuneration framework (including directors' fees) for Non-executive Directors on the relevant Group Boards.

Equity Based Plans

- Approves the design of equity based plans and reviews and administers such plans.

Executive and Leadership Development

- Oversees the development of management with the aim of a continual build up of talent and renewal of strong and sound leadership to ensure the continued success of the Group and its businesses.

- Approves appointments to Senior Management Executive positions in the Group Companies and reviews succession plans for key positions in the Group Companies.

The Senior Human Resource Committee, chaired by Mr Kwa Chong Seng, comprises MG Perry Lim and Mr Tan Pheng Hock. The Committee reviews the talent management and leadership development initiatives to build a leadership pipeline for the Group.

By supporting and directing the Group's talent management and leadership initiatives, the Committee has helped to enhance the process of identification and development of talents to be groomed for senior positions.

For financial year 2015, Aon Hewitt Singapore Pte Ltd was engaged as remuneration consultant (Remuneration Consultant) to provide professional advice on board and executive remuneration matters. Aon Hewitt Singapore and its principal consultant are independent and are not related to the Group or any of its Directors.

EXECUTIVE REMUNERATION STRUCTURE

Remuneration for the Senior Management Executives comprises a fixed component, variable cash component, share-based component and benefits.

A. Fixed Compensation:

The fixed component comprises the base salary and compulsory employer contribution to an employee's Central Provident Fund (CPF).

B. Variable Cash Compensation:

The variable component includes the Monthly Performance Bonus (which is 1/12 of the 13th month salary), Performance Target Bonus and EVA-based Incentive Scheme.

Performance Target Bonus (PTB)

The PTB is a cash-based incentive for Senior Management Executives which is linked to the achievement of annual performance targets that will vary depending on their job requirements.

Individual performance objectives are set at the beginning of each financial year. The objectives are aligned to the overall strategic, financial and operational goals of the Group and Company, and are cascaded down to a select group of key executives using scorecards, creating alignment between the performance of the Group, Company and the individual. While the performance objectives are different for each executive, they are assessed on the same principles across the following four broad categories of targets:

- Core Business
- People Development & Teambuilding
- Organisation Development
- Self Development

The individual PTB payouts for the CEO and key management executives are determined by the ERCC based on the Group, Company and individual performance at the end of the financial year. The maximum PTB payout is capped at 4.0 times of monthly base salary.

EVA-based Incentive Scheme (EBIS)

The EBIS is established with the objective of motivating and rewarding employees to create sustainable shareholder value over the medium term achieved by growing profits, deploying capital efficiently and managing the risk profile and risk time horizon of the business. A portion of the annual performance-related bonus of the Senior Management Executives is tied to the EVA achieved by the Group in the financial year.

Under the plan, one-third of the accumulated EVA-based bonus, comprising the EVA declared for the financial year and the balance of such bonus brought forward from preceding years (which comprises multiple years of incentive dollars retained in the EVA bank), is paid out in cash each year. The remaining two-thirds are carried forward in the individual executive's EVA bank. Amounts in the EVA bank are at risk because negative EVA will result in a clawback of EVA accumulated in previous years. This mechanism encourages the senior management to work for sustained EVA generation and to adopt strategies that are aligned with the long-term interests of the Group.

In addition, the Group has a clawback facility with respect to the EVA bank in the event of a restatement of the financial results of the Group subsequent to an earlier misstatement and provisions for the forfeiture of the remaining EVA bank balance on termination due to misconduct or fraud resulting in any financial loss to the Group.

Based on the ERCC's assessment that the actual performance of the Group in financial year 2015 has partially met the pre-determined targets, the resulting annual EVA declared under EBIS was adjusted accordingly.

C. Share-based Compensation:

Share awards which were granted in financial year 2015 were based on the Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and the Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010) approved and adopted by shareholders of the Company at the Extraordinary General Meeting held on 21 April 2010. Yearly awards under the PSP2010 and RSP2010 do not exceed the internal annual limit of 1% of the total number of issued shares of the Company, set by the ERCC.

Details of the share plans and awards granted are given in the Share Plans section of the Directors' Statement from pages 116 to 119.

Corporate Governance

PSP2010

The PSP2010 is established with the objective of motivating Senior Management Executives to strive for sustained growth and performance in the Group.

Pursuant to the PSP2010, the ERCC has decided to grant contingent awards on an annual basis, conditional on meeting targets set for a three-year performance period. With effect from financial year 2010, the performance measures used in PSP grants under PSP2010 are:

- Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and

- Relative TSR against Defensive Stock Index, the constituents of which are selected "defensive stock" companies that have similar market risk as the Group and are listed on the Singapore Exchange Securities Trading Limited (SGX).

A minimum threshold performance is required for any performance shares to be released to the recipient at the end of the performance period. The actual number of performance shares released will depend on the achievement of set targets over the performance period, capped at 170% of the conditional award.

The final PSP award is conditional on the vesting of the shares under the RSP2010 which have the same performance end period.

The Group has clawback policies for the unvested shares under PSP2010 in the event of exceptional circumstances of restatement of the financial results of the Group subsequent to an earlier misstatement, or of misconduct or fraud resulting in any financial loss to the Group.

The Group did not meet the pre-determined target performance level for PSP awards granted based on the performance period from financial year 2013 to 2015.

RSP2010

The RSP2010 is established with the objective of motivating managers and above to strive for sustained long-term growth and superior performance in the Group. It also aims to foster a share ownership culture among employees within the Group and to better align employees' incentives with shareholders' interest.

Pursuant to the RSP2010, the ERCC has decided to grant contingent awards on an annual basis, conditional on targets set for a one-year performance period. The performance measures, set based on the Group corporate objectives, are:

- Group Net Profit; and
- Group EBITDA Margin.

A minimum threshold performance is required for any restricted shares to be released to the recipient at the end of the performance period. The actual number of shares released will depend on the achievement of set targets over the performance period, and will be determined by the ERCC at the end of the performance period, capped at 150% of the conditional award. The shares will be released equally over four consecutive years.

The Group has clawback policies for the unvested shares under RSP2010 in the event of exceptional circumstances of restatement of the financial results of the Group subsequent to an earlier misstatement, or of misconduct or fraud resulting in any financial loss to the Group.

The Group has partially met the pre-determined target performance level for the two RSP awards granted in FY2014 and FY2015. The achievements for both grants are computed based on the performance period from financial year 2014 to 2015 and for financial year 2015 respectively.

D. Market-Related Benefits:

The benefits provided are comparable with local market practices.

The Code requires a company to disclose the names and remuneration of the CEO and at least the top five key management personnel (who are not also directors or the CEO). Details of the remuneration package for the CEO are provided in the Summary Compensation Table for Directors on page 100. Details of the remuneration packages for the key management executives are provided in the Summary Compensation Table for Key Management Executives on page 103.

In performing the duties as required under its Terms of Reference, the ERCC ensures that remuneration paid to the Senior Management Executives is strongly linked to the achievement of business and individual performance targets. The performance targets as determined by the ERCC are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short- and long-term quantifiable objectives. A Pay-for-Performance Alignment study was conducted by the Remuneration Consultant and reviewed by the ERCC; it was found that there was sufficient evidence indicating Pay-for-Performance Alignment for the Group in terms of both absolute and relative performance.

Under the Code, the compensation system shall take into account the risk policies of the Group, be symmetric with risk outcomes and be sensitive to the time horizon of risks. The ERCC will undertake periodic reviews of the compensation-related risks.

During financial year 2015, there were no termination, retirement and post-employment benefits granted to Directors, CEO and key management executives other than in accordance with the standard contractual agreement.

There were no employees who were immediate family members of a Director or the CEO, and whose remuneration exceeded S$50,000, during financial year 2015.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive Directors (NEDs) have remuneration packages consisting of Directors' fees and attendance fees, which are approved in arrears by shareholders for services rendered in the previous year. The Directors' fee policy comprises a basic retainer, attendance and additional fees for serving on Board committees.

For services rendered in financial year 2015, eligible NEDs will receive 70% of the total Directors' fees in cash and 30% of the total Directors' fees in the form of restricted shares which are governed by the terms of RSP2010, subject to shareholders' approval at its AGM in April 2016.

As the restricted shares are awarded in lieu of Directors' compensation in cash, the shares will be awarded outright as fully paid shares with no performance conditions attached and no vesting periods imposed. To encourage the alignment of interests of the NEDs with the interests of shareholders, the share award has a moratorium on selling. Each eligible NED is required to hold shares in the Group worth the lower of: (a) the total number of shares in the Group awarded to such NED as payment of the shares' component of the NEDs' fees for financial year 2011 and onwards; or (b) the number of shares of equivalent value to the prevailing annual basic retainer fee for a Director of the Group. An NED can sell all his shares in the Group a year after the end of his Board tenure.

The computation of NEDs' compensation is based on current fee policy rates.

	FROM PRIVATE SECTOR ($) 2015
Chairman Fee	600,000
Basic Retainer	
Director	72,000
Additional/Committee Fees	
Audit Committee:	
- Chairman	52,000
- Member	29,000
Executive Resource and Compensation Committee and Risk Review Committee:	
- Chairman	35,000
- Member	18,000
Other Committee:	
- Chairman	29,000
- Member	14,000
Attendance Fees	
Per Board Meeting	2,000
Per Board Committee Meeting	1,000

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The Chairman's fee is a fixed fee covering all Board and Board Committee retainer and meeting attendance. The fee will be paid in a combination of cash (70%) and shares (30%). The share award, as part of the fee, will consist of fully-paid shares with no performance conditions attached and no vesting period imposed. However, the shares will have to be held for at least two years from the date of award, and the two year moratorium will apply even in the event of retirement.

The NEDs' compensation payable in respect of financial year 2015 is proposed to be S$1,749,212 (FY 2014: S$1,592,830). Details of the Directors' remuneration are provided in the Summary Compensation Table for Directors on pages 100 to 102.

Fees to directors who hold public sector appointments follow the Directorship & Consultancy Appointments Council (DCAC)'s guidelines as set out below.

	FROM PUBLIC SECTOR ($) 2015
Chairman	45,000
Deputy Chairman/Chairman Executive Committee/Chairman Audit Committee	33,750
Member, Executive Committee/Member, Audit Committee/Chairman of Other Board Committee(s)	22,500
Director/Other Committee Member	11,250

NEDs who hold public sector appointments follow DCAC guidelines and will not be eligible for the shares component of the NEDs' compensation. 100% of their compensation in cash is payable to DCAC, where applicable.

SUMMARY COMPENSATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (GROUP):

Payable by the Company

					DIRECTORS' TOTAL FEES *5		
EXECUTIVE DIRECTORS	SALARY *1 $	VARIABLE *2 $	BENEFITS *3 $	SHARE-BASED COMPENSATION *4 $	CASH-BASED $	SHARE-BASED $	TOTAL $
Tan Pheng Hock	1,289,400	1,547,226	159,225	1,531,829	–	–	4,527,680
Vincent Chong Sy Feng (Alternate to Tan Pheng Hock)	513,410	1,173,878	76,605	553,313	–	–	2,317,206
Total	**1,802,810**	**2,721,104**	**235,830**	**2,085,142**	**–**	**–**	**6,844,886**

SUMMARY COMPENSATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (GROUP):

Payable by the Company

NON-EXECUTIVE DIRECTORS	SALARY *1 $	VARIABLE *2 $	BENEFITS *3 $	SHARE-BASED COMPENSATION *4 $	DIRECTORS' TOTAL FEES *5 CASH-BASED $	SHARE-BASED $	TOTAL $
Kwa Chong Seng	–	–	–	–	420,000	180,000	600,000
Koh Beng Seng	–	–	–	–	95,900	41,100	137,000
Ng Chee Meng	–	–	–	–	14,178 (a)(b)	–	14,178
MG Lim Cheng Yeow Perry	–	–	–	–	4,500 (a)(c)	–	4,500
Ng Chee Khern	–	–	–	–	21,250 (a)	–	21,250
Quek Tong Boon	–	–	–	–	15,750	–	15,750
Quek Poh Huat	–	–	–	–	32,959 (d)	–	32,959
Venkatachalam Krishnakumar	–	–	–	–	201,000	–	201,000
Davinder Singh s/o Amar Singh	–	–	–	–	98,000	42,000	140,000
Dr Stanley Lai Tze Chang	–	–	–	–	123,900	53,100	177,000
Khoo Boon Hui	–	–	–	–	81,128 (e)	34,241	115,369
Quek See Tiat	–	–	–	–	81,200	34,800	116,000
Olivia Lum Ooi Lin	–	–	–	–	70,700	30,300	101,000
Dr Beh Swan Gin	–	–	–	–	11,250 (a)	–	11,250
Lim Sim Seng	–	–	–	–	33,297 (f)	14,270	47,567
Lim Ah Doo	–	–	–	–	10,072 (g)	4,317	14,389
COL Alan Goh Kim Hua (Alternate To MG Lim Cheng Yeow Perry)	–	–	–	–	– (h)	–	–
Total	**–**	**–**	**–**	**–**	**1,315,084**	**434,128**	**1,749,212**

Payable by Subsidiaries

EXECUTIVE DIRECTORS	SALARY *1 $	VARIABLE *2 $	BENEFITS *3 $	SHARE-BASED COMPENSATION *4 $	DIRECTORS' TOTAL FEES *5 CASH-BASED $	SHARE-BASED $	TOTAL $
Tan Pheng Hock	–	–	–	–	251,750 (i)	–	251,750
Vincent Chong Sy Feng (Alternate to Tan Pheng Hock)	–	–	–	–	6,877 (i)(j)	–	6,877
Total	**–**	**–**	**–**	**–**	**258,627**	**–**	**258,627**

Corporate Governance

SUMMARY COMPENSATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (GROUP):

Payable by Subsidiaries

NON-EXECUTIVE DIRECTORS	SALARY *1 $	VARIABLE *2 $	BENEFITS *3 $	SHARE-BASED COMPENSATION *4 $	DIRECTORS' TOTAL FEES *5 CASH-BASED $	DIRECTORS' TOTAL FEES *5 SHARE-BASED $	TOTAL $
Quek Tong Boon	–	–	–	–	12,500	–	12,500
Quek Poh Huat	–	–	–	–	52,500	22,500	75,000
Dr Stanley Lai Tze Chang	–	–	–	–	31,500	13,500	45,000
Dr Beh Swan Gin	–	–	–	–	2,813 (a)	–	2,813
Lim Sim Seng	–	–	–	–	3,500	1,500	5,000
COL Alan Goh Kim Hua	–	–	–	–	1,643 (a)	–	1,643
Total	**–**	**–**	**–**	**–**	**104,456**	**37,500**	**141,956**

*1 Salary includes base salary and employer CPF for the financial year ended 31 December 2015.

*2 Variable includes Monthly Performance Bonus (which is 1/12 of the 13th month salary or AWS paid over 12 months), Performance Target Bonus paid & EVA-based incentive for the financial year ended 31 December 2015.
The EVA-based incentive for the year is added to the balance brought forward in each of the executive's individual EVA Bank. 1/3 of the total is paid out, with the balance 2/3 carried forward to the next year. A negative EVA-based incentive will result in a clawback of individual EVA Bank.

*3 Benefits provided for employees are comparable with local market practices. These include medical, dental, insurances, transport, etc.

*4 The PSP and RSP Contingent Awards to be granted in 2016 for work done in FY2015 are based on the fair values as determined using the Monte Carlo simulation model

*5 The directors' cash fees and share awards will only be paid/granted upon approval by the shareholders at the forthcoming AGM of the Group.

(a) Fees for public sector directors are payable to a government agency, the DCAC.
(b) Pro-rated. Ng Chee Meng resigned as Director on 18 August 2015.
(c) Pro-rated. MG Lim Cheng Yeow Perry was appointed Director on 20 October 2015.
(d) Pro-rated. Quek Poh Huat retired as Director on 23 April 2015.
(e) Fees for Mr Khoo Boon Hui are payable to DCAC and Mr Khoo himself in respect of services rendered for the period from 1 January 2015 to 20 January 2015 and from 21 January 2015 to 31 December 2015 respectively.
(f) Pro-rated. Lim Sim Seng was appointed DIrector on 15 May 2015.
(g) Pro-rated. Lim Ah Doo was appointed Director on 10 November 2015.
(h) COL Alan Goh Kim Hua was appointed Alternate Director to MG Lim Cheng Yeow Perry on 20 October 2015.
(i) Fees are payable to Singapore Technologies Engineering Ltd.
(j) Pro-rated. Vincent Chong Sy Feng was appointed Alternate Director to Tan Pheng Hock on 1 December 2015.

The following information relates to remuneration of directors of Singapore Technologies Engineering Ltd:

NUMBER OF DIRECTORS IN REMUNERATION BANDS	2015	2014
$500,000 and above	3	2
$250,000 to $499,999	0	0
Below $250,000	15	12
Total	**18**	**14**

SUMMARY COMPENSATION TABLE FOR KEY MANAGEMENT EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2015 (GROUP):

REMUNERATION $	SALARY *1 %	VARIABLE *2 %	BENEFIT *3 %	SHARE-BASED *4 %	TOTAL %
Between $2,500,000 and $2,750,000					
Lee Fook Sun	26%	48%	3%	23%	100%
Between $1,500,000 and $1,750,000					
Lim Serh Ghee	30%	44%	4%	22%	100%
Ng Sing Chan	34%	37%	5%	24%	100%
Ravinder Singh s/o Harchand Singh	29%	41%	5%	25%	100%
	Total for Key Management Executives				**$7,470,625**

*1 Salary includes base salary and employer CPF for the financial year ended 31 December 2015.

*2 Variable includes Monthly Performance Bonus (which is 1/12 of the 13th month salary or AWS paid over 12 months), Performance Target Bonus paid & EVA-based incentive for the financial year ended 31 December 2015.
The EVA-based incentive for the year is added to the balance brought forward in each of the executives' individual EVA Bank. 1/3 of the total is paid out, with the balance 2/3 carried forward to the next year. A negative EVA-based incentive will result in a clawback of individual EVA Bank.

*3 Benefits provided for employees are comparable with local market practices. These include medical, dental, insurances, transport, etc.

*4 The PSP and RSP Contingent Awards to be granted in 2016 for work done in FY2015 are based on the fair values as determined using the Monte Carlo simulation model.

ACCOUNTABILITY AND AUDIT

Accountability
(Principle 10)

The Board is responsible for providing a balanced assessment of the Company's performance, position and prospects. In presenting the annual financial statements and quarterly results announcements to shareholders promptly, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's performance, position, risk review and prospects. The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements, including compliance with the continuing listing obligations under the SGX Listing Manual. As and when new rules and regulations or accounting standards are introduced, external professionals will be invited to brief our directors.

Directors are required to issue a Negative Assurance Statement to accompany the Company's interim financial results announcement. For this purpose, certain internal procedures have been put in place to enable each member of the Board reviewing the interim financial statements to immediately raise any material information known to him which may render the interim financial results to be false or misleading prior to their release to SGX. Should there be any significant adverse issue(s) raised by the Audit Committee (AC) or Board member which may affect the results in a material way, the scheduled date of the results announcement will be postponed to allow time for investigation or further review.

The appointment of auditors is subject to approval at each AGM. In making its recommendations to shareholders on the appointment and re-appointment of auditors, the Board relies on the review and recommendations of the AC. KPMG LLP in Singapore audits Singapore incorporated subsidiaries that are not exempt from audit under the Singapore Companies Act. Subsidiaries incorporated in countries outside Singapore that require an audit in their local jurisdictions are largely audited by other independent member firms of the KPMG network affiliated with KPMG International Cooperative, a Swiss entity. Some of our overseas associates and joint ventures which engage other auditing firms do not constitute a significant number. The names of the auditing firms of our subsidiaries, associates and joint ventures are disclosed at pages 183 and 189 of this Annual Report.

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The Company has complied with Rules 712 and 715 of the SGX Listing Manual in relation to the engagement of its auditors.

Directors and key senior executives of the Group are prohibited from dealing in ST Engineering shares two weeks before the announcement of ST Engineering's first quarter, second quarter, third quarter, and full year results up to the date of the announcement of the results. Directors are discouraged from trading on short term considerations. Additionally, all directors of the Group and employees are reminded not to trade in situations where the insider trading laws and rules would prohibit trading.

The directors' interests in shares of ST Engineering and its related companies during the year are found on pages 109 to 115 of this Annual Report.

Risk Management and Internal Control
(Principle 11)
Internal Audit
(Principle 13)

The AC, with the support of the respective Sectors' Risk and Audit Committees (RACs) oversees and appraises the quality of the IA function. The Board, through the AC, Risk Review Committee (these Committees are deliberately kept separate at the holding level to specifically focus on each important area of responsibility) and the RACs, is responsible for oversight of the risk management responsibilities, internal controls and governance processes delegated to Management.

The IA supports the AC and RACs in reviewing the adequacy of the Company's internal control system. Staffed by qualified auditors, IA has unrestricted direct access to the AC. The Head of IA's primary line of reporting is to the Chairman of the AC, although she reports administratively to the President & CEO of the Company.

IA plans its internal audit schedules in consultation with, but independently of, management. The IA Plan is submitted to the RACs and the AC for approval at the beginning of each year. The RACs and the AC also meet with IA at least once a year (RAC/AC met with IA twice a year) without the presence of management to gather feedback on management's level of cooperation and other matters that warrant the RACs' and the AC's attention. All IA reports are submitted to the RACs and the AC for deliberation with copies of these reports extended to the relevant senior management, for prompt corrective actions, as recommended. Furthermore, IA's summary of findings, recommendations and updates on management actions taken are discussed at the quarterly RACs and AC meetings.

During the year, a joint Risk Review Committee (RRC) and AC meeting was held in accordance with the respective terms of reference of the committees to facilitate constructive sharing of the common issues that may need to be addressed by both these committees. The joint committees were updated on the risk management process and key risk policy listing.

During the year, IA worked with Management to align companies to the Group's internal control environment and compliance standards in order to strengthen the self-regulating checks and balances. IA also made periodic visits to overseas subsidiaries to review their operations to ensure compliance with the internal controls framework. IA is assisted in its work by an external accounting firm which is not the external auditors of the Company to ensure independence of the internal audit role. In accordance with its plan, surprise audits were conducted in the course of the year on selected areas including treasury activities. Dormant bank accounts were also reviewed against bank mandates, bank statements, balances, etc. There were no material issues highlighted following the surprise audits.

Control issues are discussed at AC meetings.

The IA continued with its system of rating a company at the end of an internal audit for the purpose of differentiating the high risk issues which require immediate attention.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the RACs and the AC, is satisfied that the Group's framework of internal controls and procedures as well as risk management systems are adequate as at 31 December 2015; to provide reasonable, but not absolute, assurance of achieving its internal control objectives and addressing financial, operational, compliance and information technology risks.

The Board is satisfied that problems are identified on a timely basis and follow up actions are taken promptly to minimise unnecessary lapses. The Board, through the board committees, is supported in these areas by the Internal Audit and Risk Management teams of the Company. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, fraud or other irregularities.

Risk Review Committee

The RRC, chaired by Mr Khoo Boon Hui, comprises MG Perry Lim, Mr Davinder Singh, Mr Venkatachalam Krishnakumar, Ms Olivia Lum and Mr Tan Pheng Hock. Each RAC oversees the risk and audit aspects at the Sector level.

a) Risk Governance

The RRC assists the Board in its risk governance responsibility. RRC's role is one of oversight of the responsibility delegated to Management to ensure that there is a system of controls in place for identifying and managing risks in order to safeguard stakeholders' interests and the Company's assets.

The RRC is supported by the Group Risk Management Team (GRMT), headed by SVP, Risk Management, working with the Sector Chief Risk Officers from each of the following Sectors:

1) Aerospace
2) Electronics
3) Land Systems
4) Marine

The Head of GRMT reports to the Chairman of the RRC and ST Engineering's President & CEO. The GRMT provides leadership in the implementation of a Group-wide Enterprise Risk Management (ERM) framework that allows risks to be identified, assessed, monitored and managed by the business managers.

The respective RACs additionally take on the review of risks and risk management systems and assist in the discharge of the risk oversight responsibilities at the Sector level.

Administratively, the RACs are supported by the GRMT and the Sector Chief Risk Officers. The GRMT ensures that there is general alignment in the quarterly risk agenda of the RAC meetings to that of the RRC. The annual risk work plan of each sector is also aligned to the Group risk work plan before it is approved by the respective RACs and further endorsed by the RRC.

The RRC reviews the minutes of the RAC meetings which are circulated to all members of the RRC. The RAC Chairman or a member of the RAC is invited to attend the quarterly RRC meetings so as to have a clear understanding of group risk policies and to share any feedback or raise any issue that the RACs may have.

In the respective Terms of Reference of the RRC and AC, the members of the RRC and the AC will come together at least once a year to discuss significant risks and audit issues of the Group.

There is at least a member on the RRC who is also a member of the AC to facilitate communication and access of information between the two committees.

b) Risk Aware Culture and Training

Embedding the right culture throughout the organization is important for effective risk management. The RRC recognises good culture fosters openness that will enable Management and staff to escalate concerns in a timely manner without fear, as well as promote better judgment, which provides greater comfort to the Board and Management.

As part of the risk awareness and communication programme, annual risk management training plans covering various risk topics are developed and implemented by the respective sectors, and the status of the training is updated to the RRC and RAC at periodic intervals.

c) Risk Review Process

Under the ERM framework, a risk dashboard of the top 15 business risks (comprising the key inherent risks that may impact the business objectives) is developed and maintained by each of the significant business units, rolling up into a summary dashboard for each of the four business sectors – Aerospace, Electronics, Land Systems and Marine. Once the top business risks are identified, measures will then be taken to develop and implement risk preventive and mitigation actions (collectively known as "controls") and risk monitoring processes. The business managers are required to periodically review the effectiveness of the controls implemented, and initiate necessary changes as the risk profile changes.

Quarterly, the Presidents and the Sector Chief Risk Officers review, with the RRC and RAC, their respective dashboard of material business risks. At the meetings, the Presidents and Sector Chief Risk Officers would discuss the risk management action plans and measures to address these risks. At the same time, the Presidents and Sector Chief Risk Officers would also highlight the following for discussion:

1) emerging trends and issues in each business sector
2) new risk or changes to existing risk profile
3) new risk incidents
4) major risk exposures
5) risk management actions taken on previously identified risks

The Committee met five times during the year. It endorsed a new framework on the integration process for newly acquired companies and businesses into the Group with a view to monitoring the risks of these new acquisitions as well as ensuring that these new companies and businesses are adequately integrated

Corporate Governance

into the Group post acquisition. The Committee continues to monitor the implementation of risk management policies and procedures and receives updates to the risk registers maintained by the respective sectors. Major reviews include compliance with major laws and regulations, as well as business disruption risks and their continuity plans.

d) Risk Management Self Assurance Process

The Risk Management Self Assurance is a process whereby the business risk owners, together with the respective control owners, evaluate and assess the operational effectiveness of the controls established to manage the key risks that are reported in Sector Risk Dashboard.

On the basis of this self assessment, annually, the RACs and RRC will receive from the respective Sector Presidents and Sector Group Financial Controllers, written assurances on the adequacy and effectiveness of the system of risk management and controls to manage the significant risks.

For more information on the Company's material long term risks, and risk management framework, please refer to the "Risk Governance" section at page 105 of this Annual Report for more details.

System of Internal Control and Risk Management

The Board receives, at regular intervals, updates from the Board committees on the key business risks, the material controls to manage these risks, and the internal audit reports on the operational effectiveness of the material controls.

The Board has also received assurance from the Group's President & CEO and CFO on the effectiveness of the Company's risk management and internal control systems, that the financial records have been properly maintained and that the financial statements give a true and fair view of the Company's operations and finances.

The Board is satisfied with the risk management process in place, and, in its opinion, that the effectiveness and adequacy of the material controls to manage the key risks have been appropriately reviewed through the management self assurance process, as well as reasonable independent assurance provided by the Company's IA Function.

Audit Committee
(Principle 12)

The AC is supported in its work by the audit committees of the four business sectors. The respective chairmen of the RACs of the four business sectors are invited to attend the AC meetings of ST Engineering so as to have a clear understanding of policies made at the holding company level and to share any feedback or raise any issue that the Sectors' RACs may have. As a guiding principle to provide check and balance, a member of the AC should not also be a member of the Business Investment and Divestment Committee.

The AC has full authority to commission and review findings of internal investigations into matters where it is alerted of any suspected fraud or irregularity or failure of internal controls or infringement of any law likely to have a material impact on the Group's operating results. It can investigate any matter within its terms of reference and with the full cooperation of management.

The AC's key terms of reference include the following:

- undertaking the statutory and regulatory functions of an AC as are prescribed by law from time to time;
- reviewing the reports of the external and internal auditors to provide a further layer of assurance of the integrity, confidentiality and availability of critical information;
- reviewing interested person transactions;
- evaluating the work of the external auditors to determine their independence and recommending to the Board their re-appointment and compensation on an annual basis; and
- reviewing the level of non-audit services.

The Company has in place a Whistle-Blowing framework, where staff may, in confidence and without fear of retaliation, raise concerns of incidents of possible wrongdoing or breach of applicable laws, regulations or policies to the respective chairmen of the RACs in the Group. In accordance with this framework, a Whistle-Blowing dashboard reporting is presented to the Sectors RAC and the AC at its quarterly meetings. As ST Engineering has become a global company with a presence in many countries, it is aware of the need to apply international corporate governance standards wherever it operates. It takes a serious view of all reports of violations received and may commission investigations as appropriate.

The AC comprises Mr Koh Beng Seng as Chairman, Mr Venkatachalam Krishnakumar, Dr Stanley Lai, Mr Quek See Tiat and Mr Lim Ah Doo. All the members of the AC are independent directors and majority, including the AC Chairman, have the relevant accounting or financial management expertise or experience. Dr Stanley Lai, a Senior Counsel, does not possess financial expertise, but contributes through his legal expertise to lend a useful professional view to AC discussions. He has attended relevant training on financial governance.

The AC held five meetings during the year. The AC met twice with the external auditors, without management, at the beginning and middle of the year. The AC also met with the RRC to review the significant risks and related key controls.

During the year, the AC reviewed and recommended to the Board the release of the 2014 full year, 1Q2015, 2Q2015 and 3Q2015 financial statements, and considered and approved the 2015 Audit Plan and the 2015 Internal Audit (IA) Plan. In addition, the AC reviewed the adequacy of internal control procedures including IT security issues, Interested Person transactions and the issues raised in IA reports. It also considered the reappointment of the External Auditors as well as their remuneration.

The AC reviewed the level of non audit services performed by its external auditors. For the full year 2015, $3,988,000 was paid to the external auditors for audit and non audit services of the Group, of which $1,205,000 or 30% were for non-audit services. The AC was of the opinion that the non audit services performed by the auditors did not compromise their independence.

The AC is routinely updated on the proposed and impending changes in accounting standards and their implications for the Group.

Budget and Finance Committee

Chaired by Mr Davinder Singh, the Budget and Finance Committee members include Dr Beh Swan Gin, Mr Ng Chee Khern and Mr Tan Pheng Hock. Budgets prepared by the respective subsidiaries are consolidated at the ST Engineering level and presented to the Budget and Finance Committee for review and recommendation to the Board for approval.

During the year, the Budget and Finance Committee held one meeting to review the FY2015 budget assumptions and 5-year forecast and to review the 2016 Plan prior to submission to the Board for approval.

Business Investment and Divestment Committee

The Business Investment and Divestment Committee comprises Mr Kwa Chong Seng as Chairman, MG Perry Lim, Dr Beh Swan Gin and Mr Tan Pheng Hock. The Committee is delegated authority by the Board to consider investments and divestments up to certain threshold values and to ensure that investments/divestments are in line with the Group's strategy.

Tenders Committee

The Tenders Committee comprises a rolling list of any three Directors drawn from the Board, and is delegated authority by the Board to consider tender proposals.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights
(Principle 14)
Communication with Shareholders
(Principle 15)
Conduct of Shareholder Meetings
(Principle 16)

The Company enters into regular and timely communication with shareholders as part of the Group's effort to help shareholders better understand its businesses and to obtain feedback on the views and concerns of shareholders.

To keep the market abreast and updated of the Group's developments, presentation materials on financial results, as well as statutory announcements and marketing news releases are made available on the Company's website at www.stengg.com.

In 2015, ST Engineering's investor relations team held over 200 face-to-face investor meetings and conference calls, as well as participated in investor conferences in Singapore and Kuala Lumpur, Malaysia, as well as held an investor roadshow in select cities of the US and Canada.

ST Engineering is committed to timely and transparent disclosures to ensure that the investing community receives a balanced and updated view of the Group's performance and businesses.

Board members attended the AGM and EGM in 2015 where shareholders present were given an opportunity to seek clarification or question the Board on issues pertaining to the resolutions proposed before they were voted on. The external auditors were also present at the AGM to assist the directors in answering questions on audit related matters from shareholders.

The Company fully supports the Code's principle to encourage active shareholder participation. For transparency in the voting process, ST Engineering has, since 2010, adopted the use of electronic poll voting for all the resolutions put to vote at its AGM and EGM. This is a fair and transparent way of voting based on the principle of one share one vote. ST Engineering will continue to use electronic poll voting at the forthcoming AGM. More on investor relations can be found on pages 56 and 57.

financial report

CONTENTS

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

We are pleased to submit this annual report to the members of the Company together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

In our opinion:

(a) the financial statements set out on pages 122 to 254 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and changes in equity of the Group and of the Company, and the financial performance and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Kwa Chong Seng	(Chairman)
Tan Pheng Hock	(President and Chief Executive Officer)
Koh Beng Seng	
MG Perry Lim Cheng Yeow	(Appointed on 20 October 2015)
Ng Chee Khern	
Quek Tong Boon	
Venkatachalam Krishnakumar	
Davinder Singh s/o Amar Singh	
Dr Stanley Lai Tze Chang	
Khoo Boon Hui	
Quek See Tiat	
Olivia Lum Ooi Lin	
Dr Beh Swan Gin	
Lim Sim Seng	(Appointed on 15 May 2015)
Lim Ah Doo	(Appointed on 10 November 2015)
COL Alan Goh Kim Hua	(Appointed Alternate Director to MG Lim Cheng Yeow Perry on 20 October 2015)
Vincent Chong Sy Feng	(Appointed Alternate Director to Tan Pheng Hock on 1 December 2015)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except for the Singapore Technologies Engineering Share Option Plan ("ESOP"), Singapore Technologies Engineering Performance Share Plan 2010 ("PSP2010") and Singapore Technologies Engineering Restricted Share Plan 2010 ("RSP2010") (collectively the "ST Engineering Share Plans"), neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or awards of the Company or of related corporations either at the beginning of the financial year or date of appointment if later, or at the end of the financial year.

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

DIRECTORS' INTERESTS (continued)

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

	Holdings in the name of the director, spouse or infant children	
	1 January 2015 or date of appointment if later	31 December 2015
The Company		
Ordinary Shares		
Kwa Chong Seng	521,700	571,600
Tan Pheng Hock	4,122,603	4,892,937
Koh Beng Seng	212,505	223,805
Venkatachalam Krishnakumar	184,209	250,109
Davinder Singh s/o Amar Singh	59,237	70,237
Dr Stanley Lai Tze Chang	75,540	93,240
Quek See Tiat	4,600	14,300
Olivia Lum Ooi Lin	–	5,100
Lim Ah Doo	30,000	30,000
Vincent Chong Sy Feng	713,937	713,937

	1 January 2015 or date of appointment if later	31 December 2015	Exercise price $	Exercisable period
The Company				
Options to Subscribe for Ordinary Shares				
Tan Pheng Hock	200,000	–	2.37	8.2.2006 to 7.2.2015
	200,000	–	2.57	11.8.2006 to 10.8.2015
	200,000	200,000	3.01	10.2.2007 to 9.2.2016
	200,000	200,000	2.84	11.8.2007 to 10.8.2016
	200,000	200,000	3.23	16.3.2008 to 15.3.2017

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

DIRECTORS' INTERESTS (continued)

		Holdings in the name of the director, spouse or infant children	
		1 January 2015 or date of appointment if later	31 December 2015
The Company			
Conditional Award of 250,000 shares under PSP2010 for performance period 2012 to 2014			
Tan Pheng Hock		0 to 425,000 #1	– #2
Conditional Award of 175,000 shares under PSP2010 for performance period 2013 to 2015			
Tan Pheng Hock		0 to 297,500 #1	0 to 297,500 #1
Conditional Award of 250,000 shares under PSP2010 for performance period 2014 to 2016			
Tan Pheng Hock		0 to 425,000 #1	0 to 425,000 #1
Conditional Award of shares under PSP2010 for performance period 2015 to 2017			
Tan Pheng Hock	(377,000 shares)	–	0 to 640,900 #1
Vincent Chong Sy Feng	(126,000 shares)	0 to 214,200 #1	0 to 214,200 #1
Unvested shares under RSP2010 arising from release of Conditional Award of 96,000 shares for performance period 2011 to 2012			
Tan Pheng Hock		23,808 #3	–
Unvested shares under RSP2010 arising from release of Conditional Award of 96,000 shares for performance period 2012 to 2013			
Tan Pheng Hock		43,872 #3	21,936 #3
Conditional Award of 86,000 shares under RSP2010 for performance period 2013 to 2014			
Tan Pheng Hock		0 to 129,000 #4	– #5

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

DIRECTORS' INTERESTS (continued)

		Holdings in the name of the director, spouse or infant children	
		1 January 2015 or date of appointment if later	31 December 2015
The Company			
Unvested shares under RSP2010 arising from release of Conditional Award of 86,000 shares for performance period 2013 to 2014			
Tan Pheng Hock		–	27,090 #3
Conditional Award of 96,000 shares under RSP2010 for performance period 2014 to 2015			
Tan Pheng Hock		0 to 144,000 #4	0 to 144,000 #4
Time-based restricted shares under RSP2010 Vested in 2015 to 2017			
Vincent Chong Sy Feng	(434,160 shares)	289,440 #3	289,440 #3
Time-based restricted shares under RSP2010 Vested in 2015 to 2017			
Vincent Chong Sy Feng	(647,061 shares)	431,374 #3	431,374 #3
Conditional Award of shares under RSP2010 for performance period 1 January 2015 to 31 December 2015			
Tan Pheng Hock	(141,000 shares)	–	0 to 211,500 #6
Vincent Chong Sy Feng	(74,000 shares)	0 to 111,000 #6	0 to 111,000 #6
Related Corporations			
Ascendas Funds Management (S) Limited			
Unit holdings in Ascendas Real Estate Investment Trust			
Quek See Tiat		N.A.	34,000

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

DIRECTORS' INTERESTS (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2015 or date of appointment if later	31 December 2015
Related Corporations		
Ascendas Pte Ltd		
Regular Notes Ascendas Pte Ltd 2012 – Without Fixed Maturity Variable Rate Subordinated		
Ng Chee Khern	N.A.	$250,000
Mapletree Commercial Trust Management Ltd.		
Unit holdings in Mapletree Commercial Trust		
Venkatachalam Krishnakumar	100,000	100,000
Mapletree Greater China Commercial Trust Management Ltd.		
Unit holdings in Mapletree Greater China Commercial Trust		
Khoo Boon Hui	300,000	300,000
Mapletree Industrial Trust Management Ltd.		
Unit holdings in Mapletree Industrial Trust		
Venkatachalam Krishnakumar	8,000	8,000
Mapletree Logistics Trust Management Ltd.		
Unit holdings in Mapletree Logistics Trust		
Quek Tong Boon	2,000	2,000
Venkatachalam Krishnakumar	100,000	100,000
Lim Ah Doo	185,000	185,000
Perpetual Securities		
Venkatachalam Krishnakumar	2,500	2,500
Neptune Orient Lines Limited		
Ordinary Shares		
Kwa Chong Seng	400,000	2,000,000

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

DIRECTORS' INTERESTS (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2015 or date of appointment if later	31 December 2015
Related Corporations		
Neptune Orient Lines Limited		
S$400 million 4.25% Notes due 2017		
Kwa Chong Seng	$250,000 *1	$250,000 *1
Olam International Limited		
Ordinary Shares		
Kwa Chong Seng	420,000 *1	420,000 *1
Warrants		
Kwa Chong Seng	36,085 *1	36,594 *1
Singapore Airlines Limited		
Ordinary Shares		
Venkatachalam Krishnakumar	3,733	3,733
S$500 million 3.22% Notes 09 Jul 2010 – 09 Jul 2020		
Davinder Singh s/o Amar Singh	$500,000	$500,000
Singapore Telecommunications Limited		
Ordinary Shares		
Kwa Chong Seng	26,466	26,466
Tan Pheng Hock	3,350	3,350
Koh Beng Seng	1,520	1,520
Ng Chee Khern	2,720	2,720
Quek Tong Boon	2,030	2,030
Venkatachalam Krishnakumar	34,000	54,000
Davinder Singh s/o Amar Singh	1,800	1,800
Khoo Boon Hui	3,087	3,087
Quek See Tiat	680	680
Olivia Lum Ooi Lin	100,460	100,460

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

DIRECTORS' INTERESTS (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2015 or date of appointment if later	31 December 2015
Related Corporations		
SMRT Corporation Ltd		
Ordinary Shares		
Quek Tong Boon	4,000	4,000
Dr Beh Swan Gin	10,000	10,000
StarHub Ltd		
Ordinary Shares		
Tan Pheng Hock	25,150	25,150
Venkatachalam Krishnakumar	15,716	15,716
Quek See Tiat	5,000	5,000
TeleChoice International Limited		
Ordinary Shares		
Tan Pheng Hock	30,000	30,000

*1 Held in trust by a trustee company on behalf of the director.

#1 A minimum threshold performance over a 3-year period is required for any performance shares to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

#2 For this period, Mr Tan Pheng Hock was awarded 297,500 shares upon partial achievement of targets set. The balance of the conditional award covering the period from 2012 to 2014 has thus lapsed.

#3 Balance of unvested restricted shares to be released according to the stipulated vesting periods.

#4 A minimum threshold performance over a 2-year period is required for any restricted shares to be released. The actual number of restricted shares to be released is capped at 150% of the conditional award and will be delivered in phases according to the stipulated vesting periods.

#5 For this period, Mr Tan Pheng Hock was awarded 54,180 shares upon partial achievement of targets set. The balance of the conditional award covering the period from 2013 to 2014 has thus lapsed.

#6 A minimum threshold performance over a 1-year period is required for any restricted shares to be released. The actual number of restricted shares to be released is capped at 150% of the conditional award and will be delivered in phases according to the stipulated vesting periods.

There was no change in any of above-mentioned directors' interest in the Company between the end of the financial year and 21 January 2016.

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

SHARE PLANS

The Executive Resource and Compensation Committee ("ERCC") is responsible for administering the ST Engineering Share Plans.

The ERCC members are Mr Kwa Chong Seng (Chairman), Mr Venkatachalam Krishnakumar and Dr Stanley Lai Tze Chang.

As at 31 December 2015, no participants have been granted options and/or have received shares under the ST Engineering Share Plans which, in aggregate, represent 5% or more of the total number of new shares available under the ST Engineering Share Plans.

The aggregate number of new shares issued pursuant to the RSP2010 and PSP2010 did not exceed 8% of the issued share capital of the Company.

Except as disclosed below, there were no options granted and no shares awarded by the Company to any person to take up unissued shares of the Company.

(a) ESOP

(i) The options granted under the ESOP are as follows:

Participant	Aggregate options granted and accepted since commencement to end of financial year under review	Aggregate options exercised/lapsed since commencement to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Directors of the Company			
Tan Pheng Hock	2,602,500	2,002,500	600,000
Koh Beng Seng	204,000	204,000	–
Venkatachalam Krishnakumar	152,500	152,500	–
Non-Executive Directors of the Company and its subsidiaries (including current and former directors)	5,405,566	5,405,566	–
Group Executives (including Tan Pheng Hock)	193,717,858	176,081,117	17,636,741
Parent Group Executives and others	187,320	187,320	–

(ii) 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.

(iii) During the financial year, ordinary shares in the Company were issued pursuant to the exercise of options to take up unissued shares of the Company.

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

SHARE PLANS (continued)

(b) PSP2010 ("PSP")

The PSP is established with the objective of motivating senior management staff to strive for sustained long-term growth and performance in ST Engineering and its subsidiaries ("ST Engineering Group"). Awards of performance shares are granted conditional on performance targets set based on the ST Engineering Group corporate objectives.

Pursuant to the PSP, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a 3-year performance period. The performance shares will only be released to the recipient at the end of the performance qualifying period. A specified number of performance shares shall be released by the ERCC to the recipient and the actual number of performance shares will depend on the achievement of set targets over the respective performance period. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

The performance measures used in PSP grants are Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and Relative TSR against Defensive Stock Index, the constituents of which are selected "defensive stock" companies that have similar market risk as the Group and are listed on the Singapore Exchange Securities Trading Limited (SGX).

In addition to PSP performance targets being met, the ERCC decided that the final award for PSP is conditional upon the performance targets for RSP that has the same end of performance period being met. Known as the plan trigger condition, this is to create alignment between senior management and other employees. The final award for PSP 2013 is therefore conditional on the performance targets for RSP 2014, which has the same end of performance period in December 2015, being met.

Participant	Conditional awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate conditional awards not released as at end of financial year under review
<u>PSP2010</u>					
Director of the Company					
Tan Pheng Hock	0 to 640,900	297,500	0 to 2,213,400	595,000	0 to 1,363,400
Vincent Chong Sy Feng	0 to 214,200	–	0 to 214,200	–	0 to 214,200
Group Executives (including Tan Pheng Hock and Vincent Chong Sy Feng)	0 to 3,131,230	1,529,222	0 to 12,617,400	3,075,043	0 to 6,724,375

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

SHARE PLANS (continued)

(c) RSP2010 ("RSP")

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

Pursuant to the RSP, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a 1-year performance period. The actual number of restricted shares delivered will depend on the achievement of set targets over the respective performance period. This will be determined by the ERCC at the end of the qualifying performance period and released equally to the recipient over a 4-year vesting period.

Prior to 2015, RSP were granted on a 2-year performance period with a 3-year vesting period in the ratio of 50%, 25% and 25% consecutively.

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

The targets measured over a 1-year performance period are set based on ST Engineering Group corporate objectives. The performance measures used for the 1-year performance period are ST Engineering Group Net Profit After Tax and EBITDA Margin.

Prior to 2015, the performance measures used for the 2-year performance period are ST Engineering Group EVA Spread and EBITDA Margin.

Since 2011, the awards granted under the ST Engineering RSP2010 to the Non-Executive Directors (other than those from the public sector) are outright shares with no performance and vesting conditions but with a Moratorium on selling. These shares will form up to 30% of their total compensation with the remaining 70% payable in cash.

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

SHARE PLANS (continued)

(c) RSP2010 ("RSP") (continued)

The awards granted under the RSP2010 are as follows:

Participant	Conditional awards/ awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards/ awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate awards not released as at end of financial year	Aggregate conditional awards not released as at end of financial year under review
RSP2010						
Director of the Company						
Kwa Chong Seng	49,900	49,900	71,600	71,600	–	–
Tan Pheng Hock	0 to 211,500	72,834	0 to 772,500	188,130	49,026	0 to 355,500
Koh Beng Seng	11,300	11,300	44,600	44,600	–	–
Venkatachalam Krishnakumar	15,900	15,900	61,500	61,500	–	–
Davinder Singh s/o Amar Singh	11,000	11,000	42,000	42,000	–	–
Dr Stanley Lai Tze Chang	17,700	17,700	67,700	67,700	–	–
Quek See Tiat	9,700	9,700	14,300	14,300	–	–
Olivia Lum Ooi Lin	5,100	5,100	5,100	5,100	–	–
Vincent Chong Sy Feng	0 to 111,000	360,407	0 to 1,515,751	683,937	720,814	0 to 111,000
Non-Executive Directors of the Company and its subsidiaries (including current and former directors)	211,900	211,900	692,400	692,400	–	–
Group Executives (including Tan Pheng Hock and Vincent Chong Sy Feng)	0 to 7,683,275	4,072,904	0 to 41,773,286	11,854,591	2,933,999	0 to 14,205,624

Directors' Statement

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

AUDIT COMMITTEE

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

Koh Beng Seng (Chairman)
Venkatachalam Krishnakumar
Dr Stanley Lai Tze Chang
Quek See Tiat
Lim Ah Doo

The Audit Committee carried out its functions in accordance with Section 201B of the Singapore Companies Act, Chapter 50, the SGX Listing Manual and the Code of Corporate Governance.

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

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

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

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

The Company has compiled with Rules 712 and 715 of the SGX Listing Manual in relation to the engagement of its auditors.

AUDITORS

The Auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kwa Chong Seng
Director

Tan Pheng Hock
Director

Singapore
25 February 2016

Independent Auditors' Report

Members of the Company
Singapore Technologies Engineering Ltd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Singapore Technologies Engineering Ltd (the "Company") and its subsidiaries (collectively the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 122 to 254.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and changes in equity of the Group and of the Company, and the financial performance and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 February 2016

Consolidated Income Statement

for the year ended 31 December 2015
(Currency - Singapore dollars)

	Note	Group 2015 $'000	Group 2014 $'000
Revenue	4	**6,335,023**	6,539,433
Cost of sales		**(5,052,897)**	(5,220,934)
Gross profit		**1,282,126**	1,318,499
Distribution and selling expenses		**(179,444)**	(180,309)
Administrative expenses		**(469,128)**	(467,687)
Other operating expenses		**(123,283)**	(115,530)
Profit from operations	5	**510,271**	554,973
Other income		**55,747**	45,175
Other expenses		**(299)**	(5,000)
Other income, net	8	**55,448**	40,175
Finance income		**56,191**	43,550
Finance costs		**(49,948)**	(45,197)
Finance income/(costs), net	9	**6,243**	(1,647)
Share of results of associates and joint ventures, net of tax		**58,340**	57,182
Profit before taxation		**630,302**	650,683
Taxation	10	**(98,659)**	(113,693)
Profit for the year		**531,643**	536,990
Attributable to:			
Shareholders of the Company		**529,039**	531,952
Non-controlling interests	44	**2,604**	5,038
		531,643	536,990
Earnings per share (cents)	11		
Basic		**17.05**	17.06
Diluted		**17.04**	17.04

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015
(Currency - Singapore dollars)

	Note	Group 2015 $'000	Group 2014 $'000
Profit for the year		**531,643**	536,990
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Net fair value changes on available-for-sale financial assets	36	**(3,883)**	(2,020)
Net fair value changes on cash flow hedges		**4,050**	(58,327)
Share of net fair value changes on cash flow hedges of an associate	36	**(2,805)**	(9,891)
Foreign currency translation differences		**36,372**	19,968
Share of foreign currency translation differences of associates and joint ventures	36	**(860)**	1,336
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	36	**–**	50
Other comprehensive income for the year, net of tax		**32,874**	(48,884)
Total comprehensive income for the year, net of tax		**564,517**	488,106
Total comprehensive income attributable to:			
Shareholders of the Company		**559,078**	482,522
Non-controlling interests	44	**5,439**	5,584
		564,517	488,106

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

Balance Sheets

as at 31 December 2015
(Currency - Singapore dollars)

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,708,779**	1,577,523	**3,997**	4,568
Subsidiaries	13	**–**	–	**1,194,799**	1,197,716
Associates and joint ventures	14	**461,560**	478,352	**17,657**	17,657
Investments	15	**328,684**	127,211	**–**	–
Intangible assets	16	**736,970**	671,022	**–**	–
Long-term receivables, non-current	17	**5,340**	2,735	**–**	–
Finance lease receivables, non-current	18	**523**	973	**–**	–
Deferred tax assets	19	**105,551**	106,318	**4,700**	7,000
Amounts due from related parties, non-current	22	**4,806**	4,806	**355,028**	50,000
Derivative financial instruments, non-current	43	**25,790**	24,263	**–**	81
		3,378,003	2,993,203	**1,576,181**	1,277,022
Current assets					
Inventories and work-in-progress	20	**1,943,004**	1,802,073	**–**	–
Trade receivables	21	**1,319,714**	1,319,101	**–**	–
Amounts due from related parties, current	22	**56,582**	66,382	**470,376**	497,070
Advances and other receivables	23	**333,811**	530,298	**5,299**	3,597
Long-term receivables, current	17	**354**	11,375	**–**	–
Finance lease receivables, current	18	**3,173**	6,872	**–**	–
Short-term investments	24	**182,969**	119,279	**–**	–
Bank balances and other liquid funds	25	**951,494**	1,470,723	**82,091**	404,876
		4,791,101	5,326,103	**557,766**	905,543
Total assets		**8,169,104**	8,319,306	**2,133,947**	2,182,565
EQUITY AND LIABILITIES					
Current liabilities					
Advance payments from customers, current		**871,246**	809,637	**–**	–
Trade payables and accruals, current	26	**1,702,649**	1,667,180	**20,619**	26,961
Amounts due to related parties, current	27	**20,553**	29,364	**1,742**	196,988
Provisions	28	**257,524**	245,072	**–**	–
Progress billings in excess of work-in-progress	20	**568,575**	725,347	**–**	–
Provision for taxation		**124,628**	164,660	**5,528**	8,112
Short-term bank loans	29	**65,647**	29,820	**–**	–
Long-term bank loans, current	29	**106,531**	43,590	**–**	–
Lease obligations, current	29	**730**	1,126	**–**	–
Other loans, current	29	**1,778**	148	**–**	–
		3,719,861	3,715,944	**27,889**	232,061
Net current assets		**1,071,240**	1,610,159	**529,877**	673,482

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

Balance Sheets

as at 31 December 2015
(Currency - Singapore dollars)

		Group		Company	
	Note	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Non-current liabilities					
Advance payments from customers, non-current		**700,908**	899,279	**–**	–
Trade payables and accruals, non-current	26	**229,535**	274,155	**11,538**	17,006
Deferred tax liabilities	19	**134,815**	108,484	**–**	–
Bonds	29	**705,567**	658,424	**–**	–
Long-term bank loans, non-current	29	**293,962**	267,532	**–**	–
Lease obligations, non-current	29	**18,706**	17,547	**–**	–
Other loans, non-current	29	**310**	441	**–**	–
Deferred income	30	**92,052**	98,759	**–**	–
Other long-term payables, non-current	31	**700**	1,000	**–**	–
Derivative financial instruments, non-current	43	**11,615**	11,260	**–**	–
Amounts due to related parties, non-current	27	**146**	1,871	**644,274**	407,413
		2,188,316	2,338,752	**655,812**	424,419
Total liabilities		**5,908,177**	6,054,696	**683,701**	656,480
Net assets		**2,260,927**	2,264,610	**1,450,246**	1,526,085
Share capital and reserves					
Share capital	32	**895,926**	889,426	**895,926**	889,426
Treasury shares	33	**(66,870)**	(6,529)	**(66,870)**	(6,529)
Capital reserves	35	**113,277**	116,323	**(3,073)**	–
Other reserves	36	**(65,495)**	(92,057)	**72,512**	74,865
Retained earnings	37	**1,255,214**	1,225,040	**551,751**	568,323
Equity attributable to owners of the Company		**2,132,052**	2,132,203	**1,450,246**	1,526,085
Non-controlling interests	44	**128,875**	132,407	**–**	–
		2,260,927	2,264,610	**1,450,246**	1,526,085
Total equity and liabilities		**8,169,104**	8,319,306	**2,133,947**	2,182,565

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

Statements of Changes in Equity

for the year ended 31 December 2015
(Currency - Singapore dollars)

	Note	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
The Group									
At 1.1.2014		852,611	–	116,323	(44,651)	1,191,958	2,116,241	143,673	2,259,914
Total comprehensive income for the year									
Profit for the year		–	–	–	–	531,952	531,952	5,038	536,990
Other comprehensive income									
Net fair value changes on available-for-sale financial assets	36	–	–	–	(2,020)	–	(2,020)	–	(2,020)
Net fair value changes on cash flow hedges		–	–	–	(57,327)	–	(57,327)	(1,000)	(58,327)
Share of net fair value changes on cash flow hedges of an associate	36	–	–	–	(9,891)	–	(9,891)	–	(9,891)
Foreign currency translation differences		–	–	–	18,422	–	18,422	1,546	19,968
Share of foreign currency translation differences of associates and joint ventures	36	–	–	–	1,336	–	1,336	–	1,336
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	36	–	–	–	50	–	50	–	50
Other comprehensive income for the year, net of tax		–	–	–	(49,430)	–	(49,430)	546	(48,884)
Total comprehensive income for the year, net of tax		–	–	–	(49,430)	531,952	482,522	5,584	488,106
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Issue of shares		36,815	–	–	(19,559)	–	17,256	–	17,256
Capital contribution by non-controlling interests		–	–	–	–	–	–	9,368	9,368
Cost of share-based payment		–	–	–	21,574	–	21,574	96	21,670
Purchase of treasury shares	33	–	(6,529)	–	–	–	(6,529)	–	(6,529)
Dividends paid	38	–	–	–	–	(498,857)	(498,857)	–	(498,857)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(18,193)	(18,193)
Total contributions by and distributions to owners of the Company		36,815	(6,529)	–	2,015	(498,857)	(466,556)	(8,729)	(475,285)
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests in subsidiaries without a change in control		–	–	–	–	–	–	(194)	(194)
Acquisition of subsidiaries with non-controlling interests		–	–	–	–	–	–	729	729
Deconsolidation of a subsidiary		–	–	–	–	–	–	(8,656)	(8,656)
Disposal of subsidiaries		–	–	–	(4)	–	(4)	–	(4)
Total transactions with owners of the Company		36,815	(6,529)	–	2,011	(498,857)	(466,560)	(16,850)	(483,410)
Transfer from retained earnings to statutory reserve		–	–	–	13	(13)	–	–	–
At 31.12.2014		889,426	(6,529)	116,323	(92,057)	1,225,040	2,132,203	132,407	2,264,610

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

Statements of Changes in Equity

for the year ended 31 December 2015
(Currency - Singapore dollars)

	Note	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
The Group									
At 1.1.2015		889,426	(6,529)	116,323	(92,057)	1,225,040	2,132,203	132,407	2,264,610
Total comprehensive income for the year									
Profit for the year		–	–	–	–	529,039	529,039	2,604	531,643
Other comprehensive income									
Net fair value changes on available-for-sale financial assets	36	–	–	–	(3,883)	–	(3,883)	–	(3,883)
Net fair value changes on cash flow hedges		–	–	–	3,658	–	3,658	392	4,050
Share of net fair value changes on cash flow hedges of an associate	36	–	–	–	(2,805)	–	(2,805)	–	(2,805)
Foreign currency translation differences		–	–	–	33,929	–	33,929	2,443	36,372
Share of foreign currency translation differences of associates and joint ventures	36	–	–	–	(860)	–	(860)	–	(860)
Other comprehensive income for the year, net of tax		–	–	–	30,039	–	30,039	2,835	32,874
Total comprehensive income for the year, net of tax		–	–	–	30,039	529,039	559,078	5,439	564,517
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Issue of shares		6,500	–	–	(1,144)	–	5,356	–	5,356
Capital contribution by non-controlling interests		–	–	–	–	–	–	639	639
Cost of share-based payment		–	–	–	16,501	–	16,501	81	16,582
Purchase of treasury shares	33	–	(89,776)	–	–	–	(89,776)	–	(89,776)
Treasury shares reissued pursuant to share plans		–	29,435	(3,046)	(17,689)	–	8,700	(129)	8,571
Dividends paid	38	–	–	–	–	(497,604)	(497,604)	–	(497,604)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(10,813)	(10,813)
Total contributions by and distributions to owners of the Company		6,500	(60,341)	(3,046)	(2,332)	(497,604)	(556,823)	(10,222)	(567,045)
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests in subsidiaries without a change in control		–	–	–	(2,406)	–	(2,406)	(5,194)	(7,600)
Acquisition of subsidiaries with non-controlling interests		–	–	–	–	–	–	6,445	6,445
Total transactions with owners of the Company		6,500	(60,341)	(3,046)	(4,738)	(497,604)	(559,229)	(8,971)	(568,200)
Transfer from retained earnings to statutory reserve		–	–	–	1,261	(1,261)	–	–	–
At 31.12.2015		895,926	(66,870)	113,277	(65,495)	1,255,214	2,132,052	128,875	2,260,927

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

Statements of Changes in Equity

for the year ended 31 December 2015
(Currency - Singapore dollars)

	Note	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Share-based payment reserve $'000	Retained earnings $'000	Total $'000
The Company							
At 1.1.2014		852,611	–	–	72,754	564,416	1,489,781
Total comprehensive income for the year							
Profit for the year		–	–	–	–	502,764	502,764
Total comprehensive income for the year		–	–	–	–	502,764	502,764
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Issue of shares		36,815	–	–	(19,559)	–	17,256
Cost of share-based payment		–	–	–	21,670	–	21,670
Purchase of treasury shares	33	–	(6,529)	–	–	–	(6,529)
Dividends paid	38	–	–	–	–	(498,857)	(498,857)
Total contributions by and distributions to owners of the Company		36,815	(6,529)	–	2,111	(498,857)	(466,460)
At 31.12.2014		889,426	(6,529)	–	74,865	568,323	1,526,085
At 1.1.2015		889,426	(6,529)	–	74,865	568,323	1,526,085
Total comprehensive income for the year							
Profit for the year		–	–	–	–	481,032	481,032
Total comprehensive income for the year		–	–	–	–	481,032	481,032
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Issue of shares		6,500	–	–	(1,144)	–	5,356
Cost of share-based payment		–	–	–	16,582	–	16,582
Purchase of treasury shares	33	–	(89,776)	–	–	–	(89,776)
Treasury shares reissued pursuant to share plans		–	29,435	(3,073)	(17,791)	–	8,571
Dividends paid	38	–	–	–	–	(497,604)	(497,604)
Total contributions by and distributions to owners of the Company		6,500	(60,341)	(3,073)	(2,353)	(497,604)	(556,871)
At 31.12.2015		895,926	(66,870)	(3,073)	72,512	551,751	1,450,246

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2015
(Currency - Singapore dollars)

	Note	Group 2015 $'000	Group 2014 $'000
Cash flows from operating activities			
Profit before taxation		**630,302**	650,683
Adjustments:			
Share of results of associates and joint ventures, net of tax		**(58,340)**	(57,182)
Depreciation charge		**170,394**	154,318
Property, plant and equipment written off		**6,216**	885
Gain on disposal of property, plant and equipment		**(1,190)**	(1,310)
Gain on disposal of subsidiaries		**–**	(519)
Gain on disposal of investments		**(343)**	(2,640)
Remeasurement loss on fair value of pre-existing interest in acquiree		**299**	–
Gain on disposal of an associate and a joint venture		**(59)**	(2,797)
Bargain purchase arising from business combination	8	**(10,529)**	(47)
Impairment losses on goodwill		**4,000**	10,829
Impairment losses on other intangible assets		**942**	3,210
(Write-back)/impairment losses on property, plant and equipment		**(212)**	1,087
Impairment losses on quoted and unquoted investments		**–**	638
Impairment loss on an associate		**–**	2,108
(Write-back)/impairment loss on loan to an associate and a joint venture		**(272)**	2,892
(Write-back)/impairment loss on progressive payments to contractor		**(283)**	7,109
Share-based payment expense		**16,582**	21,670
Changes in fair value of financial instruments and hedged items		**(14,804)**	(15,592)
Changes in fair value of financial instruments held for trading		**(15)**	(152)
Interest expense		**39,752**	37,874
Interest income		**(23,499)**	(23,629)
Dividends from investments		**(3)**	(2)
Amortisation of other intangible assets		**16,898**	16,188
Other intangible assets written off		**143**	–
Operating profit before working capital changes		**775,979**	805,621
Changes in:			
Inventories and work-in-progress		**(99,619)**	17,475
Progress billings in excess of work-in-progress		**(156,772)**	10,809
Trade receivables		**36,405**	(91,592)
Advance payments to suppliers		**174,200**	(27,658)
Other receivables, deposits and prepayments		**13,057**	34,891
Amount due from holding company and related corporations balances		**15,765**	(21,499)
Amount due to holding company and related corporations balances		**(13,285)**	12,065
Amount due from associates		**(8,973)**	(4,508)
Amount due from joint ventures		**(2,506)**	(9,122)
Trade payables		**(27,855)**	43,767
Advance payments from customers		**(138,130)**	(19,001)
Other payables, accruals and provisions		**(33,656)**	(37,263)
Loans to staff and third parties		**12,873**	12,191
Deferred income		**2,078**	7,224
Foreign currency translation of foreign operations		**(875)**	52
Cash generated from operations		**548,686**	733,452
Interest received		**27,857**	23,662
Income tax paid		**(111,093)**	(132,792)
Net cash from operating activities		**465,450**	624,322

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2015
(Currency - Singapore dollars)

	Note	Group 2015 $'000	Group 2014 $'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2,736**	4,543
Proceeds from sale of an investment property		**–**	22,000
Proceeds from sale and maturity of investments		**81,228**	147,057
Proceeds from unwinding of cross currency interest rate swaps		**14,300**	–
Repayment of loan from joint ventures		**272**	3,887
Proceeds from disposal of a joint venture		**–**	3,280
Proceeds from insurance settlement		**–**	5,220
Loan to associates		**–**	(640)
Loan to a joint venture		**–**	(272)
Dividends from associates and joint ventures		**51,393**	38,840
Dividends from investments		**3**	2
Purchase of property, plant and equipment		**(273,040)**	(223,771)
Purchase of investments		**(345,182)**	(90,172)
Investments in a joint venture		**–**	(622)
Acquisition of other intangible assets		**(22,499)**	(30,878)
Acquisition of controlling interests in subsidiaries, net of cash acquired		**13,441**	(67)
Deconsolidation of a subsidiary		**–**	(35,896)
Net cash used in investing activities		**(477,348)**	(157,489)
Cash flows from financing activities			
Capital contribution from non-controlling interests of subsidiaries		**639**	9,368
Repayment of other loans		**(156)**	(369)
Repayment of bank loans		**(113,122)**	(471,990)
Repayment of lease obligations		**(1,125)**	(1,550)
Repayment of loan to a joint venture		**–**	(824)
Proceeds from issue of shares		**5,356**	17,256
Proceeds from share options exercise with issue of treasury shares		**8,571**	–
Purchase of treasury shares		**(89,776)**	(6,529)
Proceeds from bank loans		**216,445**	80,435
Proceeds from other loans		**1,615**	–
Proceeds of a loan from a joint venture		**5,000**	–
Acquisition of non-controlling interests in subsidiaries		**(7,600)**	(194)
Dividends paid to shareholders of the Company		**(497,604)**	(498,857)
Dividends paid to non-controlling interests		**(10,813)**	(18,193)
Interest paid		**(37,322)**	(34,504)
Deposits discharged		**736**	1,105
Net cash used in financing activities		**(519,156)**	(924,846)
Net decrease in cash and cash equivalents		**(531,054)**	(458,013)
Cash and cash equivalents at beginning of the year		**1,462,612**	1,920,924
Exchange difference on cash and cash equivalents at beginning of the year		**12,561**	(299)
Cash and cash equivalents at end of the year	25	**944,119**	1,462,612

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2015
(Currency - Singapore dollars)

ACQUISITIONS OF CONTROLLING INTERESTS IN SUBSIDIARIES IN 2015

During the year, the Group acquired the following companies:

(i) On 30 September 2015, the Group acquired an additional 50% interests in Singapore Precision Repair and Overhaul Pte Ltd ("SPRO") for a cash consideration of $8,150,000. As a result, the Group's equity interest in SPRO increased from 50% to 100%, obtaining control of SPRO.

SPRO specialises in the repair and overhaul of aircraft landing gear systems and components. The acquisition is the result of the shareholders' ongoing review of the business strategy and focus for SPRO and aligns with the Group's strategy to develop its Singapore base as the centre of excellence for landing gear maintenance, repair and overhaul.

In the three months to 31 December 2015, SPRO contributed revenue of $6,811,000 and profit of $919,000. If the acquisition had occurred on 1 January 2015, management estimates that revenue and net profit would have been $27,148,000 and $3,221,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

(ii) On 1 September 2015, the Group has reclassified its investment in STELOP Pte. Ltd. ("STELOP") from a joint venture to a subsidiary following the changes made to the shareholders' agreement. STELOP provides design and development, manufacturing, maintaining and sale of electro-optical products and systems and the provision of related services.

In the four months to 31 December 2015, STELOP contributed revenue of $16,260,000 and net profit of $120,000. If the acquisition had occurred on 1 January 2015, management estimates that the contributions to consolidated revenue and net loss would have been $40,020,000 and $370,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2015
(Currency - Singapore dollars)

ACQUISITIONS OF CONTROLLING INTERESTS IN SUBSIDIARIES IN 2015 (continued)

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Recognised on acquisition $'000	Carrying amount before acquisition $'000
Property, plant and equipment	10,959	10,959
Other intangible assets	8,184	324
Deferred tax assets	171	171
Inventories and work-in-progress	32,420	32,420
Trade receivables	24,195	24,195
Advances and other receivables	77	77
Bank balances and other liquid funds	21,591	21,591
	97,597	89,737
Trade payables and accruals	(29,630)	(29,630)
Provisions	(1,169)	(1,169)
Progress billing in excess of work-in-progress	(19,599)	(19,599)
Provision for tax	(1,574)	(1,574)
Deferred tax liabilities	(2,411)	(1,075)
	(54,383)	(53,047)
Net identifiable assets	43,214	36,690
Non-controlling interests	(6,468)	
Net identifiable assets, after non-controlling interests	36,746	
Goodwill arising on consolidation	1,732	
Bargain purchase arising from business combination	(10,529)	
Total purchase consideration	27,949	
Total purchase consideration:		
Cost of acquisitions	8,150	
Fair value of pre-existing interest in the acquiree	19,799	
	27,949	
Cash outflow on acquisitions in 2015:		
Cost of acquisitions	(8,150)	
Net cash acquired with the subsidiaries	21,591	
Net cash inflow on acquisition	13,441	

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2015
(Currency - Singapore dollars)

ACQUISITIONS OF CONTROLLING INTERESTS IN SUBSIDIARIES IN 2014

In the prior year, the Group acquired the following companies:

(i) On 20 May 2014, the Group acquired 100% of Aviation Academy of America, Inc ("AAA") for a cash consideration of US$811,000. AAA specialises in the provision of flight training services for pilots.

(ii) On 30 December 2014, the Group acquired additional interest of 1% in an associate, GFM Electronics S.A. de C.V. ("GFME") for a cash consideration of $713,000. GFME provides design and implementation, distribution and sales of high technology systems, services and products, in the communications area, as well as electronics systems.

Following the completion of the final purchase price allocation during the financial year, no adjustments were made to the provisional fair value originally recorded in the prior year.

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Recognised on acquisition $'000	Carrying amount before acquisition $'000
Property, plant and equipment	24	24
Intangible assets	1,049	53
Trade receivables	115	115
Advances and other receivables	422	422
Bank balances and other liquid funds	1,255	88
	2,865	702
Trade payables and accruals	(359)	(606)
	(359)	(606)
Net identifiable assets	2,506	96
Non-controlling interests	(729)	
Net identifiable assets, after non-controlling interests	1,777	
Bargain purchase arising from business combination	(47)	
Total purchase consideration	1,730	
Total purchase consideration:		
Cost of acquisitions	1,693	
Fair value of pre-existing interest in the acquiree	37	
	1,730	
Cash outflow on acquisitions in 2014:		
Cost of acquisitions	(1,693)	
Cash to be paid in subsequent year	371	
Net cash acquired with the subsidiaries	1,255	
Net cash outflow on acquisition	(67)	

Purchase price adjustments, which are non-cash in nature, made during the Measurement Period have not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects and certain consequential income statement effects, are immaterial to the Group.

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

Notes to the Financial Statements

31 December 2015
(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 1 Ang Mo Kio Electronics Park Road #07-01 ST Engineering Hub, Singapore 567710.

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

The principal activities of the Company are those of an investment holding company and the provision of engineering and related services. The principal activities of the Company's subsidiaries are

- in the Aerospace sector, the provision of aircraft maintenance, engineering and training services, which include airframe, component and engine maintenance, repair and overhaul, engineering design and development, technical services, materials support, asset management services and pilot training;

- in the Electronics sector, design, development, supply, installation, integration and maintenance of advanced electronics and communication systems;

- in the Land Systems sector, the provision of design and engineering services, manufacture, sales and knowhow transfer of military and commercial vehicles, automotive subsystems, armament, weapons, weapon systems, ammunition and explosives, and the provision of engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of vehicles and weapon systems, and trading in motor vehicles, equipment, vehicle spares and related accessories; and

- in the Marine sector, building, repair and conversion 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.

The financial statements of Singapore Technologies Engineering Ltd and the consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries (collectively referred to as the "Group") as at 31 December 2015 and for the year then ended were authorised and approved by the Board of Directors for issuance on 25 February 2016.

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

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

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

The financial statements are presented in Singapore dollars which is the Company's functional currency. All values are rounded to the nearest thousand ($'000) except when otherwise indicated.

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses are disclosed in Note 3.18. Actual results may differ from these estimates.

The accounting policies set out below have been consistently applied by the Company and the Group and are consistent with those used in the previous year.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note 3.5(i).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, any subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests ("NCI") that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Consistent accounting policies are applied to like transactions and events in similar circumstances. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

(iii) Acquisitions of entities under amalgamation

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") resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 in 1997.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(iii) Acquisitions of entities under amalgamation (continued)

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 capital reserve.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

(v) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for by the Group using the equity method and are recognised initially at cost, which includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost, less accumulated impairment losses.

(vi) Transactions eliminated on consolidation

All significant inter-company balances and transactions are eliminated on consolidation.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. The major functional currencies of the Group entities are Singapore dollar, United States dollar ("USD") and Euro. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the date of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Monetary item carried at amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency are translated at the exchange rate at the end of the year.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, or qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars using exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is re-attributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments

(i) Non-derivative financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale financial assets. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are financial assets acquired principally for the purpose of selling in the near term. Financial assets at fair value through profit or loss are measured at fair value and gains or losses arising from change in the fair values are recognised in profit or loss. Attributable transaction costs are recognised in profit or loss as incurred.

Held-to-maturity

Where the Group has positive intent and ability to hold investments to maturity, then such investments are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less impairment losses. During the year, the Group did not hold any investment in this category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables (including finance lease receivables and amounts due from related parties).

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables (continued)

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

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, the changes in fair value are recognised in other comprehensive income and presented in the fair value reserve in equity, except for impairment losses and foreign exchange differences on available-for-sale debt instruments, until the financial asset is derecognised. Upon derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment.

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

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

Available-for-sale financial assets comprise equity securities and bonds.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group's financial liabilities comprise bank overdrafts, trade and other payables (including lease obligations and amounts due to related parties), and borrowings.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) Treasury shares

When ordinary shares are reacquired by the Company, the consideration paid is recognised as deduction from equity. Reacquired shares are classified as treasury shares. When treasury shares are sold, or re-issued subsequently, the cost of treasury shares is reversed from treasury shares account and the realised gain or loss on transaction is presented as a change in equity of the Company. No gain or loss is recognised in profit or loss.

Treasury shares have no voting rights and no dividends are allocated to them.

(v) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and cross currency swaps to hedge its risks associated with foreign currency and interest rate fluctuations. From time to time, the Group also uses monetary assets and liabilities and embedded derivatives as hedging instruments to hedge its risks associated with foreign currency fluctuations.

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

On initial designation of the derivative as the hedging instrument, the Group formally documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the methods used in assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect profit or loss.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into. Attributable transaction costs are recognised in profit or loss as incurred. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

(v) Derivative financial instruments and hedge accounting (continued)

Fair value hedges

The gain or loss from re-measuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with Note 3.2(i) (for a non-derivative hedging instrument) is recognised in profit or loss. The gain or loss on the hedged item attributable to the hedged risk is recognised in profit or loss.

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

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

Cash flow hedges

The portion of the gain or loss on a derivative designated as the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and presented in the fair value reserve in equity, while the ineffective portion is recognised immediately in profit or loss.

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

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

Hedge of net investment in foreign operations

The Group has foreign currency differences arising from the translation of financial liabilities that are designated as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. The currency translation differences on the financial liabilities relating to the effective portion of the hedge are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity, while the ineffective portion of the hedge are recognised immediately in profit or loss. On the disposal or partial disposal of the foreign operation, the amounts previously recognised in equity are transferred to profit or loss as part of the gain or loss on disposal.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

(v) Derivative financial instruments and hedge accounting (continued)

Separable embedded derivatives and other derivatives

Any gains or losses arising from changes in fair value on derivatives that are not designated in hedging relationships are recognised immediately in profit or loss.

For fair value gains or losses arising from embedded derivatives and forward currency contracts that provide an economic hedge to trading transactions, the Group has considered that the economic hedges are part of the Group's operating activities and are classified as part of cost of sales to better reflect the nature of the transactions.

(vi) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

3.4 Property, plant and equipment and depreciation

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset and capitalised borrowing costs. The cost of self-constructed assets also includes the cost of material and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Subsequent to initial measurement, except for certain property, plant and equipment which were subject to a one-time revaluation in 1972 ("the 1972 assets"), property, plant and equipment are measured at cost, net of depreciation and any impairment losses. The 1972 assets stated at valuation are exempted from conducting a regular frequency of revaluation but are measured net of depreciation, and any impairment losses.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property, plant and equipment and depreciation (continued)

(i) Recognition and measurement (continued)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income in profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

(ii) Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment purchased specifically for projects are depreciated over the useful life of the class of property, plant and equipment or the duration of the project, whichever is shorter. Construction-in-progress is not depreciated until each stage of development is completed and becomes ready for use. Freehold land is not depreciated.

The estimated useful lives are as follows:

Buildings	- 2 to 60 years *
Leasehold land	- Over the period of the lease of between 2 and 50 years *
Improvements to premises	- 3 to 30 years *
Wharves and slipways	- 20 years
Syncrolift and floating docks	- 15 years
Boats and barges	- 10 to 23 years
Plant and machinery	
- Aerospace	- 8 to 25 years
- Electronics	- 10 years
- Land Systems	- 5 to 15 years
- Marine	- 5 to 30 years
- Others	- 5 years
Production tools and equipment	
- Aerospace	- 5 to 15 years
- Electronics	- 10 years
- Others	- 3 years
Furniture, fittings, office equipment and computers	- 2 to 5 years
Transportation equipment and vehicles	- 4 to 5 years
Aircraft and aircraft engines	- 15 to 30 years

* Refer to Note 12(d)(ii) for details of the lease tenure used to approximate the useful lives of the leasehold land, buildings and improvements.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property, plant and equipment and depreciation (continued)

(ii) Depreciation (continued)

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

3.5 Intangible assets

(i) Goodwill

Goodwill represents the excess of:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as and when incurred.

Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the development so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. In any other circumstances, development costs are recognised in profit or loss as incurred.

Development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible assets (continued)

(ii) Research and development expenditure (continued)

Included in the development expenditure are:

- costs incurred for the prototyping and development of Boeing 757 15-Pallet Supplemental Type Certificate. The amortisation has been deferred until the asset is ready for management's intended use.

- costs incurred for the design, development and assembly of aircraft seats. The amortisation has been deferred for the year ended 31 December 2015 as the asset is not yet ready for management's intended use.

(iii) Film cost inventory

Film cost inventory comprise film production costs which are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the film so that it will be available for use or sale, its intention to complete and its ability to use or sell the film, how the film will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the film production. Other film production costs are recognised in profit or loss as incurred.

Film cost inventory is measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Other intangible assets

Other intangible assets that are acquired by the Group are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Dealer network

This includes customer relationships and networks acquired as part of business combinations.

Commercial and intellectual property rights

Commercial and intellectual property rights mainly relates to intellectual property acquired as part of business combinations.

Brands

Corporate brand names acquired as part of business combinations. These include mainly the LeeBoy™ and Rosco brand of road construction equipment.

Licences

- Licences acquired as part of business combination

  a) These licences relate to Air Operator Certificate issued by the Civil Aviation Safety Authority of Australia to conduct commercial aviation activities such as flight training school and air charter, and the Federal Aviation Administration's Organisation Designation Authorisation programme that allows autonomy and efficiency in the issuance of supplementary type certificates for avionics and interiors projects.

Notes to the Financial Statements

31 December 2015
(Currency - Singapore dollars unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible assets (continued)

(iv) Other intangible assets (continued)

Licences (continued)

- Licences acquired as part of business combination (continued)

  b) These licences relate to the Federal Aviation Administration's Part 141 Approval to a flight school for pilot training in the US, including the issuance of the relevant entry visa to foreign students to enter the US.

  These licences are not amortised as they are considered to have an indefinite useful life and are tested annually for impairment.

- Licences acquired for purchase and leasing of Boeing parts

  These licences are awarded by the relevant authorities such as the Federal Aviation Authority ("FAA"), European Aviation Safety Agency ("EASA"), ISO9001, AS9100 Rev C, as well as commercial arrangement with Boeing for the purchase and leasing of Boeing parts.

- License acquired to develop maintenance, repair and overhaul services capabilities

  These licence agreements relate to the maintenance, repair and overhaul services for UTC Aerospace Systems components on Boeing 787 aircraft. These licences are not amortised until the repair capabilities are set up and available for use.

Technology agreement

The technology agreement relates to the intellectual property assets required to operate the EcoPower Engine Wash business. The intellectual property is an integral part of business as the business uses highly-proprietary processes to clean engines to enable fuel burn reduction and extended time on-wing.

Authorised repair centre agreement

This relates to the sole appointed authorised service centre for repair and overhaul of landing gear.

(v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangible assets, is recognised in profit or loss as incurred.

(vi) Amortisation

Amortisation is calculated based on the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, development expenditure of Aerospace sector and film cost inventory, from the date that they are available for use.

Notes to the Financial Statements

31 December 2015
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangible assets (continued)

(vi) Amortisation (continued)

Amortisation of development expenditure of Aerospace Sector is recognised in profit or loss using the units of production method.

Film cost inventory is amortised using the individual-film-forecast computation method which amortises the film costs in the same ratio that current gross revenue bear to anticipated total gross income for the film. Amortisation commences when each film begins to earn revenue.

The estimated useful lives/units are as follows:

Dealer network	- 7 to 10 years
Development expenditure	
- Aerospace	- 10 to 65 units
- Electronics	- 2 to 5 years
Commercial and intellectual property rights	- 2 to 16 years
Film cost inventory	- 20 years
Brands	
- Aerospace	- 5 years
- Electronics	- 20 years
- Land Systems	- 70 years
Licenses	- 7 to 30 years
Technology agreement	- 13 years
Authorised repair centre agreement	- 5 years

The useful lives and amortisation methods are reviewed at the end of each financial year-end to ensure that the amount, method and period of amortisation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the intangible assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense is recognised in the expense category consistent with the function of the intangible asset.

3.6 Inventories and work-in-progress

Inventories are measured at the lower of cost and net realisable value. Cost is calculated on a first-in, first-out basis or by weighted average cost depending on the nature and use of the inventories. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Allowance is made for deteriorated, damaged, obsolete and slow-moving inventories.

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

Work-in-progress is measured at cost plus profits recognised to date less progress billings and recognised losses. Cost includes all direct material and labour costs, equipment and sub-contracting services, together with appropriate overhead expenses and may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of such services. Provision for foreseeable losses on uncompleted contracts is made in the year in which such losses are determined.

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Inventories and work-in-progress (continued)

Work-in-progress is included in current assets in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as "progress billings in excess of work-in-progress" and is included in current liabilities in the balance sheet.

3.7 Impairment

(i) Non-derivative financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset not carried at fair value through profit or loss is impaired.

To determine whether there is objective evidence that financial assets (including equity securities) are impaired, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor/issuer, default or significant delay in payments, significant adverse changes in the business environment where the debtor/issuer operates and disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets carried at amortised cost

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

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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

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

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

(i) Non-derivative financial assets (continued)

Financial assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to profit or loss.

Reversals in respect of impairment losses on equity instruments classified as available-for-sale are recognised in other comprehensive income. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(ii) Non-financial assets

The Group assesses at each reporting date whether there is an indication that its non-financial assets, other than goodwill, inventories, work-in-progress and deferred tax assets, may be impaired. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then to reduce the carrying amounts of other assets in the CGU or group of CGUs on a *pro rata* basis.

Notes to the Financial Statements

31 December 2015
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment (continued)

(ii) Non-financial assets (continued)

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

Goodwill that forms part of the carrying amount of an investment in an associate and/or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and/or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate and/or joint venture may be impaired.

3.8 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. Under the terms of the revenue contracts with key customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The warranty obligation varies from 6 months to 10 years. The Group's experience of the proportion of its products sold that requires repair or replacement differs from year to year as every contract is customised to the specification of the customers. The estimation of the provision for warranty expenses is based on the Group's past claim experience over the duration of the warranty period and the industry average in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales. The warranty provision made as at 31 December 2015 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Employee benefits

(i) Employee equity compensation benefits

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(ii) Defined contribution plans

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

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) Economic Value Added ("EVA")-based Incentive Scheme

The Group adopts an incentive compensation plan, which is tied to the creation of EVA, as well as attainment of individual and Group performance goals for its key executives. An EVA bank is used to hold incentive compensation credited in any year. Typically one-third of the accumulated EVA-based bonus, comprising the EVA declared in the financial year and the balance of such bonus brought forward from preceding years is paid out in cash each year, with the balance being carried forward to the following year. The balances of the EVA bank in future will be adjusted by the yearly EVA performance of the Group and the payouts made from the EVA bank.

The Group measures the bonus payable after one year at the present value of the amount payable.

3.10 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, net of any returns, trade discounts and volume rebates.

Revenue is recognised using the following methods:

(i) Revenue from sale of goods is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

The timing of the transfer of risks and rewards usually occurs upon delivery of goods and acceptance by customers.

Notes to the Financial Statements

31 December 2015
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Revenue (continued)

Revenue is recognised using the following methods: (continued)

(ii) Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the work performed.

(iii) Revenue from long-term contracts is recognised by reference to stage of completion, which is measured by either:

(a) a combination of different cost components or a single cost component that would provide the most reliable indication of the stage of completion of a contract; or
(b) when goods and services, representing part of a contract, are delivered; or
(c) upon completion of designated phases of a contract.

Provision for foreseeable losses on uncompleted contracts is recognised in profit or loss as soon as such losses are determinable.

(iv) Management fee income is recognised on an accrual basis over the duration upon which management services are rendered.

(v) Commission income in excess of the certain percentage of the total amount received is taken up in the income statement as and when the services are performed. Where it is probable that a portion of the commission income may not materialise, a certain percentage of the total commission received is treated as downpayment and is deferred and taken up in the income statement only upon the discharge of specified contractual obligations.

(vi) Rental income from investment property is accounted for on a straight-line basis over the duration of the lease terms.

(vii) Rental income from leasing of facilities is accounted for on a straight-line basis over the lease terms.

3.11 Government grants

Government grants are recognised when the Group complies with the conditions associated with the grants. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income in the same periods in which the expenses are recognised. Grants relating to depreciable assets are deferred and recognised in profit or loss as other income over the period in which such assets are depreciated and used in the projects subsidised by the grants.

3.12 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

Finance costs comprise interest expense on borrowings, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on investments, and losses on hedging instruments that are recognised in profit or loss.

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Finance income and finance costs (continued)

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.13 Finance leases

(i) As lessee

Finance leases are those leasing agreements, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease items. Assets financed under such leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Assets acquired on finance lease arrangements are depreciated in accordance with the policy set out in Note 3.4 above.

(ii) As lessor

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

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

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

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

3.14 Operating leases

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

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

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Income taxes

(i) Current tax

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

Current taxes are recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or in equity.

(ii) Deferred tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and taxable temporary differences arising on the initial recognition of goodwill. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

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

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

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

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

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

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share plans granted to employees.

3.17 Operating segments

For management purposes, the Group is organised on a worldwide basis into four major operating segments. The management of the Company reviews the segments' operating results regularly in order to allocate resources to the segments and to assess the segments' performance. Additional disclosures on each of these operating segments are shown in Note 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.18 Significant accounting estimates and judgements

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

(i) Key sources of estimation uncertainty

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

Impairment of non-financial assets

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

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

Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 43 to the financial statements.

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Significant accounting estimates and judgements (continued)

(i) Key sources of estimation uncertainty (continued)

Depreciation charge

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 60 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these property, plant and equipment, and therefore future depreciation charges could be revised.

Revenue recognition and provision for foreseeable losses

The Group has recognised revenue from long-term contracts by reference to the stage of completion. The bases for measuring the stage of completion are described in Note 3.10(ii) and (iii). Significant judgement based on management's knowledge and experience is required in determining the appropriate stage of completion and estimating a reasonable contribution margin or expected losses for revenue and costs recognition.

Allowance for inventory obsolescence and write down of finished goods to net realisable value

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventory write-offs could be higher or lower than the allowance made.

Provision for warranty

The provision for warranty is based on estimates from known and expected warranty work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In addition, certain subsidiaries of the Group have potential tax benefits arising from unutilised tax losses, unabsorbed wear and tear allowances and other temporary differences, which are available for set-off against future taxable profits. Significant judgement is involved in determining the availability of future taxable profits against which the Group can utilise the tax benefits therefrom. The use of the potential tax benefits is also subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provision and recognised deferred tax assets relating to the potential tax benefits in the period in which such determination is made.

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Significant accounting estimates and judgements (continued)

(i) Key sources of estimation uncertainty (continued)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in Note 43 to the financial statements.

EVA-based Incentive Scheme ("EBIS")

Estimates of the Group's obligations arising from the EBIS at the balance sheet date may be affected by future events, which cannot be predicated with any certainty. The assumptions and estimates are made based on management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Negative EVA will result in a clawback of EVA bonus accumulated in previous years.

(ii) Critical judgements made in applying accounting policies

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relates to assessing whether the Group has control over its investee companies.

During the year, the Group assessed the terms and conditions of the shareholders' agreement of subsidiaries that are not wholly-owned by the Group. The Group made critical judgements over:

(a) their ability to exercise power over its investees;
(b) their exposure or rights to variable returns for its investments with those investees; and
(c) their ability to use its power to affect those returns.

The Group's judgement included considerations of their power exercised at the board of the respective investees and rights and obligations arising from board reserve of matters as agreed with the other shareholders.

3.19 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company.

These new standards include, among others, IFRS 1 *First Time Adoption of IFRS*, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on 1 January 2018.

Notes to the Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 New standards and interpretations not adopted (continued)

- IFRS 1 *First Time Adoption of IFRS*

  The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1 *First-time adoption of IFRS* when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

- FRS 115 *Revenue from Contracts with Customers*

  FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue* and FRS 11 *Construction Contracts*.

- FRS 109 *Financial Instruments*

  FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group. The Group is currently assessing the impact upon adoption of these standards in the financial year ending 31 December 2018. The Group does not plan to adopt these standards early.

4. REVENUE

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

	Group	
	2015 $'000	2014 $'000
Sale of goods	**1,939,713**	2,155,395
Service income	**3,704,189**	3,322,171
Contract revenue	**691,121**	1,061,867
	6,335,023	6,539,433

Notes to the Financial Statements

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5. PROFIT FROM OPERATIONS

Profit from operations is arrived at:

	Note	Group 2015 $'000	Group 2014 $'000
After charging/(crediting)			
Auditors' remuneration			
- auditors of the Company		**2,783**	1,690
- other auditors		**3,192**	2,375
Non-audit fees			
- auditors of the Company		**1,205**	695
- other auditors		**997**	1,174
Fees and remuneration of directors *		**8,589**	5,231
Fees paid to a firm of which a director is a member		**388**	436
Personnel expenses	6	**1,819,045**	1,749,364
Depreciation charges	12	**170,394**	154,318
Allowance/(write-back of allowance) for			
- inventory obsolescence		**53,417**	102,671
- doubtful debts (trade)		**9,663**	5,546
- doubtful debts (related parties)		**(280)**	(792)
- unbilled receivables (trade)		**5**	–
- doubtful lease receivables		**2,743**	9,872
Provision for			
- warranties	28	**31,970**	39,076
- liquidated damages	28	**6,608**	12,928
- foreseeable losses		**32,808**	24,758
Property, plant and equipment written off		**6,216**	885
Research, design and development expenses		**114,163**	96,940
Operating lease expenses		**47,811**	44,425
Amortisation of other intangible assets	16	**16,898**	16,188
(Write-back)/impairment losses on property, plant and equipment	12	**(212)**	1,087
Impairment losses on goodwill	16	**4,000**	10,829
Impairment losses on other intangible assets	16	**942**	3,210
(Write-back)/impairment loss on progressive payments to contractor	23	**(283)**	7,109
Other intangible assets written off	16	**143**	–
Fair value changes in embedded derivatives not designated as hedging instruments (included in cost of sales)			
- Losses		**6,420**	24,199
Fair value changes of forward currency contracts not designated as hedging instruments (included in cost of sales)			
- Gains		**(13,067)**	(27,577)
- Losses		**8,020**	4,578

* Includes share-based payment expense of $434,128 (2014: $492,421).

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6. PERSONNEL EXPENSES

	Group	
	2015 $'000	2014 $'000
Wages and salaries *	**1,466,404**	1,406,667
Contributions to defined contribution plans	**149,016**	130,323
Share-based payments	**15,840**	20,925
Other personnel expenses	**187,785**	191,449
	1,819,045	1,749,364

* Includes directors' remuneration of $4,523,914 (2014: $2,438,009).

7. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group	
	2015 $'000	2014 $'000
Short-term employee benefits	**34,192**	31,082
Contributions to defined contribution plans	**567**	475
Other long-term benefits	**–**	3
Share-based payments	**8,491**	8,287
	43,250	39,847

Notes to the Financial Statements

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8. OTHER INCOME, NET

	Group	
	2015 **$'000**	2014 $'000
Other income		
Gain on disposal of property, plant and equipment	**1,190**	1,310
Gain on disposal of subsidiaries	**–**	519
Gain on disposal of an associate	**59**	–
Gain on disposal of a joint venture	**–**	2,797
Bargain purchase arising from business combination	**10,529**	47
Government grants	**10,815**	5,787
Grant income from Wage Credit Scheme	**15,283**	9,122
Commission income	**5**	398
Rental income	**6,765**	7,345
Proceeds received from insurers	**–**	5,023
Others	**11,101**	12,827
	55,747	45,175
Other expenses		
Impairment loss on an associate	**–**	(2,108)
Impairment loss on loan to an associate	**–**	(2,892)
Remeasurement loss on fair value of pre-existing interest in acquiree	**(299)**	–
	(299)	(5,000)
Other income, net, recognised in profit or loss	**55,448**	40,175

Notes to the Financial Statements

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9. FINANCE INCOME/(COSTS), NET

	Group	
	2015 $'000	2014 $'000
Finance income		
Dividend income quoted equity investments	**3**	2
Interest income		
- bank deposits	**11,580**	14,327
- staff loans	**15**	15
- finance lease	**413**	310
- bonds	**10,366**	6,921
- others	**1,125**	2,056
Exchange gain, net	**7,331**	–
Gain on disposal of investments	**343**	2,640
Gain on fair value changes of investments held for trading	**15**	152
Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions	**–**	739
Fair value changes of financial instruments		
- gain on forward currency contract, cross currency interest rate swaps and cross currency swap not designated as hedging instrument	**14,615**	15,822
- gain on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges	**9**	–
Fair value changes of hedged items	**10,376**	566
	56,191	43,550
Finance costs		
Interest expenses		
- bank loans and overdrafts	**(7,879)**	(10,269)
- bonds	**(30,707)**	(26,542)
- finance lease	**(738)**	(744)
- others	**(428)**	(319)
Exchange loss, net	**–**	(5,150)
Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions	**(10,082)**	–
Loss on fair value changes of forward currency contract designated as hedging instrument	**(114)**	(796)
Fair value changes of hedged items	**–**	(739)
Impairment losses on unquoted investments	**–**	(638)
	(49,948)	(45,197)
Finance income/(costs), net, recognised in profit or loss	**6,243**	(1,647)

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10. TAXATION

	Group	
	2015 **$'000**	2014 $'000
Current income tax		
Current year	**102,326**	122,606
Overprovision in respect of prior years	**(15,533)**	(15,122)
	86,793	107,484
Deferred income tax		
Current year	**4,289**	2,699
Underprovision in respect of prior years	**7,351**	3,796
Effect of reduction in tax rate	**226**	(286)
	11,866	6,209
	98,659	113,693

Deferred income tax related to items charged to other comprehensive income:

	Group	
	2015 **$'000**	2014 $'000
Net change in fair value of derivative financial instruments designated in cash flow hedges	**(93)**	(10,770)

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10. TAXATION (continued)

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

	Group	
	2015 $'000	2014 $'000
Profit before taxation	**630,302**	650,683
Taxation at statutory tax rate of 17% (2014: 17%)	**107,151**	110,616
Adjustments:		
Income not subject to tax	**(3,560)**	(4,442)
Expenses not deductible for tax purposes	**24,894**	34,257
Different tax rates of other countries	**(8,553)**	(4,736)
Overprovision in prior years, net	**(8,182)**	(11,326)
Effect of change in tax rates	**226**	(286)
Effect of results of associates and joint ventures presented net of tax	**(9,918)**	(9,721)
Tax incentives	**(4,364)**	(3,536)
Deferred tax assets not recognised	**16,620**	9,755
Deferred tax assets previously not recognised now utilised	**(3,421)**	(2,133)
Deferred tax assets previously not recognised now recognised	**–**	(1,000)
Tax credits claimed during the year	**(9,437)**	–
Others	**(2,797)**	(3,755)
	98,659	113,693

11. EARNINGS PER SHARE

Basic earnings per share

The calculation for basic earnings per share is based on:

	Group	
	2015 $'000	2014 $'000
Profit attributable to shareholders	**529,039**	531,952

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11. EARNINGS PER SHARE (continued)

Basic earnings per share (continued)

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

Number of shares	Group 2015 '000	Group 2014 '000
Issued ordinary shares at beginning of the year	**3,120,005**	3,105,904
Effect of treasury shares held	**(20,509)**	(75)
Weighted average number of ordinary shares issued during the year	**3,976**	12,034
Weighted average number of ordinary shares	**3,103,472**	3,117,863

Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the effect of all dilutive potential ordinary shares. The number of unissued shares under option granted under the ESOP and their exercise prices are set out in Note 34. The average fair value of one ordinary share during the financial year ended 31 December 2015 was $3.27 (2014: $3.71) per share. The weighted average number of ordinary shares adjusted for the unissued shares under option is as follows:

Number of shares	Group 2015 '000	Group 2014 '000
Weighted average number of ordinary shares * (used in the calculation of basic earnings per share)	**3,103,472**	3,117,863
Weighted average number of unissued shares under option	**13,980**	25,761
Number of shares that would have been issued at fair value	**(12,850)**	(21,089)
Weighted average number of ordinary shares (diluted)	**3,104,602**	3,122,535

* The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

As at 31 December 2015, 5,383,061 (2014: nil) share options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

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12. PROPERTY, PLANT AND EQUIPMENT

	Valuation/Cost							
	As at 1.1.2014 $'000	Additions *1 $'000	Disposals/ write-off $'000	Arising from acquisition of interest in a subsidiary $'000	Deconsolid-ation of a subsidiary $'000	Reclassi-fications $'000	Translation difference $'000	As at 31.12.2014 $'000
The Group								
At Valuation								
Leasehold land and buildings	1,919	–	–	–	–	–	–	1,919
Wharves and slipways	1,490	–	–	–	–	–	–	1,490
Syncrolift and floating docks	4,603	–	–	–	–	–	–	4,603
Plant and machinery	1,694	–	–	–	–	–	–	1,694
Furniture, fittings, office equipment and computers	279	–	–	–	–	–	–	279
At Cost								
Freehold land and buildings	64,683	403	(1,746)	–	–	305	2,602	66,247
Leasehold land and buildings	977,310	15,618	(12,805)	–	–	41,329	8,293	1,029,745
Improvements to premises	72,297	10,789	(3,507)	–	(451)	13,455	337	92,920
Wharves and slipways	41,532	1,608	–	–	–	1,629	597	45,366
Syncrolift and floating docks	86,831	185	–	–	–	102	759	87,877
Boats and barges	10,411	2,152	–	–	–	168,462	50	181,075
Plant and machinery	733,549	45,781	(18,575)	–	–	(12,390)	4,866	753,231
Production tools and equipment	280,679	22,953	(5,662)	–	(1,858)	96	3,613	299,821
Furniture, fittings, office equipment and computers	234,898	33,643	(11,363)	24	(3,136)	5,670	2,270	262,006
Transportation equipment and vehicles	17,608	1,110	(1,245)	–	(101)	25	166	17,563
Aircraft and aircraft engines	211,450	996	–	–	–	–	2,492	214,938
Construction-in-progress	252,955	105,256	(584)	–	–	(239,235)	2,005	120,397
	2,994,188	240,494	(55,487)	24	(5,546)	(20,552)	28,050	3,181,171

*1 Includes $16,258,000 by way of non-cash government grant.

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Valuation/Cost						
	As at 1.1.2015 $'000	Additions *2 $'000	Disposals/ write-off $'000	Arising from acquisition of interest in subsidiaries $'000	Reclassi- fications $'000	Translation difference $'000	As at 31.12.2015 $'000
The Group							
At Valuation							
Leasehold land and buildings	1,919	–	–	–	–	–	1,919
Wharves and slipways	1,490	–	–	–	(173)	–	1,317
Syncrolift and floating docks	4,603	–	–	–	10	–	4,613
Plant and machinery	1,694	–	–	–	(11)	–	1,683
Furniture, fittings, office equipment and computers	279	–	–	–	6	–	285
At Cost							
Freehold land and buildings	66,247	3,173	(637)	–	160	4,514	73,457
Leasehold land and buildings	1,029,745	6,338	(17,883)	638	72,077	13,525	1,104,440
Improvements to premises	92,920	9,503	(5,676)	412	28,253	2,827	128,239
Wharves and slipways	45,366	20	–	–	292	1,271	46,949
Syncrolift and floating docks	87,877	–	–	–	1,143	1,329	90,349
Boats and barges	181,075	–	–	–	19	88	181,182
Plant and machinery	753,231	45,520	(18,587)	6,987	21,539	11,777	820,467
Production tools and equipment	299,821	19,390	(6,313)	2,349	(4)	7,898	323,141
Furniture, fittings, office equipment and computers	262,006	23,454	(14,039)	379	4,792	4,645	281,237
Transportation equipment and vehicles	17,563	1,369	(1,746)	5	35	277	17,503
Aircraft and aircraft engines	214,938	147,597	–	–	(20,792)	4,556	346,299
Construction-in-progress	120,397	36,508	(7)	189	(128,930)	4,296	32,453
	3,181,171	292,872	(64,888)	10,959	(21,584)	57,003	3,455,533

*2 Includes $1,733,000 by way of non-cash government grant.

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Accumulated depreciation						
	As at 1.1.2014 $'000	Depreciation charge/ impairment losses *3 for the year $'000	Disposals/ write-off $'000	Deconsolidation of a subsidiary $'000	Reclassifications $'000	Translation difference $'000	As at 31.12.2014 $'000
The Group							
Leasehold land and buildings	1,919	–	–	–	–	–	1,919
Wharves and slipways	1,490	–	–	–	–	–	1,490
Syncrolift and floating docks	4,603	–	–	–	–	–	4,603
Plant and machinery	1,694	–	–	–	–	–	1,694
Furniture, fittings, office equipment and computers	279	–	–	–	–	–	279
At Cost							
Freehold land and buildings	21,196	1,309	(1,505)	–	–	961	21,961
Leasehold land and buildings	408,199	37,497	(4,339)	–	–	3,606	444,963
Improvements to premises	43,189	7,639	(3,495)	(356)	–	496	47,473
Wharves and slipways	25,508	1,166	–	–	–	153	26,827
Syncrolift and floating docks	69,173	1,244	–	–	–	70	70,487
Boats and barges	5,830	6,634	–	–	36,455	50	48,969
Plant and machinery	393,025	39,795	(10,781)	–	(1)	4,831	426,869
Production tools and equipment	200,402	13,821	(5,214)	(1,583)	2	3,901	211,329
Furniture, fittings, office equipment and computers	186,040	34,683	(11,207)	(2,924)	1	2,122	208,715
Transportation equipment and vehicles	13,374	1,862	(1,185)	(101)	–	142	14,092
Aircraft and aircraft engines	61,408	9,755	–	–	(2)	817	71,978
Construction-in-progress	36,455	–	–	–	(36,455)	–	–
	1,473,784	155,405	(37,726)	(4,964)	–	17,149	1,603,648

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Accumulated depreciation					
	As at 1.1.2015 $'000	Depreciation charge/ impairment losses *3 for the year $'000	Disposals/ write-off $'000	Reclassi- fications $'000	Translation difference $'000	As at 31.12.2015 $'000
The Group						
Leasehold land and buildings	1,919	–	–	–	–	1,919
Wharves and slipways	1,490	–	–	(173)	–	1,317
Syncrolift and floating docks	4,603	–	–	10	–	4,613
Plant and machinery	1,694	–	–	(11)	–	1,683
Furniture, fittings, office equipment and computers	279	–	–	6	–	285
At Cost						
Freehold land and buildings	21,961	1,755	(580)	–	1,581	24,717
Leasehold land and buildings	444,963	41,042	(9,081)	–	6,112	483,036
Improvements to premises	47,473	8,778	(5,613)	71	1,445	52,154
Wharves and slipways	26,827	1,318	–	173	291	28,609
Syncrolift and floating docks	70,487	1,611	–	(10)	160	72,248
Boats and barges	48,969	6,517	–	–	88	55,574
Plant and machinery	426,869	45,192	(11,306)	(107)	9,071	469,719
Production tools and equipment	211,329	14,530	(6,339)	(8)	6,528	226,040
Furniture, fittings, office equipment and computers	208,715	35,420	(13,990)	(77)	3,910	233,978
Transportation equipment and vehicles	14,092	1,507	(1,465)	–	225	14,359
Aircraft and aircraft engines	71,978	12,545	–	(9,652)	1,632	76,503
	1,603,648	170,215	(48,374)	(9,778)	31,043	1,746,754

*3 In the prior year, due to continued losses of a subsidiary, the Group performed an impairment assessment and recognised an impairment loss of $1,087,000 on certain plant and equipment. The recoverable amounts of these plant and equipment were determined based on the fair market value of the plant and equipment, net of selling costs. During the year, based on an independent party valuation report with reference to replacement costs for these plant and equipment, the Group reversed the impairment loss recognised of $179,000. Additionally, an impairment loss of $33,000 made in relation to plant and equipment previously was derecognised subsequent to the disposal of the assets during the year.

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Net book value		
	31.12.2015 $'000	31.12.2014 $'000	1.1.2014 $'000
The Group			
At Valuation			
Leasehold land and buildings	**–**	–	–
Wharves and slipways	**–**	–	–
Syncrolift and floating docks	**–**	–	–
Plant and machinery	**–**	–	–
Furniture, fittings, office equipment and computers	**–**	–	–
At Cost			
Freehold land and buildings	48,740	44,286	43,487
Leasehold land and buildings	621,404	584,782	569,111
Improvements to premises	76,085	45,447	29,108
Wharves and slipways	18,340	18,539	16,024
Syncrolift and floating docks	18,101	17,390	17,658
Boats and barges	125,608	132,106	4,581
Plant and machinery	350,748	326,362	340,524
Production tools and equipment	97,101	88,492	80,277
Furniture, fittings, office equipment and computers	47,259	53,291	48,858
Transportation equipment and vehicles	3,144	3,471	4,234
Aircraft and aircraft engines	269,796	142,960	150,042
Construction-in-progress	32,453	120,397	216,500
	1,708,779	1,577,523	1,520,404

Due to changes in the use of assets,

(a) Plant and machinery with net book value amounting to $11,806,000 (2014: $20,552,000) were reclassified to inventories; and

(b) Inventories amounting to $12,510,000 (2014: nil) were reclassified to property, plant and equipment.

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings $'000	Furniture, fittings, office equipment and computers $'000	Transportation equipment and vehicles $'000	Total $'000
The Company				
Cost				
As 1.1.2014	–	4,153	525	4,678
Additions	2,841	1,546	–	4,387
Disposal/write-off	–	(767)	–	(767)
As at 31.12.2014	2,841	4,932	525	8,298
Additions	–	446	–	446
As at 31.12.2015	2,841	5,378	525	8,744
Accumulated depreciation				
As 1.1.2014	–	3,147	97	3,244
Depreciation charge for the year	165	981	105	1,251
Disposal/write-off	–	(765)	–	(765)
As at 31.12.2014	165	3,363	202	3,730
Depreciation charge for the year	282	631	104	1,017
As at 31.12.2015	447	3,994	306	4,747
Net book value				
As at 31.12.2015	2,394	1,384	219	3,997
As at 31.12.2014	2,676	1,569	323	4,568
As at 1.1.2014	–	1,006	428	1,434

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) *Property, plant and equipment at valuation*

Certain property, plant and equipment, which are shown at valuation are stated at values arrived at by an independent firm of professional valuers on 30 November 1972, on the basis of open market value for existing use. As the property, plant and equipment were subject to a one-time revaluation prior to 1984, the Group is exempted from having a regular frequency of revaluation in subsequent years. These property, plant and equipment have been fully depreciated as at 31 December 2015 and 2014.

(b) *Property, plant and equipment pledged as security*

Property, plant and equipment of certain overseas subsidiaries of the Group with a carrying value of $190,743,000 (2014: $86,778,000) are pledged as security for bank loans.

(c) *Property, plant and equipment under lease obligations*

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

	Group	
	2015 $'000	2014 $'000
Leasehold land and buildings	**17,588**	17,059
Transportation equipment and vehicles	**74**	242
Furniture, fittings, office equipment and computers	**961**	–
	18,623	17,301

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Major properties

(i) Freehold land and buildings

Location	Description	Land area (sq. m.)	Net book value 2015 $'000	2014 $'000
USA				
13442 Emerson Road, Kidron, Ohio	Industrial buildings	68,351	**1,036**	1,022
300 Hackney Ave, Independence, Kansas	Industrial buildings	117,358	**4,920**	4,718
400 Hackney Ave, Washington, North Carolina	Industrial buildings	39,942	**1,600**	1,541
914 Saegers Station Drive, Montgomery, Pennsylvania	Industrial buildings	122,659	**4,432**	4,383
7801 Trinity Drive, Escatawpa, Mississippi	Shipyard and buildings	839,564	**4,121**	3,856
5801 Elder Ferry Road, Moss Point, Mississippi	Shipyard and buildings	227,151	**4,435**	4,146
900 Bayou Casotte Parkway, Pascagoula, Mississippi	Shipyard and buildings	331,803	**21,163**	20,486
2810 Lousie Street, Pascagoula, Mississippi	Shipyard and buildings	25,252	**3,119**	–
3800 Richardson Road South, Hope Hull, Alabama	Production facility	8,361	**2,542**	2,655
Australia				
2 Bowral Place, Ballarat, Victoria	Office building and training classrooms	7,714	**1,249**	1,364

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) ***Major properties*** (continued)

(ii) Leasehold land, buildings and improvements

Location	Description	Tenure	Land area (sq. m.)	Net book value 2015 $'000	2014 $'000
Singapore					
501 Airport Road	Factory and office building	10.6 years from 1.6.2013	23,899	**5,507**	4,085
503 Airport Road	Factory and office building	10.6 years from 1.6.2013	7,175	**784**	411
505 Airport Road	Jet engine test cell	2 years from 1.7.2014	5,317	**16,617**	16,380
8 Changi North Way	Hangar and office building	30 years from 1.1.1992	75,713	**25,064**	27,457
	Hangar and office building	22.5 years from 16.6.1999	14,860	**1,937**	2,079
	Hangar and office building	16.3 years from 20.8.2005	9,764	**8,891**	9,331
102 Gul Circle	Factory and office building	30 years from 17.7.2012	6,857	**7,621**	7,903
51 Loyang Drive	Leasehold land for factory building	30 years from 1.1.1992	6,045	**613**	–
540 Airport Road	Hangars and office building	2 years from 1.7.2014 *	52,212	**17,096**	19,625
Seletar West Camp	Hangars and office building	31.7 years lease from 5.1.2009	25,200	**29,650**	30,987
Seletar West Camp	New Aero Centre	28.4 years lease from 1.4.2012	23,094	**10,087**	10,200
24 Ang Mo Kio Street 65	Industrial and commercial buildings	30 years from 1.12.2012	23,970	**4,123**	4,545
100 Jurong East Street 21	Industrial and commercial buildings	30 years from 1.11.1988, renewable to 2048	11,232	**5,922**	6,170
1 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.11.2011	20,000	**64,224**	68,165

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) ***Major properties*** (continued)

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

Location	Description	Tenure	Land area (sq. m.)	Net book value 2015 $'000	Net book value 2014 $'000
Singapore					
6 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.12.2011	5,000	**18,048**	19,228
33 Tuas Avenue 2	Factory and office building	30 years from 1.4.1996 to 31.3.2026	6,669	**1,662**	1,817
16 Benoi Crescent	Industrial and commercial buildings	30 years from 16.7.1989 to 15.7.2019	6,981	**1,609**	1,761
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028, renewable to 10.10.2065	206,031	**117,211**	125,238
16 Tuas Avenue 7	Industrial buildings	30 years from 16.8.2013 to 15.8.2043	12,029	**241**	186
601 Rifle Range Road	Industrial buildings	Renewable every year *	556,074	**5,275**	4,554
15 Chin Bee Drive	Industrial buildings	60 years from 1.8.1973 to 31.7.2033	39,137	**18,652**	20,327
16 Benoi Road	Administrative offices and workshop	56 years from 1.6.1969	20,224	**5,796**	6,119
7 Benoi Road	Buildings, foreshore and workshops	56 years from 1.6.1969	103,802	**15,624**	16,091
60 Tuas Road	Buildings, foreshore and workshops	30 years from 1.12.1992	137,739	**3,427**	4,039
30/36 Kian Teck Avenue	Workers' dormitory	30 years from 1.9.1995	3,908	**2,825**	3,117

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Major properties (continued)

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

Location	Description	Tenure	Land area (sq. m.)	Net book value 2015 $'000	2014 $'000
USA					
2100 Aerospace Drive Brookley Complex, Mobile, Alabama	Hangar and office building	29 years from 1.11.2012	103,825	**28,723**	27,579
9800 John Saunders Road, San Antonio, Texas	Hangar and office building	16.6 years from 1.6.2002	255,121	**22,674**	22,045
People's Republic of China					
No 2, Huayu Road, Huli District, Xiamen 361006, Fujian	Leasehold land for factory building	50 years from 20.11.2008	38,618	**50,216**	50,207
97 Zhong Cao Road, Guiyang, Guizhou	Leasehold land, industrial and commercial buildings	50 years from 26.2.2008 to 21.2.2058	242,662	**21,628**	21,773
66 Xin Cheng Rui Shandong Road, Dantu, Zhenjiang, Jiangsu	Leasehold land, industrial and commercial buildings	50 years from 30.11.2012 to 30.11.2062	51,576	**14,673**	12,812
68 Xin Cheng Rui Shandong Road, Dantu, Zhenjiang, Jiangsu	Leasehold land, industrial and commercial buildings	50 years from 31.05.2013 to 31.05.2063	200,120	**71,173**	12,688

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

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13. SUBSIDIARIES

	Company	
	2015 $'000	2014 $'000
Unquoted shares, at cost:		
Singapore Technologies Aerospace Ltd	**358,626**	358,626
Singapore Technologies Electronics Limited	**26,982**	26,982
Singapore Technologies Kinetics Ltd	**211,938**	211,938
Singapore Technologies Marine Ltd	**56,000**	56,000
Vision Technologies Systems, Inc.	**422,301**	422,301
Singapore Technologies Dynamics Pte Ltd	**6,000**	6,000
ST Synthesis Pte Ltd	**4,656**	4,656
FusionTech Pte. Ltd.	**1,000**	1,000
Kaz-ST Engineering Bastau Limited Liability Partnership	**578**	578
ST Engineering Financial I Ltd.	**–** *1	– *1
ST Engineering Financial II Pte. Ltd.	**–** *1	– *1
	1,088,081	1,088,081
Impairment in subsidiaries	**(7,000)**	(7,000)
Carrying amount after impairment in subsidiaries	**1,081,081**	1,081,081
Capital contribution *2	**113,718**	116,635
	1,194,799	1,197,716

*1 Amount less than $1,000.

*2 The amount relates mainly to capital contribution in the form of share options, performance shares and restricted shares issued to employees of subsidiaries.

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13. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

	Effective equity interest held by the Group	
	2015	2014
	%	%
(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 and its subsidiaries ⌘	**100**	100
Aerospace Engineering Services Pty Ltd ⌘	**100**	100
Aerospace Engineering Services Pty Ltd Unit Trust *[1] ⌘	**100**	100
Pacific Flight Services Pte Ltd	**100**	100
Pacific Flight Services Pty Ltd ⌘	**100**	100
ST Aerospace Academy Pte. Ltd. and its subsidiary:	**100**	100
Aviation Training Academy Australia Pty Ltd ⌘ and its subsidiary:	**100**	100
ST Aerospace Academy (Australia) Pty Ltd ⌘	**100**	100
ST Aerospace Engines Pte Ltd and its subsidiary:	**100**	100
ST Aerospace Technologies (Xiamen) Company Limited ⌘	**80**	80
ST Aerospace Systems Pte Ltd and its subsidiary	**100**	100
Singapore Precision Repair and Overhaul Pte Ltd *[2]	**100**	50
ST Aerospace Supplies Pte Ltd and its subsidiaries:	**100**	100
iShopAero Pte Ltd	**100**	100
ST Aerospace Guangzhou Aero-Technologies & Engineering Co Ltd. ⌘	**100**	100
ST Aerospace International Structures Pte Ltd	**100**	100
ST Aviation Resources Pte Ltd	**100**	100
ST Aerospace Services Co Pte. Ltd.	**80**	80
Singapore Technologies Engineering (Europe) Ltd ⌘	**100**	100
Singapore Aerospace K.K. #	**100**	100
Visiontech Engineering Pte Ltd	**51**	51
ST Aerospace Solutions (Europe) A/S ⌘ and its subsidiary:	**100**	100
Airline Rotables (UK Holdings) Limited ⌘ and its subsidiary:	**100**	100
Airline Rotables Limited ⌘	**100**	100
ST Aerospace Panama, Inc. *[3]	**–**	100
ST Aerospace Rotables Pte. Ltd.	**100**	100
Precision Products Singapore Pte Ltd	**100**	100
ST Aerospace Resources Pte. Ltd. and its subsidiary:	**100**	100
Keystone Holdings (Global) Pte. Ltd. *[4] and its subsidiaries:	**100**	–
Keystone Leasing (UK) Limited *[4]	**100**	–
Keystone 1 Limited *[4]	**100**	–
Keystone 2 Limited *[4]	**100**	–
Keystone Capital (Ireland) Limited *[4]	**100**	–
Keystone 3 Limited *[4]	**100**	–
ST Aerospace Aircraft Seats Pte. Ltd. *[5]	**90**	–

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13. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

	Effective equity interest held by the Group 2015 %	2014 %
(b) Singapore Technologies Electronics Limited and its subsidiaries	**100**	100
SEEL Electronic & Engineering Sdn Bhd	**100**	100
ST Electronics (Info-Software Systems) Pte. Ltd.and its subsidiaries:	**100**	100
INFA Systems Limited	**100**	100
ST Electronics (Software Services) Limited *6	**100**	100
ST Electronics (e-Services) Pte. Ltd. and its subsidiary:	**100**	100
Knowledge Alive Pte. Ltd. and its subsidiary:	**100**	100
COMAT Training Services Pte Ltd	**100**	100
ST Electronics (Data Centre Solutions) Pte. Ltd. and its subsidiary:	**100**	100
PMB Project Management Business Sdn Bhd *7	**–**	100
ST Electronics (Wuxi) Co., Ltd.	**100**	100
ST Electronics (Training & Simulation Systems) Pte. Ltd. and its subsidiaries:	**100**	100
Antycip Simulation Limited and its subsidiary:	**93**	93
Antycip Simulation SAS	**93**	93
ST Education & Training Private Limited and its subsidiaries:	**100**	70
STET Homeland Security Services Pte. Ltd.	**100**	70
STET Maritime Pte. Ltd.	**100**	70
ST Electronics (Enterprise 1) Pte. Ltd.	**100**	100
ST Electronics (Info-Comm Systems) Pte. Ltd. and its subsidiaries:	**100**	100
ST Electronics (Info-Security) Pte. Ltd.	**100**	100
STELCOMMS Pte. Ltd.	**100**	51
Telematics Wireless Ltd. and its subsidiary:	**100**	100
Telematics Wireless USA Corp #	**100**	100
ST Electronics (Satcom & Sensor Systems) Pte. Ltd. and its subsidiaries:	**100**	100
iDirect Asia Pte. Ltd.	**100**	100
OrisTel Systems Pte. Ltd.	**100**	100
ST Electronics (Shanghai) Co., Ltd and its subsidiary:	**100**	100
ST Electronics (Tianjin) Co., Ltd	**100**	100
iTS Technologies Pte Ltd	**100**	100
ST Electronics (Taiwan) Limited	**100**	100
ST Electronics (Thailand) Limited	**100**	100
ST Electronics do Brasil Serviços e Soluções em Sistemas Eletronicôs Ltda #	**100**	100
GFM Electronics S.A. de C.V.	**51**	51
STELOP Pte. Ltd. *8	**50.05**	50.05

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13. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

	Effective equity interest held by the Group	
	2015	2014
	%	%
(c) Singapore Technologies Kinetics Ltd and its subsidiaries	**100**	100
SDG Kinetics Pte. Ltd. and its subsidiaries:	**100**	100
LeeBoy India Construction Equipment Private Limited	**99.2**	99.2
LeeBoy Brazil Equipamentos De Construção Ltda. [#⌘]	**100**	100
Mobility Systems Pte Ltd and its subsidiaries:	**100**	100
Silvatech Global Systems Limited [#⌘]	**100**	100
Silvatech Systems Corporation Pte Ltd and its subsidiary:	**100**	100
Kinetics Drive Solutions Inc. [#⌘]	**100**	100
Technicae Projetos e Serviços Automotivos Ltda. [#⌘]	**94.36**	90
STA Inspection Pte Ltd	**100**	100
Singapore Commuter Private Limited and its subsidiaries:	**100**	100
Jiangsu Huatong Kinetics Co., Ltd.	**75.3**	75.3
Jiangsu Huaran Kinetics Co., Ltd.	**75.3**	75.3
Securedge Pte. Ltd.	**100**	100
STA Investment Pte Ltd [*10]	**100**	100
ST Kinetics International Pte. Ltd. and its subsidiary:	**100**	100
VT Hackney, S.A. de C.V.	**100**	100
SDDA Pte. Ltd. and its subsidiary:	**100**	100
Kinetics Link Services Sdn. Bhd.	**60**	60
ST Kinetics Integrated Engineering Pte. Ltd.	**100**	100
Singapore Test Services Private Limited	**100**	100
Advanced Material Engineering Pte. Ltd. and its subsidiaries:	**100**	100
Advanced Pyrotechnic Materials Private Limited	**51**	51
SMART Systems Pte Ltd	**51**	51
Unicorn International Pte Limited	**100**	100
Allied Ordnance of Singapore (Pte) Limited [*6]	**100**	100
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	**100**	100
Autonomous Technology Pte Ltd and its subsidiaries:	**100**	100
Guizhou Jonyang Kinetics Co., Ltd.	**60**	60
Kinetics Automotive & Specialty Equipment Co., Ltd [⌘]	**100**	100
Kinetics Systems (Shanghai) Co., Ltd.	**100**	100
(d) Singapore Technologies Marine Ltd and its subsidiaries	**100**	100
STSE Engineering Services Pte Ltd and its subsidiaries:	**100**	100
STSE (Shanghai) Co. Ltd.	**100**	100
STSE Engineering Services (B) Sdn Bhd	**100**	100
Hovertrans Solutions Pte. Ltd.	**51**	51
ST Marine (Wuhan) Engineering Design Consultancy Co. Ltd.	**100**	100

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13. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

	Effective equity interest held by the Group 2015 %	2014 %
(e) Vision Technologies Systems, Inc. and its subsidiaries	**100**	100
Vision Technologies Aerospace, Incorporated # and its subsidiaries:	**100**	100
VT Mobile Aerospace Engineering, Inc. # ⌘	**100**	100
DalFort Aerospace GP, Inc. *[9]	**100**	100
DalFort Aerospace, L.P. *[9]	**100**	100
VT San Antonio Aerospace, Inc. # ⌘	**100**	100
VT DRB Aviation Consultants, Inc. *[11] #	**–**	100
EcoServices, LLC # ⌘	**50.1**	50.1
Aviation Academy of America, Inc. #	**100**	100
VT Volant Aerospace, LLC # ⌘	**100**	100
VT Aviation Services, Inc. # ⌘	**100**	100
Vision Technologies Electronics, Inc. # and its subsidiary:	**100**	100
VT iDirect, Inc. # ⌘ and its subsidiaries:	**100**	100
iDirect UK Limited and its subsidiary:	**100**	100
Parallel Limited	**100**	100
iDirect Italy S.r.l. # ⌘	**100**	100
iDirect International, Inc. # ⌘	**100**	100
iDirect Government Technologies, Inc. # ⌘	**100**	100
VT iDirect Canada, Inc. # ⌘	**100**	100
VT iDirect Solutions Limited	**100**	–
Vision Technologies Kinetics, Inc. # and its subsidiaries:	**100**	100
Miltope Corporation # ⌘ and its subsidiary:	**100**	100
IV Phoenix Group, Inc. #	**97**	97
MÄK Technologies, Inc. # ⌘	**100**	100
Vision Technologies Land Systems, Inc. # and its subsidiaries:	**100**	100
VT Dimensions, Inc. #	**100**	100
VT LeeBoy, Inc. # ⌘	**100**	100
VT Hackney, Inc. # ⌘	**100**	100
Vision Technologies Marine, Inc. # and its subsidiary:	**100**	100
VT Halter Marine, Inc. # ⌘	**100**	100
VT Systems International, LLC # and its subsidiary	**100**	100
VT Systems Participações Ltda. #	**100**	100
(f) Singapore Technologies Dynamics Pte Ltd and its subsidiary	**100**	100
Innosparks Pte. Ltd.	**100**	100

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13. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

		Effective equity interest held by the Group	
		2015 %	2014 %
(g)	***ST Synthesis Pte Ltd***	**100**	100
(h)	***FusionTech Pte. Ltd.***	**100**	100
(i)	***Kaz-ST Engineering Bastau Limited Liability Partnership***	**51**	51
(j)	***ST Engineering Financial I Ltd.***	**100**	100
(k)	***ST Engineering Financial II Pte. Ltd.***	**100**	100

*1 The company ceased operations in November 2008.

*2 The company has been reclassified from an associate to a subsidiary following the acquisition of additional equity interest during the year.

*3 The company completed its deregistration during the year.

*4 These companies were incorporated during the year and were not audited for the purpose of consolidation in the year.

*5 The Company was incorporated on 23 March 2015.

*6 These companies are under members' voluntary liquidation.

*7 The company completed its liquidation during the year.

*8 During the year, the Group gained control of the company as a result of changes made to the shareholders' agreement, and the company was reclassified from a joint venture to a subsidiary.

*9 These companies ceased operations in October 2003.

*10 This company has applied to Accounting and Corporate Regulatory Authority to strike off its name from the Register.

*11 This company merged with and into VT San Antonio Aerospace, Inc. pursuant to Section 10.151 of the Texas Bureau Organisation Code during the year.

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

⌘ Audited by member firms of KPMG International for consolidation purposes.

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13. SUBSIDIARIES (continued)

All subsidiaries that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International, except for the following:

Name of subsidiary	Name of auditing firm
GFM Electronics S.A. de C.V.	Deloitte Mexico
LeeBoy India Construction Equipment Private Limited	B S R R & Co., Bangalore
Kinetics Automotive & Specialty Equipment Co., Ltd	Khin Su Htay & Associates, Myanmar

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

Name of company	Country of incorporation/ place of business	Equity interest held %
Keystone Holdings (Global) Pte. Ltd.	Singapore	100
Keystone Leasing (UK) Limited	United Kingdom	100
Keystone 1 Limited	United Kingdom	100
Keystone 2 Limited	United Kingdom	100
Keystone Capital (Ireland) Limited	Ireland	100
Keystone 3 Limited	Ireland	100
ST Aerospace Aircraft Seats Pte. Ltd.	Singapore	90
VT iDirect Solutions Limited	Ireland	100

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13. SUBSIDIARIES (continued)

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

Name of company	Interest acquired %	Interest after acquisition %	Consideration $'000	Carrying value of net identifiable assets acquired $'000
Singapore Precision Repair and Overhaul Pte Ltd	50	100	8,150	18,679
ST Education & Training Private Limited and its subsidiaries	30	100	4,600	2,419
STELCOMMS Pte. Ltd.	49	100	3,000	2,775
Technicae Projetos e Serviços Automotivos Ltda.	4.36	94.36	3,013	3,013

(c) During the financial year, the Group made additional capital contribution in the following companies:

Name of company	Capital contribution $'000	Equity interest before capital contribution %	Equity interest after capital contribution %
Keystone Holdings (Global) Pte. Ltd. and its subsidiaries	18,643	100	100
ST Aerospace Aircraft Seats Pte. Ltd.	5,292	90	90
Aviation Academy of America, Inc.	2,770	100	100
Antycip Simulation SAS	740	93	93
VT Aviation Services, Inc.	1,343	100	100

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14. ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Unquoted shares, at cost	**357,496**	373,307	**17,657**	17,657
Goodwill on acquisition written off, net	**(110)**	(110)		
Share of net assets acquired	**357,386**	373,197		
Impairment in associates and joint ventures *	**(4,458)**	(7,222)		
Share of post-acquisition reserves	**108,632**	112,377		
	461,560	478,352		
Represented by:				
Interest in associates	**422,672**	437,385		
Interest in joint ventures	**38,888**	40,967		
	461,560	478,352		

* During the year, the Group sold its entire 26% stake in CJS Aviation Pte. Ltd. to Caterhamjet Holdings Pte Ltd. Consequently, the carrying amount of the investment, comprising the cost of investment of $3,379,000, less share of post-acquisition reserves of $615,000 and impairment loss of $2,764,000 previously made, was derecognised.

In the prior year, an impairment loss of $2,108,000 was recognised in an associate due to sustained losses and expiry of the contract on repair and overhaul of A320 landing gears.

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14. ASSOCIATES AND JOINT VENTURES (continued)

(a) *Details of associates are as follows:*

Name of associate	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group 2015 %	2014 %
Airbus Helicopters Southeast Asia Private Limited	Selling, maintaining and overhauling of helicopters	Singapore	**25**	25
CJS Aviation Pte. Ltd. *[1]	Provision of scheduled premium class jet services	Singapore	**–**	26
Composite Technology International Pte Ltd	Repairing and rebuilding helicopter rotor blades	Singapore	**33.33**	33.33
Elbe Flugzeugwerke GmbH	Conversion of used Airbus passenger aircraft to freighter as well as the production of aircraft components and equipment, including supply for Airbus production of new and converted aircraft	Germany	**35**	35
Madrid Aerospace Services S.L. *[2]	Repair and overhaul of aircraft landing gears and its related components	Spain	**50**	50
Shanghai Technologies Aerospace Company Limited	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	**49**	49
ST Aerospace (Guangzhou) Aviation Services Company Limited	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	**49**	49
Turbine Coating Services Pte Ltd	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes	Singapore	**24.5**	24.5
Turbine Overhaul Services Pte Ltd	Repair and service of gas and steam turbine components	Singapore	**49**	49

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14. ASSOCIATES AND JOINT VENTURES (continued)

(a) Details of associates are as follows: (continued)

Name of associate	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group 2015 %	2014 %
NEC STEE Cloud Services Pte. Ltd.	Providing cloud computing services, computing infrastructure for cloud computing services, systems integration and systems migration services in relation to cloud computing services, customisation of SAP software or other customised software for use in conjunction with or in relation to cloud computing services	Singapore	**40**	40
WizVision Pte. Ltd.	Providing information technology services and trading of computer accessories	Singapore	**22.8**	22.8
CityCab Pte Ltd	Rental of taxis and provision of premier bus service, charge card facilities and travel related services	Singapore	**46.5**	46.5
Timoney Holdings Limited	Design and prototyping services and component supply for the automotive and aerospace engineering sectors	Republic of Ireland	**27.68**	27.68
NanoScience Innovation Pte Ltd	Research and development of ultra fine structure, especially nano-scale, materials, devices, equipment and intellectual properties	Singapore	**21.6**	21.6
Experia Events Pte. Ltd.	Organising and management of conferences, exhibitions and other related activities, including the biennial Singapore Airshow event	Singapore	**33**	33
Singapore Airshow & Events Pte. Ltd. *4	Dormant	Singapore	**33**	33

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14. ASSOCIATES AND JOINT VENTURES (continued)

(b) *Details of joint ventures are as follows:*

Name of associate	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group 2015 %	2014 %
Total Engine Asset Management Pte. Ltd.	Leasing of engines	Singapore	**50**	50
WingStar Pte. Ltd. *3	Acquisition, ownership and management of aircraft	Singapore	**50**	50
ST Electronics (Satellite Systems) Pte. Ltd.	Design and development, system integration, manufacturing and sale of satellite equipment	Singapore	**51**	51
ATREC Pte. Ltd.	Research and technology development in advanced materials for both defence and commercial applications	Singapore	**50**	50
Takata CPI Singapore Pte Ltd	Manufacture of pyrotechnic components for seatbelts and air bags used in motor vehicles	Singapore	**49**	49
First Response Marine Pte. Ltd.	Ship and boat leasing with operator (including chartering)	Singapore	**50**	50
Fortis Marine Solutions Pte. Ltd.	Provide design and systems engineering services and maintenance of specialised naval vessels	Singapore	**51**	51
Halter-Bollinger Joint Venture, L.L.C. *4	To bid and secure US boat fabrication contracts for its shareholders	USA	**50**	50
Joint Shipyard Management Services Pte Ltd	Construction and managing workers' dormitories	Singapore	**30**	30
Nova Star Cruises Limited	Provision of ferry services	Canada	**10**	10

*1 This entity was sold in 2015.

*2 This entity was placed under members' voluntary liquidation.

*3 This entity will commence members' voluntary winding up in 2016.

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

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14. ASSOCIATES AND JOINT VENTURES (continued)

(b) Details of joint ventures are as follows: (continued)

All associates and joint ventures that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International, except for the following:

Name of associate/joint venture	Name of auditing firm
Composite Technology International Pte Ltd	Ernst & Young LLP, Singapore
Shanghai Technologies Aerospace Company Limited	Ernst & Young Hua Ming, LLP, Shanghai Branch
ST Aerospace (Guangzhou) Aviation Services Company Limited	BDO Shu Lun Pan Certified Public Accountants LLP, Guangdong Branch
Turbine Coating Services Pte Ltd	PricewaterhouseCoopers LLP, Singapore
Turbine Overhaul Services Pte Ltd	PricewaterhouseCoopers LLP, Singapore
Total Engine Asset Management Pte. Ltd.	Ernst & Young LLP, Singapore
WizVision Pte. Ltd.	R Chan & Associates PAC
CityCab Pte Ltd	Deloitte and Touche LLP, Singapore
Takata CPI Singapore Pte Ltd	Ernst & Young LLP, Singapore
Fortis Marine Solutions Pte. Ltd.	Ernst & Young LLP, Singapore
Nova Star Cruises Limited	Grant Thornton LLP, Canada
NanoScience Innovation Pte Ltd	NSC & Associates Pac
CJS Aviation Pte. Ltd.	PricewaterhouseCoopers LLP, Singapore

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14. ASSOCIATES AND JOINT VENTURES (continued)

Associates

The following table summarises the information of each of the Group's material associates, based on their respective financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisitions and differences with the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by the Group.

Name of associate	Elbe Flugzeugwerke GmBH $'000	Shanghai Technologies Aerospace Company Limited $'000	Turbine Coating Services Pte Ltd $'000	Turbine Overhaul Services Pte Ltd $'000	CityCab Pte Ltd $'000	Experia Events Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
2015								
Percentage of interest	35%	49%	24.5%	49%	46.5%	33%		
Revenue	310,366	76,041	42,892	267,147	348,460	6,982		
Profit for the year	7,690	569	20,096	55,499	28,609	(8,090)		
Other comprehensive income	(35,434)	3,629	3,204	9,145	–	–		
Total comprehensive income	(27,744)	4,198	23,300	64,644	28,609	(8,090)		
Attributable to NCI	–	–	–	–	244	–		
Attributable to investee's shareholders	(27,744)	4,198	23,300	64,644	28,365	(8,090)		
Non-current assets	366,642	94,450	32,406	30,186	106,932	60,859		
Current assets	201,262	60,588	23,768	205,071	208,368	37,448		
Non-current liabilities	(2,325)	–	–	–	(62,096)	(3,214)		
Current liabilities	(218,921)	(19,053)	(8,174)	(88,328)	(27,748)	(39,531)		
Net assets	346,658	135,985	48,000	146,929	225,456	55,562		
Attributable to NCI	–	–	–	–	1,366	–		
Attributable to investee's shareholders	346,658	135,985	48,000	146,929	224,090	55,562		
Group's interest in net assets of investee at beginning of the year	134,747	65,901	11,441	61,876	98,452	24,305	40,663	437,385
Group's share of:								
- Profit/(loss) for the year	1,091	280	4,923	27,192	13,190	(2,668)	3,760	47,768
- Total other comprehensive income	(12,409)	1,777	785	4,483	–	–	96	(5,268)
Total comprehensive income	(11,318)	2,057	5,708	31,675	13,190	(2,668)	3,856	42,500
Dividends received during the year	(2,099)	(1,328)	(5,389)	(21,556)	(7,440)	(3,301)	(4,244)	(45,357)
Disposal of an associate during the year	–	–	–	–	–	–	(11,856)	(11,856)
Carrying amount of interest in investee at end of the year	121,330	66,630	11,760	71,995	104,202	18,336	28,419	422,672

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14. ASSOCIATES AND JOINT VENTURES (continued)

Name of associate	Elbe Flugzeugwerke GmBH $'000	Shanghai Technologies Aerospace Company Limited $'000	Turbine Coating Services Pte Ltd $'000	Turbine Overhaul Services Pte Ltd $'000	CityCab Pte Ltd $'000	Experia Events Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
2014								
Percentage of interest	35%	49%	24.5%	49%	46.5%	33%		
Revenue	301,488	60,182	47,600	241,944	334,933	52,926		
Profit for the year	4,564	744	17,932	55,076	24,664	16,622		
Other comprehensive income	(39,074)	1,880	1,796	4,902	–	–		
Total comprehensive income	(34,510)	2,624	19,728	59,978	24,664	16,622		
Attributable to NCI	–	–	–	–	167	–		
Attributable to investee's shareholders	(34,510)	2,624	19,728	59,978	24,497	16,622		
Non-current assets	386,114	95,668	27,899	27,738	200,022	64,083		
Current assets	158,459	49,123	26,954	183,575	104,395	41,065		
Non-current liabilities	(2,498)	–	–	–	(26,467)	(3,330)		
Current liabilities	(157,083)	(10,299)	(8,157)	(85,036)	(64,972)	(28,165)		
Net assets	384,992	134,492	46,696	126,277	212,978	73,653		
Attributable to NCI	–	–	–	–	1,253	–		
Attributable to investee's shareholders	384,992	134,492	46,696	126,277	211,725	73,653		
Group's interest in net assets of investee at beginning of the year	147,657	64,619	11,554	52,276	96,361	18,821	44,970	436,258
Group's share of:								
- Profit/(loss) for the year	766	364	4,392	26,989	11,391	5,486	(68)	49,320
- Total other comprehensive income	(13,676)	918	442	2,400	–	(2)	422	(9,496)
Total comprehensive income	(12,910)	1,282	4,834	29,389	11,391	5,484	354	39,824
Dividends received during the year	–	–	(4,947)	(19,789)	(9,300)	–	(2,553)	(36,589)
Impairment of an associate	–	–	–	–	–	–	(2,108)	(2,108)
Carrying amount of interest in investee at end of the year	134,747	65,901	11,441	61,876	98,452	24,305	40,663	437,385

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14. ASSOCIATES AND JOINT VENTURES (continued)

Joint venture

The following table summarises the information of each of the Group's material joint ventures, adjusted for any differences in accounting policies and reconciles the carrying amount of the Group's interest in joint ventures and the share of profit and other comprehensive income of equity-accounted investment (net of tax). The summarised financial information is not adjusted for the percentage ownership held by the Group.

Name of joint venture	Total Engine Asset Management Pte Ltd. $'000	STELOP Pte. Ltd. $'000	Fortis Marine Solutions Pte. Ltd. $'000	Immaterial joint ventures $'000	Total $'000
2015					
Percentage of interest	50%	50.05%	51%		
Revenue	15,642	23,758	24,809		
Profit/(loss) for the year	4,360	(973)	8,467		
Other comprehensive income [a]	2,608	–	–		
Total comprehensive income	6,968	(973)	8,467		
[a] Includes:					
- Depreciation and amortisation of:	6,763	443	227		
- Interest expense of:	3,200	–	–		
- Income tax expense of:	529	–	1,358		
Non-current assets	193,264	–	–		
Current assets [b]	7,213	–	20,692		
Non-current liabilities [c]	(156,223)	–	–		
Current liabilities [d]	(2,182)	–	(8,517)		
Net assets	42,072	–	12,175		
[b] Includes cash and cash equivalents of:	7,142	–	9,619		
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions)	156,223	–	–		
[d] Includes current financial liabilities (excluding trade and other payables and provisions)	1,147	–	–		
Group's interest in net assets of investee at beginning of the year	17,552	9,335	5,971	8,109	40,967
Share of total comprehensive income	3,484	(487)	4,318	4,884	12,199
Carrying amount of interest in a joint venture reclassified to a subsidiary	–	(8,242)	–	–	(8,242)
Dividends received during the year	–	(606)	(4,080)	(1,350)	(6,036)
Carrying amount of interest in investee at end of the year	21,036	–	6,209	11,643	38,888

On 1 September 2015, STELOP Pte. Ltd. ("STELOP") was reclassified from a joint venture to a subsidiary following amendments to shareholders' agreement. Accordingly, the information presented in the above table includes the results of STELOP only for the period from 1 January 2015 to 1 September 2015.

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14. ASSOCIATES AND JOINT VENTURES (continued)

Name of joint venture	Total Engine Asset Management Pte Ltd. $'000	STELOP Pte. Ltd. $'000	Beijing Zhonghuan Kinetics Heavy Vehicles Co., Ltd. $'000	Fortis Marine Solutions Pte. Ltd. $'000	Immaterial joint ventures $'000	Total $'000
2014						
Percentage of interest	50%	50.05%	50%	51%		
Revenue	12,213	26,773	5,490	39,977		
Profit/(loss) for the year	2,693	307	(3,558)	9,196		
Other comprehensive income [a]	1,448	–	–	–		
Total comprehensive income	4,141	307	(3,558)	9,196		
[a] Includes:						
- Depreciation and amortisation of:	4,671	624	68	306		
- Interest expense of:	2,180	–	193	–		
- Income tax expense of:	272	328	–	1,872		
Non-current assets	141,035	6,154	–	338		
Current assets [b]	8,083	52,687	–	20,591		
Non-current liabilities [c]	(112,781)	(6,737)	–	–		
Current liabilities [d]	(1,233)	(33,453)	–	(9,221)		
Net assets	35,104	18,651	–	11,708		
[b] Includes cash and cash equivalents of:	8,048	25,523	–	17,576		
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions)	112,781	–	–	–		
[d] Includes current financial liabilities (excluding trade and other payables and provisions)	675	–	–	–		
Group's interest in net assets of investee at beginning of the year	14,859	–	4,403	1,281	5,338	25,881
Share of total comprehensive income	2,071	154	(1,920)	4,690	3,808	8,803
Group's contribution during the year	622	–	–	–	–	622
Carrying amount of interest in a joint venture deconsolidated as a subsidiary	–	10,432	–	–	–	10,432
Carrying amount of interest in a joint venture reclassified to a subsidiary	–	–	–	–	(37)	(37)
Disposal of joint ventures during the year	–	–	(2,483)	–	–	(2,483)
Dividends received during the year	–	(1,251)	–	–	(1,000)	(2,251)
Carrying amount of interest in investee at end of the year	17,552	9,335	–	5,971	8,109	40,967

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15. INVESTMENTS

		Group	
	Note	**2015 $'000**	2014 $'000
Quoted investments			
Equity shares, at fair value (Available-for-sale)	43	**189**	378
Unquoted investments			
Equity shares (Available-for-sale)			
Non-related corporations, net of impairment losses		**9,902**	3,963
Bonds, at fair value (Available-for-sale)	43	**318,581**	122,858
Interest rate: 1.5% to 4.95% (2014: 1.5% to 4.95%) per annum			
Maturity: 18.3.2016 to 19.1.2026 (2014: 28.1.2015 to 18.3.2020)			
Venture capital funds and limited partnership, at fair value	43	**12**	12
Total unquoted investments		**328,495**	126,833
Total investments, net of impairment losses		**328,684**	127,211

Unquoted equity investments where the fair value cannot be reliably estimated are classified as available-for-sale investments. The Group has no intention to dispose these investments at the balance sheet date.

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16. INTANGIBLE ASSETS

(a) Goodwill

	Note	Group 2015 $'000	Group 2014 $'000
Cost			
At beginning of the year		**497,205**	480,397
Acquisition of a subsidiary		**1,732**	–
Finalisation of purchase price allocation		**–**	489
Deconsolidation of a subsidiary		**–**	(1,732)
Disposal of subsidiaries		**–**	476
Translation difference		**32,228**	17,575
At end of the year		**531,165**	497,205
Impairment			
At beginning of the year		**43,622**	31,995
Impairment losses for the year ^	5	**4,000**	10,829
Translation difference		**955**	798
At end of the year		**48,577**	43,622

	Group 31.12.2015 $'000	Group 31.12.2014 $'000	Group 1.1.2014 $'000
Net book value	**482,588**	453,583	448,402

^ For the purpose of annual impairment testing, the recoverable amounts of the CGUs are determined based on their value-in-use calculations.

The recoverable amount of a CGU (2014: three CGUs) was determined to be lower than the carrying value and impairment loss of $4,000,000 (2014: $10,829,000) was recognised in other operating expenses in the income statement.

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16. INTANGIBLE ASSETS (continued)

(b) Other intangible assets

	Note	Dealer network $'000	Development expenditure $'000
The Group			
Cost			
At 1.1.2014		23,566	17,763
Additions		–	29,094
Acquisition of subsidiaries		–	–
Finalisation of purchase price allocation		(1,391)	–
Deconsolidation of a subsidiary		–	–
Translation difference		156	184
At 31.12.2014 and 1.1.2015		22,331	47,041
Additions		–	37,512
Acquisition of subsidiaries		1,656	–
Write-off	5	–	–
Translation difference		287	2,515
At 31.12.2015		24,274	87,068
Accumulated amortisation and impairment losses			
At 1.1.2014		9,868	7,522
Amortisation for the year *	5	1,488	3,518
Impairment losses +	5	–	–
Deconsolidation of a subsidiary		–	–
Translation difference		340	82
At 31.12.2014 and 1.1.2015		11,696	11,122
Amortisation for the year *	5	1,354	4,435
Impairment losses +	5	–	–
Translation difference		564	487
At 31.12.2015		13,614	16,044
Net book value			
At 31.12.2015		10,660	71,024
At 31.12.2014		10,635	35,919
At 1.1.2014		13,698	10,241

* Amortisation charge of $16,898,000 (2014: $16,188,000) is recognised in the income statement as part of:
- Other operating expenses of $5,947,000 (2014: $6,172,000); and
- Cost of sales of $10,951,000 (2014: $10,016,000)

\+ During the year, the Group assessed that certain licenses and commercial and intellectual property rights are impaired as these intangible assets are not expected to be generating future economic benefits for the Group. Hence, impairment losses of $942,000 (2014: $3,210,000) were recognised during the year.

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Commercial and intellectual property rights $'000	Film cost inventory $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Authorised repair centre agreement $'000	Others $'000	Total $'000
68,058	11,803	76,332	42,313	31,982	–	10,979	282,796
2,000	–	–	12,024	–	–	–	43,118
–	–	–	996	–	–	53	1,049
650	–	–	–	–	–	–	(741)
(749)	–	–	–	–	–	–	(749)
1,987	–	2,903	(87)	1,355	–	–	6,498
71,946	11,803	79,235	55,246	33,337	–	11,032	331,971
–	–	–	876	–	–	–	38,388
324	–	–	–	–	5,914	290	8,184
–	–	–	(143)	–	–	–	(143)
2,982	–	5,319	(189)	2,365	–	10	13,289
75,252	11,803	84,554	55,790	35,702	5,914	11,332	391,689
47,299	11,803	9,013	886	2,024	–	4,375	92,790
4,369	–	1,294	1,154	2,432	–	1,933	16,188
1,900	–	–	1,310	–	–	–	3,210
(175)	–	–	–	–	–	–	(175)
1,662	–	261	(11)	186	–	(1)	2,519
55,055	11,803	10,568	3,339	4,642	–	6,307	114,532
4,221	–	1,315	807	2,642	–	2,124	16,898
–	–	–	942	–	–	–	942
2,972	–	619	(106)	399	–	–	4,935
62,248	11,803	12,502	4,982	7,683	–	8,431	137,307
13,004	–	72,052	50,808	28,019	5,914	2,901	254,382
16,891	–	68,667	51,907	28,695	–	4,725	217,439
20,759	–	67,319	41,427	29,958	–	6,604	190,006

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16. INTANGIBLE ASSETS (continued)

(c) Total intangible assets

	Group		
	31.12.2015 $'000	31.12.2014 $'000	1.1.2014 $'000
Net book value	**736,970**	671,022	638,408

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's business divisions. The aggregate carrying amounts of goodwill allocated to each CGU within the business divisions are as follows:

	Group	
	2015 $'000	2014 $'000
Aerospace		
Aircraft Maintenance & Modification	**14,940**	11,527
Component/Engine Repair & Overhaul	**14,665**	12,940
Engineering & Material Services	**2,262**	3,986
Electronics		
Communication & Sensor Systems Group	**255,685**	236,985
Software Systems Group	**28,420**	27,353
Land Systems		
Automotive	**130,108**	126,702
Others	**36,508**	34,090
	482,588	453,583

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16. INTANGIBLE ASSETS (continued)

The recoverable amounts of the CGUs are determined based on value-in-use calculations, using cash flow projections derived from the financial budgets approved by management for the next five years. The key assumptions used in the calculation of recoverable amounts are as follows:

	Pre-tax discount rate		Terminal value growth rate	
	2015 %	2014 %	**2015 %**	2014 %
Aerospace				
Aircraft Maintenance & Modification	**9.2 – 12.1**	9.2 – 12.1	**0 – 4.6**	0 – 4.6
Component/Engine Repair & Overhaul	**10.8**	8.9 – 10.8	**3.0**	3.0
Engineering & Material Services	**6.5**	6.5 – 12.5	**1.3**	1.3 – 2.4
Electronics				
Communications & Sensor Systems Group	**12.7 – 14.6**	10.6 – 12.0	**4.0 – 5.0**	4.0 – 5.0
Software Systems Group	**10.9 – 18.0**	9.6 – 17.7	**2.0 – 3.0**	2.0 – 3.0
Land Systems				
Automotive	**10.1 – 22.2**	11.8 – 15.0	**5.0 – 6.0**	5.0
Others	**12.8**	12.7	**3.0**	3.0

The discount rate used is estimated based on past experience and the industry weighted average cost of capital.

The long-term terminal value growth rate has been determined based on either the nominal GDP rates for the country in which the CGU is based or the long-term compound annual growth rate estimated by management by reference to forecasts included in industry reports and expected market development.

Sensitivity to changes in assumptions:

(a) Following the impairment in one (2014: three) of the CGUs within the business divisions, the recoverable amount in this CGUs is approximately equal to the carrying amounts. Therefore, any adverse movement in a key assumption would lead to a further impairment in this CGU.

(b) Management has identified the following key assumption for which a change as set out below could cause the carrying amount to exceed the recoverable amount.

Business Divisions	Assumption	Change required for carrying amount to equal the recoverable amount 2015 %	2014 %
Others	Sales growth rate (average of next 5 years)	**0.9**	1.8

(c) No sensitivity analysis was disclosed for the remaining CGUs as the Group believes that any reasonable possible change in the key assumptions is not likely to materially cause the recoverable amount to be lower than its carrying amount.

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17. LONG-TERM RECEIVABLES

	Group	
	2015 $'000	2014 $'000
Long-term trade receivables	**5,011**	887
Housing and car loans and advances to staff	**507**	617
Loans to third parties *	**176**	12,606
	5,694	14,110
Receivable:		
Within 1 year	**354**	11,375
After 1 year	**5,340**	2,735
	5,694	14,110

Long-term receivables are carried at amortised cost and are subject to impairment.

* Included in the loans to third parties is an interest-free loan of $176,000 (2014: nil) reclassified from amounts due from associates (non-trade) (Note 22) following the disposal of an associate during the year. The loan is unsecured and repayable on demand.

  Included in the loans to third parties in the prior year is an amount of $12,606,000 relating to instalment payment plans granted to customers. These loans were unsecured, repayable over a period of 7.5 years from 2008. The interest rates on these loans were LIBOR with margins at 0.63% per annum. The interest rate was 0.96% (2014: 0.95% to 0.98%) per annum, which was also the effective interest rates. The interest rates were repriced every six months. The loans were fully repaid during the year.

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18. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements with customers with terms ranging from 1 to 2.5 years (2014: 1 to 5 years) and effective interest rates ranging from 1.15% to 14.93% (2014: 3.95% to 23.38%) per annum.

	Gross investment in finance lease $'000	Unearned interest $'000	Present value of minimum lease receivables $'000	Allowance for doubtful lease receivables $'000	Net investment in finance lease $'000
The Group					
2015					
Within 1 year	17,409	(43)	17,366	(14,193)	3,173
Between 1 and 5 years	530	(7)	523	–	523
	17,939	(50)	17,889	(14,193)	3,696
2014					
Within 1 year	31,067	(517)	30,550	(23,678)	6,872
Between 1 and 5 years	2,553	(283)	2,270	(1,297)	973
	33,620	(800)	32,820	(24,975)	7,845

	Group	
	2015 $'000	2014 $'000
Net investment in finance lease		
Not past due and not impaired	**2,336**	2,984
Past due and not impaired	**1,360**	4,861
	3,696	7,845
Individually assessed		
Doubtful lease receivables	**14,193**	24,975
Allowance for doubtful lease receivables	**(14,193)**	(24,975)
	–	–

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19. DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2015, a deferred tax liability of $130,921,000 (2014: $134,818,000) for temporary difference of $463,803,000 (2014: $475,213,000) related to undistributed earnings of certain subsidiaries was not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but be retained for organic growth and acquisitions.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2015 $'000	2014 $'000
Tax losses	**480,729**	429,119
Deductible temporary differences	**24,551**	7,370
Unabsorbed wear and tear allowance and investment allowance	**3,533**	7,575
	508,813	444,064

The tax benefits have not been recognised in the financial statements due to the uncertainty over the sufficiency of future taxable profits to be generated in the foreseeable future. The use of these potential tax benefits is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

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19. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
The Group				
Property, plant and equipment	**(119)**	(24)	**113,609**	98,615
Intangible assets	**–**	–	**82,455**	71,987
Allowance for doubtful debts	**(3,196)**	(712)	**–**	–
Allowance for inventory obsolescence	**(28,861)**	(25,724)	**–**	–
Provisions and accruals	**(130,291)**	(131,624)	**–**	1
Unabsorbed capital allowances and unutilised tax losses	**(23,143)**	(21,002)	**130**	–
Fair value of derivative financial instruments designated as cash flow hedges	**(5,010)**	(4,788)	**162**	172
Other items	**(9,466)**	(9,310)	**32,994**	24,575
Deferred tax (assets)/liabilities	**(200,086)**	(193,184)	**229,350**	195,350
Set off of tax	**94,535**	86,866	**(94,535)**	(86,866)
Net deferred tax (assets)/liabilities	**(105,551)**	(106,318)	**134,815**	108,484

	Assets		Liabilities	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
The Company				
Property, plant and equipment	**–**	–	**307**	149
Provisions and accruals	**(4,973)**	(7,392)	**–**	–
Unabsorbed capital allowances and unutilised tax losses	**(1,181)**	–	**–**	–
Other items	**–**	–	**1,147**	243
Deferred tax (assets)/liabilities	**(6,154)**	(7,392)	**1,454**	392
Set off of tax	**1,454**	392	**(1,454)**	(392)
Net deferred tax assets	**(4,700)**	(7,000)	**–**	–

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19. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Recognised deferred tax assets and liabilities (continued)

Movement in deferred tax balances during the year:

	As at 1.1.2014 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Deconsolidation of a subsidiary/ finalisation of purchase price allocation $'000	Utilisation of tax losses $'000
The Group					
Property, plant and equipment	84,904	13,024	–	(79)	(643)
Intangible assets	69,655	50	–	(252)	–
Allowance for doubtful debts	(1,688)	1,023	–	–	–
Allowance for inventory obsolescence	(18,882)	(6,270)	–	25	–
Provisions and accruals	(130,425)	(912)	–	412	646
Unabsorbed capital allowances and unutilised tax losses	(24,700)	63	–	–	4,175
Fair value of derivative financial instruments designated as cash flow hedges	6,131	36	(10,770)	–	–
Other items	14,238	(805)	–	–	1,507
	(767)	6,209	(10,770)	106	5,685

	As at 1.1.2014 $'000	Recognised in profit or loss $'000	As at 31.12.2014 $'000	Recognised in profit or loss $'000	As at 31.12.2015 $'000
The Company					
Property, plant and equipment	167	(18)	149	158	307
Provisions and accruals	(7,639)	247	(7,392)	2,419	(4,973)
Unabsorbed capital allowances and unutilised tax losses	–	–	–	(1,181)	(1,181)
Other items	272	(29)	243	904	1,147
	(7,200)	200	(7,000)	2,300	(4,700)

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Exchange difference $'000	As at 31.12.2014 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquired in business combinations $'000	Utilisation of tax losses $'000	Exchange difference $'000	As at 31.12.2015 $'000
1,385	98,591	10,083	–	1,286	–	3,530	113,490
2,534	71,987	4,859	–	1,336	–	4,273	82,455
(47)	(712)	(2,407)	–	–	–	(77)	(3,196)
(597)	(25,724)	(1,597)	–	(13)	–	(1,527)	(28,861)
(1,344)	(131,623)	2,771	–	(458)	–	(981)	(130,291)
(540)	(21,002)	(8,985)	–	89	7,377	(492)	(23,013)
(13)	(4,616)	(123)	(93)	–	–	(16)	(4,848)
325	15,265	7,265	–	–	3,534	(2,536)	23,528
1,703	2,166	11,866	(93)	2,240	10,911	2,174	29,264

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20. INVENTORIES AND WORK-IN-PROGRESS

	Group	
	2015 $'000	2014 $'000
Inventories of equipment and spares	**767,200**	847,574
Work-in-progress in excess of progress billings		
Work-in-progress, including profits recognised	**5,037,344**	4,184,535
Progress billings	**(3,861,540)**	(3,230,036)
	1,175,804	954,499
Total inventories and work-in-progress at lower of cost and net realisable value	**1,943,004**	1,802,073
Progress billings in excess of work-in-progress		
Work-in-progress, including profits recognised	**4,676,497**	4,318,592
Progress billings	**(5,245,072)**	(5,043,939)
	(568,575)	(725,347)

In 2015, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $4,697,107,000 (2014: $4,952,789,000).

Allowances for inventory obsolescence and foreseeable losses

As at 31 December 2015, the inventories are stated after allowance for inventory obsolescence of $349,120,000 (2014: $302,931,000) and work-in-progress in excess of progress billings is stated after provision for foreseeable losses of $23,570,000 (2014: $15,567,000).

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21. TRADE RECEIVABLES

	Group	
	2015 $'000	2014 $'000
Not past due and not impaired	**573,376**	596,894
Past due and not impaired	**333,412**	430,723
	906,788	1,027,617
Collectively assessed		
Gross receivables	**5,560**	4,310
Allowance for doubtful debts	**(5,560)**	(4,310)
	–	–
Individually assessed		
Gross receivables	**47,559**	50,378
Allowance for doubtful debts	**(47,559)**	(50,378)
	–	–
Unbilled receivables	**414,196**	292,726
Allowance for unbilled receivables	**(1,270)**	(1,242)
Trade receivables, net	**1,319,714**	1,319,101

Trade receivables denominated in currencies other than the functional currencies of the Company and its subsidiaries as at 31 December are as follows:

- $232,273,000 (2014: $264,484,000) denominated in USD
- $25,882,000 (2014: $51,779,000) denominated in Euro

Trade receivables amounting to $13,136,000 (2014: $30,092,000) are arranged to be repaid through letters of credit issued by reputable banks.

A subsidiary within the Group has not recognised $17,513,000 (2014: $17,600,000) of trade receivable due from one of its customers in view of uncertainty over the collectability of the debts. The amount would be recognised in the financial statements upon receipt.

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22. AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Trade:				
Subsidiaries	**–**	–	**5,982**	6,592
Associates	**11,871**	22,383	**–**	–
Joint ventures	**3,326**	3,090	**–**	–
Related corporations	**24,803**	40,568	**44**	43
	40,000	66,041	**6,026**	6,635
Non-trade:				
Subsidiaries *1	**–**	–	**832,940**	547,416
Associates *2	**18,771**	3,049	**–**	–
Joint ventures *3	**4,955**	5,279	**–**	–
	23,726	8,328	**832,940**	547,416
Allowance for doubtful debts	**(2,338)**	(3,181)	**(13,562)**	(6,981)
	61,388	71,188	**825,404**	547,070
Receivable:				
Within 1 year	**56,582**	66,382	**470,376**	497,070
After 1 year	**4,806**	4,806	**355,028**	50,000
	61,388	71,188	**825,404**	547,070

There were no significant amounts due from related parties denominated in currencies other than the functional currencies of the Group as at 31 December 2015 and 31 December 2014.

Amounts due from related parties denominated in currencies other than the functional currency of the Company as at 31 December are as follows:

- $172,882,000 (2014: $84,119,000) denominated in USD

*1 Included in the amounts due from subsidiaries (non-trade) are:
(a) loans of $814,280,000 (2014: $532,724,000) bearing interest at rates ranging from 1.20% to 2.45% (2014: 1.30% to 4.18%) per annum. The loans are unsecured and repayable from 25 February 2016 to 31 May 2019; and
(b) interest-free loans of $13,562,000 (2014: $6,981,000), which are unsecured and not repayable in the foreseeable future. The loans are fully impaired.

*2 Included in the amounts due from associates (non-trade) are:
(a) a loan of $2,321,000 (2014: $2,892,000) whereby interest is charged at EURIBOR + 1% per annum (2014: EURIBOR + 1% per annum) and is repriced every three months (2014: three months). The effective interest rate on the loan is 0.87% (2014: 1.08%) per annum. The loan has been fully provided since 2014 in view of the associate entering into member's voluntary liquidation; and
(b) an interest-free loan of $157,000 in 2014, which is unsecured and repayable on demand. Following the disposal of an associate during the year, the loan was reclassified to loan to third parties (Note 17).

*3 Included in the amounts due from joint ventures (non-trade) are:
(a) a loan of $4,806,000 (2014: $4,806,000) bearing interest at 6.38% (2014: 6.38%) per annum, which is the effective interest rate. The loan is unsecured and repayable by 2029; and
(b) an unsecured loan of $272,000 bearing interest at LIBOR + 0.75% per annum in 2014 that was previously impaired was fully repaid during the year.

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23. ADVANCES AND OTHER RECEIVABLES

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Deposits		**27,275**	22,604	**66**	63
Interest receivables		**7,853**	13,098	**946**	1,432
Other recoverables		**36,361**	30,543	**3,725**	2,035
Non-trade receivables		**31,327**	37,642	**29**	43
Advance payments to suppliers		**166,519**	341,503	**–**	–
Prepayments *		**57,956**	83,737	**428**	24
Derivative financial instruments	43	**6,520**	1,171	**105**	–
		333,811	530,298	**5,299**	3,597

* In the prior year, the Group made progressive payments to a contractor of $7,109,000 for the development of intellectual property rights relating to the design and prototype of a construction and mining equipment. The Group issued a notice for breach of contract to the contractor as they were unable to fulfil their contractual obligations to complete the development. The Group assessed that the progressive payments made were not recoverable and the intellectual property developed to date had no economic value. As such, the Group fully impaired the progressive payments made in relation to the intellectual property rights being developed up to 31 December 2014. During the year, the Group recovered progressive payments of $283,000 from the contractor and the remaining progressive payments of $6,826,000 were written off.

24. SHORT-TERM INVESTMENTS

	Note	Group 2015 $'000	Group 2014 $'000
Quoted investments			
Equity shares, at fair value (Fair value through profit or loss)	43	**369**	359
Unquoted investments			
Bonds, at fair value (Available-for-sale)	43	**182,600**	118,920
Interest rate 1.5% to 4.95% (2014: 2.67% to 4.95%) per annum Maturity: 18.3.2016 to 1.10.2025 (2014: 26.1.2015 to 7.11.2024)			
		182,969	119,279

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25. BANK BALANCES AND OTHER LIQUID FUNDS

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Fixed deposits with financial institutions	**610,002**	1,134,657	**70,303**	316,033
Cash and bank balances	**341,492**	336,066	**11,788**	88,843
	951,494	1,470,723	**82,091**	404,876
Deposits pledged	**(7,375)**	(8,111)	**–**	–
Cash and cash equivalents	**944,119**	1,462,612	**82,091**	404,876

Fixed deposits with financial institutions mature at varying periods within 12 months (2014: 10 months) from the financial year-end. Interest rates range from 0% to 5% (2014: 0.04% to 3.8%) per annum, which are also the effective interest rates.

Cash and bank balances of $7,375,000 (2014: $8,111,000) have been placed with banks as security for letters of credit issued to third parties. Cash and cash equivalents denominated in currencies other than the functional currencies of the Company and its subsidiaries as at 31 December are as follows:

- $219,115,000 (2014: $184,243,000) denominated in USD
- $44,316,000 (2014: $132,114,000) denominated in Euro

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26. TRADE PAYABLES AND ACCRUALS

		Group		Company	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables		**822,520**	831,020	**–**	–
Non-trade payables *1		**165,394**	172,779	**9,099**	8,004
Purchase of property, plant and equipment		**1,774**	693	**–**	–
Accrued operating expenses *2		**901,762**	897,037	**23,058**	35,963
Accrued interest payable		**16,717**	18,396	**–**	–
Derivative financial instruments	43	**24,017**	21,410	**–**	–
		1,932,184	1,941,335	**32,157**	43,967
Payable:					
Within 1 year		**1,702,649**	1,667,180	**20,619**	26,961
After 1 year		**229,535**	274,155	**11,538**	17,006
		1,932,184	1,941,335	**32,157**	43,967

Trade payables denominated in currencies other than the functional currencies of the Company and its subsidiaries as at 31 December are as follows:

- $165,763,000 (2014: $199,622,000) denominated in USD
- $36,321,000 (2014: $68,646,000) denominated in Euro

*1 The non-trade payables include an amount of $74,727,000 (2014: $101,352,000) for its obligation to perform engineering development work as part of the consideration for the acquisition of an associate.

*2 Included in the accrued operating expenses is an amount of $400,183,000 (2014: $415,810,000) for its obligations under its employee compensation schemes.

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27. AMOUNTS DUE TO RELATED PARTIES

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Trade:				
Subsidiaries	**–**	–	**1,736**	1,882
Associates	**2,433**	5,625	**–**	–
Joint ventures	**3,841**	3,117	**–**	–
Related corporations	**9,420**	22,488	**6**	3
	15,694	31,230	**1,742**	1,885
Non-trade:				
Subsidiaries *1	**–**	–	**644,274**	602,516
Joint ventures *2	**5,004**	–	**–**	–
Related corporations	**1**	5	**–**	–
	5,005	5	**644,274**	602,516
	20,699	31,235	**646,016**	604,401
Payable:				
Within 1 year	**20,553**	29,364	**1,742**	196,988
After 1 year	**146**	1,871	**644,274**	407,413
	20,699	31,235	**646,016**	604,401

There were no significant amounts due to related parties denominated in currencies other than the functional currencies of the Group as at 31 December 2015 and 31 December 2014.

Amounts due to related parties denominated in currencies other than the functional currency of the Company as at 31 December are as follows:

- $296,407,000 (2014: $195,103,000) denominated in USD

*1 Included in the amounts due to subsidiaries (non-trade) are loans of $628,472,000 (2014: $562,959,000) bearing interest at 4.75% (2014: 4.18%) per annum. The loans are unsecured and repayable on 16 July 2019.

*2 Included in the amounts due to joint ventures (non-trade) is an unsecured loan of $5,000,000 (2014: nil), bearing interest at 1.46% (2014: nil) per annum, which is the effective interest rate.

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28. PROVISIONS

	Group 2015 $'000	Group 2014 $'000
Provisions for:		
Warranties	**206,084**	200,355
Liquidated damages	**24,926**	20,710
Foreseeable losses	**26,514**	24,007
	257,524	245,072

(a) Movements in provision for warranties are as follows:

	Note	Group 2015 $'000	Group 2014 $'000
At beginning of the year		**200,355**	186,212
Charge to profit or loss	5	**31,970**	39,076
Provision utilised		**(29,532)**	(25,924)
Acquisition of subsidiaries		**843**	–
Deconsolidation of a subsidiary		**–**	(854)
Translation difference		**2,448**	1,845
At end of the year		**206,084**	200,355

(b) Movements in provision for liquidated damages are as follows:

	Note	Group 2015 $'000	Group 2014 $'000
At beginning of the year		**20,710**	10,890
Charge to profit or loss	5	**6,608**	12,928
Provision utilised		**(2,702)**	(1,861)
Acquisition of a subsidiary		**326**	–
Deconsolidation of a subsidiary		**–**	(1,241)
Translation difference		**(16)**	(6)
At end of the year		**24,926**	20,710

(c) Movements in provision for foreseeable losses are as follows:

	Group 2015 $'000	Group 2014 $'000
At beginning of the year	**24,007**	21,808
Charge to profit or loss	**16,372**	14,939
Provision utilised	**(13,774)**	(12,769)
Translation difference	**(91)**	29
At end of the year	**26,514**	24,007

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29. BORROWINGS

		Group	
	Note	2015 $'000	2014 $'000
Non-current			
Bonds		**705,567**	658,424
Long-term bank loans		**293,962**	267,532
Lease obligations		**18,706**	17,547
Other loans		**310**	441
		1,018,545	943,944
Current			
Short-term bank loans		**65,647**	29,820
Long-term bank loans		**106,531**	43,590
Lease obligations		**730**	1,126
Other loans		**1,778**	148
		174,686	74,684
Total borrowings		**1,193,231**	1,018,628
Total borrowings comprise:			
Unsecured fixed rate bonds	(a)	**705,567**	658,424
Secured bank loans	(b)	**103,642**	46,809
Unsecured bank loans	(b)	**362,498**	294,133
Lease obligations	(c)	**19,436**	18,673
Other loans	(d)	**2,088**	589
		1,193,231	1,018,628

(a) Unsecured fixed rate bonds

	Group	
	2015 $'000	2014 $'000
Principal	**707,300**	660,450
Unamortised discount	**(1,733)**	(2,026)
	705,567	658,424
Unamortised discount:		
At beginning of the year	**2,026**	2,317
Amortisation for the year	**(424)**	(372)
Translation difference	**131**	81
	1,733	2,026

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

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee.

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29. BORROWINGS (continued)

(b) Secured and unsecured bank loans

	Effective interest rate %	Maturity	Group 2015 $'000	Group 2014 $'000
Bank loans	0.73% to 10%	2016 to 2020	**466,140**	340,942

Bank loans denominated in currencies other than the functional currency of the Company and its subsidiaries as at 31 December are as follows:

- $31,121,000 (2014: $6,605,000) denominated in USD

Included in the bank loans are:

(i) Loans amounting to $17,440,000 (2014: $17,040,000) which are secured by land and buildings of a subsidiary;

(ii) Loans amounting to $79,379,000 (2014: $29,769,000) which are secured over certain property, plant and equipment of subsidiaries; and

(iii) Loans amounting to $6,823,000 (2014: nil), which are secured by a subsidiary's land use right.

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29. BORROWINGS (continued)

(c) Lease obligations

A subsidiary leases certain land, buildings and equipment from a foreign Airport Authority under a finance lease arrangement until 31 October 2041, with an option to terminate the lease at any time with a 36-month written notice. The leased assets are pledged as collateral against the lease.

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

The Group	Minimum lease payment $'000	Interest $'000	Present value of payment $'000
2015			
Within 1 year	1,424	(694)	730
Between 1 and 5 years	5,241	(2,878)	2,363
After 5 years	31,496	(15,153)	16,343
Total	38,161	(18,725)	19,436
Repayable:			
Within 1 year			730
After 1 year			18,706
			19,436
2014			
Within 1 year	1,818	(692)	1,126
Between 1 and 5 years	4,550	(2,718)	1,832
After 5 years	30,543	(14,828)	15,715
Total	36,911	(18,238)	18,673
Repayable:			
Within 1 year			1,126
After 1 year			17,547
			18,673

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

(d) Other loans

Included in the other loans are:

(i) US dollar denominated term notes of $371,000 (US$261,000) (2014: $468,000 (US$354,622)) and $102,000 (US$72,000) (2014: $121,000 (US$91,248)) owing to the Pennsylvania Industrial Development Authority and the Industrial Properties Corporation, respectively, by a US entity of the Group. These notes are secured by land and buildings of the entity and bear interest, respectively, at 2.75% and 4% (2014: 2.75% and 4%) per annum, which are also the effective interest rates, and are payable through 1 July 2019 and 28 June 2019, respectively; and

(ii) A RMB denominated loan of $1,615,000 (RMB7,410,000) (2014: nil) from a non-controlling shareholder of a subsidiary. This loan is unsecured, bears interest at 9% (2014: nil) per annum, which is also the effective interest rate, and is repayable by 19 April 2016.

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30. DEFERRED INCOME

	Group	
	2015 **$'000**	2014 $'000
Government compensation	**31,820**	41,507
Government grants	**52,326**	47,876
Deferred rents	**7,906**	9,376
	92,052	98,759

Government compensation and grants relate mainly to grants received:

(a) for subsidising the costs incurred in the acquisitions of plant and equipment for new product development and production activities, and for the relocation of a subsidiary's manufacturing facility in the People's Republic of China; and

(b) to share the cost for purchase of plant and machinery, and yard facility upgrades in the US operation.

31. OTHER LONG-TERM PAYABLES

	Group	
	2015 **$'000**	2014 $'000
After 1 year	**700**	1,000

The other long-term payables of $700,000 (2014: $1,000,000) is payable to a previous non-controlling shareholder of a subsidiary for the purchase of remaining shareholdings of the subsidiary. The amount payable is unsecured, interest-free and repayable within seven years from 2010.

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32. SHARE CAPITAL

	Group and Company	
	2015 $'000	2014 $'000
Issued and fully paid		
At beginning of the year 3,120,004,716 (2014: 3,105,903,530) ordinary shares	**889,426**	852,611
Issued during the year 2,490,481 (2014: 14,101,186) ordinary shares	**6,500**	36,815
At end of the year 3,122,495,197 (2014: 3,120,004,716) ordinary shares	**895,926**	889,426

Included in share capital is a special share issued to the Minister for Finance. 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 Constitution. The special share may be converted at any time into an ordinary share.

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

33. TREASURY SHARES

	Group and Company	
	2015 $'000	2014 $'000
At beginning of the year	**(6,529)**	–
Purchased during the year	**(89,776)**	(6,529)
Reissue of treasury shares pursuant to share plans	**29,435**	–
At end of the year	**(66,870)**	(6,529)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year, the Company purchased 27,616,900 (2014: 2,034,000) of its ordinary shares by way of on-market purchases. The total amount paid to purchase the shares was $89,776,000 (2014: $6,529,000). The shares, held as treasury shares, were included as deduction against shareholders' equity.

The Company reissued 3,192,638 (2014: nil) treasury shares pursuant to its share option plans at a weighted average exercise price of $2.68 (2014: nil) each. The cost of treasury shares re-issued pursuant to the share option plans amounted to $10,800,000 (2014: nil). In addition, 3,962,072 (2014: nil) and 1,529,222 (2014: nil) treasury shares, at a cost of $13,443,000 (2014: nil) and $5,192,000 (2014: nil), were reissued pursuant to its RSP and PSP respectively.

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34. SHARE-BASED PAYMENT ARRANGEMENTS

The Singapore Technologies Engineering Share Option Plan ("ESOP"), the Singapore Technologies Engineering Performance Share Plan ("PSP2000") and the Singapore Technologies Engineering Restricted Stock Plan ("RSP2000") of the Company (collectively referred to as the "Old Share Plans") were approved by the members of the Company at an Extraordinary General Meeting held on 23 November 2000.

Current share plan comprising the Singapore Technologies Engineering Performance Share Plan 2010 ("PSP2010") and the Singapore Technologies Engineering Restricted Share Plan 2010 ("RSP2010") was approved by the members of the Company at the Annual General Meeting held on 21 April 2010 (together, the "Current Share Plans"). The Old Share Plans were terminated following the adoption of the Current Share Plans. However, all options and awards granted under the Old Share Plans prior to its termination will continue to be valid and be subject to the terms and conditions of the Old Share Plans.

ESOP

The Company ceased to grant options under the ESOP with effect from 2007. Information regarding ESOP is as follows:

(a) The exercise price of the options is equal to volume-weighted average price for the shares on the SGX over the three consecutive trading days immediately preceding the date of grant.

(b) The options are exercisable at the end of the first year after date of grant, in accordance with a vesting schedule to be determined by ERCC and are settled in cash.

(c) The options granted expire after five years for non-executive directors and 10 years for the employees of the Company and its subsidiaries.

During the financial year, the Company issued and re-issued the following shares at the respective price per share upon the exercise of options granted by the Company under ESOP:

(a) issued 2,167,749 (2014: 6,644,956) ordinary shares for cash; and

(b) re-issued 3,192,638 (2014: nil) treasury shares.

Grant no.	No. of ordinary shares issued	No. of treasury shares re-issued	Price per share $
0502N	1,671,693	–	2.370
0508N	240,615	2,330,539	2.570
0602N	114,107	321,781	3.010
0608N	67,211	376,442	2.840
0703N	74,123	125,405	3.230
0708N	–	38,471	3.610

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34. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

ESOP (continued)

At the end of the financial year, outstanding options granted to eligible employees and directors of the Company are as follows:

(i) Options outstanding under the ESOP

	Number of shares 2015	Number of shares 2014
ESOP		
At beginning of the year	**23,472,008**	30,517,942
Exercised	**(5,360,387)**	(6,644,956)
Lapsed	**(474,880)**	(400,978)
At end of the year	**17,636,741**	23,472,008
Exercisable at end of the year	**17,636,741**	23,472,008

(ii) Details of share options

2015

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

Date of Grant	Balance as at 1.1.2015	Options lapsed	Options exercised	Balance as at 31.12.2015	No. of holders at 31.12.2015	Exercise price $	Exercisable period
7.2.2005	1,735,450	63,757	1,671,693	–	–	2.370	8.2.2006 to 7.2.2015
10.8.2005	2,653,569	82,415	2,571,154	–	–	2.570	11.8.2006 to 10.8.2015
9.2.2006	3,896,164	25,837	435,888	3,434,439	296 *	3.010	10.2.2007 to 9.2.2016
10.8.2006	4,063,233	29,188	443,653	3,590,392	300 *	2.840	11.8.2007 to 10.8.2016
15.3.2007	5,494,779	66,402	199,528	5,228,849	486 *	3.230	16.3.2008 to 15.3.2017
10.8.2007	5,628,813	207,281	38,471	5,383,061	606	3.610	11.8.2008 to 10.8.2017
	23,472,008	474,880	5,360,387	17,636,741			

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34. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

ESOP (continued)

(ii) Details of share options (continued)

2014

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

Date of Grant	Balance as at 1.1.2014	Options lapsed	Options exercised	Balance as at 31.12.2014	No. of holders at 31.12.2014	Exercise price $	Exercisable period
9.2.2004	1,060,256	39,873	1,020,383	–	–	2.090	10.2.2005 to 9.2.2014
10.8.2004	1,589,308	78,260	1,511,048	–	–	2.120	11.8.2005 to 10.8.2014
7.2.2005	2,479,376	13,320	730,606	1,735,450	118 *	2.370	8.2.2006 to 7.2.2015
10.8.2005	3,509,381	32,408	823,404	2,653,569	193 *	2.570	11.8.2006 to 10.8.2015
9.2.2006	4,572,311	36,442	639,705	3,896,164	346 *	3.010	10.2.2007 to 9.2.2016
10.8.2006	4,723,330	47,104	612,993	4,063,233	345 *	2.840	11.8.2007 to 10.8.2016
15.3.2007	6,387,216	74,600	817,837	5,494,779	512 *	3.230	16.3.2008 to 15.3.2017
10.8.2007	6,196,764	78,971	488,980	5,628,813	638	3.610	11.8.2008 to 10.8.2017
	30,517,942	400,978	6,644,956	23,472,008			

* Includes one Executive Director of the Company

(iii) Details of share options exercised

	No. of shares	Exercise price $	Proceeds from share issue $'000	Share price $
2015				
January to March	2,300,111	2.37 – 3.23	5,712	3.35 – 3.59
April to June	1,373,711	2.57 – 3.61	3,794	3.25 – 3.81
July to September	1,660,495	2.57 – 3.23	4,342	2.92 – 3.41
October to December	26,070	2.84 – 3.23	76	2.94 – 3.30
	5,360,387			
2014				
January to March	3,291,672	2.09 – 3.61	8,430	3.66 – 3.91
April to June	1,709,312	2.12 – 3.61	4,869	3.77 – 3.99
July to September	1,218,411	2.12 – 3.61	2,843	3.61 – 3.84
October to December	425,561	2.37 – 3.61	1,114	3.22 – 3.71
	6,644,956			

The weighted average share price for options exercised during the year was $3.40 (2014: $3.80). The weighted average remaining contractual life for these options is 0.99 years (2014: 1.68 years).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model, taking into account the terms and conditions upon which the options were granted. The Company ceased to grant options under the ESOP with effect from 2007.

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34. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

PSP2010

Performance shares are granted on an annual basis with key performance indicator targets set for a performance period, currently prescribed to be a 3-year performance period. The performance shares will only be released to the recipient at the end of the performance period if the targets are met. The final number of performance shares awarded will depend on the level of achievement of those targets and can range from 0% to 170% of the conditional award of performance shares. In addition, commencing with the PSP contingent awards for financial year 2009, the final award for performance shares is conditional upon the performance targets for restricted shares that have the same end of performance period being met.

Outstanding Awards under PSP2010 are as follow:

	Year of grant			
	2015	2014	2013	**Total**
Number of performance shares				
At grant date	**1,841,900**	1,413,000	1,037,100	4,292,000
Lapsed	**(11,844)**	(172,358)	(152,283)	(336,485)
Outstanding as at 31.12.2015	**1,830,056**	1,240,642	884,817	3,955,515

During the year, performance shares amounting to 1,529,222 ordinary shares were awarded in respect of grant made in 2012 under PSP2010.

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

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

	Year of grant		
	2015	2014	2013
Market conditions			
Volatility of Defensive Index (%)	**9.18**	9.76	10.47
Volatility of the Company's shares (%)	**14.71**	15.35	14.66
Correlation of volatility of Defensive Index/ MSCI Index vs. the Company (%)	**57.2**	51.2	52.7
Risk-free rate (%)	**1.45**	0.54	0.24
Share price ($)	**3.43**	3.79	4.16
Cost of equity (%)	**7.60**	6.90	7.00
Dividend yield	(-- Management's forecast in line with dividend policy --)		

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34. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

RSP2010

Restricted shares are granted on an annual basis with key performance indicator targets set for a performance period, currently prescribed to be a 1-year performance period. The restricted shares will only be released to the recipient at the end of the performance period if the targets are met. The final number of restricted shares awarded will depend on the level of achievement of those targets and range between 0% and 150% of the conditional award of the restricted shares and will be delivered equally to recipients over a 4-year vesting period.

Prior to 2015, restricted shares were granted on a 2-year performance period with a 3-year vesting period in the ratio of 50%, 25% and 25% consecutively.

Outstanding Awards under RSP2010 are as follow:

Date of grant	Number of restricted shares as at grant date	Number of restricted shares lapsed	Number of restricted shares released	Balance outstanding as at 31.12.2015
RSP2010				
25 February 2011	50,000	–	40,000	10,000
16 March 2011	7,380,041	1,033,826	6,343,239	2,976
22 March 2012	4,617,900	898,565	2,896,893	822,442
22 March 2013	4,347,000	1,916,229	1,283,004	1,147,767
19 September 2013	90,000	–	60,000	30,000
13 March 2014	4,873,600	395,388	–	4,478,212
4 April 2014	300,000	–	100,000	200,000
28 April 2014	1,404,751	–	683,937	720,814
16 March 2015	12,000	–	–	12,000
18 March 2015	5,054,850	129,979	–	4,924,871
1 May 2015	20,000	–	–	20,000
15 May 2015	211,900	–	211,900	–
1 June 2015	45,000	–	–	45,000
5 June 2015	24,000	–	–	24,000

During the year, restricted shares amounting to 4,284,804 (2014: 4,250,477) ordinary shares were awarded under RSP2010.

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

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34. SHARE-BASED PAYMENT ARRANGEMENTS (continued)

RSP2010 (continued)

The significant inputs to the model used for the conditional grant in 2014 and 2015 are as follows:

	Year of grant	
	2015	2014
Volatility of the Company's shares (%)	**14.71**	15.35
Risk-free rate (%)	**1.05 – 1.71**	0.36 – 0.98
Share price ($)	**3.43**	3.79
Dividend yield	(-- Management's forecast in line with dividend policy --)	

35. CAPITAL RESERVES

Included in capital reserves is:

(a) an amount of $115,948,000 (2014: $115,948,000) relating to share premium of the respective pooled enterprises, namely Singapore Technologies Aerospace Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Kinetics Ltd and Singapore Technologies Marine Ltd classified as capital reserve upon the pooling of interests during the financial year ended 31 December 1997; and

(b) an amount of $375,000 (2014: $375,000) relating to an excess capital contribution from non-controlling shareholders of a subsidiary in China following the additional capital injection in prior years; and

(c) an amount of $3,073,000 (2014: nil) and $3,046,000 (2014: nil) for the Company and the Group respectively, relating to realised loss on re-issuance of treasury shares under share-based payment arrangements of the Company.

36. OTHER RESERVES

	Note	Foreign currency translation reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Share-based payment reserve $'000	Premium paid on acquisition of non-controlling interests $'000	Total $'000
The Group							
At 1.1.2014		(160,004)	4,060	31,299	82,662	(2,668)	(44,651)
Other comprehensive income:							
Net fair value changes on available-for-sale financial assets	(i)	–	–	(2,020)	–	–	(2,020)
Net fair value changes on cash flow hedges	(ii)	–	–	(57,327)	–	–	(57,327)
Share of net fair value changes on cash flow hedges of an associate	(ii)	–	–	(9,891)	–	–	(9,891)
Foreign currency translation differences	(iii)	18,330	1	37	121	(67)	18,422
Share of foreign currency translation differences of associates and joint ventures		1,336	–	–	–	–	1,336
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities		50	–	–	–	–	50
Total comprehensive income for the year, net of tax		19,716	1	(69,201)	121	(67)	(49,430)
Issue of shares		–	–	–	(19,559)	–	(19,559)
Cost of share-based payment		–	–	–	21,574	–	21,574
Disposal of a subsidiary		–	–	–	–	(4)	(4)
Transfer from retained earnings to statutory reserve		–	13	–	–	–	13
At 31.12.2014		(140,288)	4,074	(37,902)	84,798	(2,739)	(92,057)

Notes to the Financial Statements

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36. OTHER RESERVES (continued)

	Note	Foreign currency translation reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Share-based payment reserve $'000	Premium paid on acquisition of non-controlling interests $'000	Total $'000
The Group							
At 1.1.2015		(140,288)	4,074	(37,902)	84,798	(2,739)	(92,057)
Other comprehensive income:							
Net fair value changes on available-for-sale financial assets	(i)	–	–	(3,883)	–	–	(3,883)
Net fair value changes on cash flow hedges	(ii)	–	–	3,658	–	–	3,658
Share of net fair value changes on cash flow hedges of an associate	(ii)	–	–	(2,805)	–	–	(2,805)
Foreign currency translation differences	(iii)	33,840	(5)	8	200	(114)	33,929
Share of foreign currency translation differences of associates and joint ventures		(860)	–	–	–	–	(860)
Total comprehensive income for the year, net of tax		32,980	(5)	(3,022)	200	(114)	30,039
Issue of shares		–	–	–	(1,144)	–	(1,144)
Cost of share-based payment		–	–	–	16,501	–	16,501
Treasury shares reissued pursuant to share plans		–	–	–	(17,689)	–	(17,689)
Acquisition of non-controlling interests in subsidiaries without a change in control		–	–	–	–	(2,406)	(2,406)
Transfer from retained earnings to statutory reserve		–	1,261	–	–	–	1,261
At 31.12.2015		(107,308)	5,330	(40,924)	82,666	(5,259)	(65,495)

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36. OTHER RESERVES (continued)

	Group 2015 $'000	Group 2014 $'000
(i) Net fair value changes on available-for-sale financial assets:		
- Net fair value changes during the year	**(3,546)**	619
- Reclassification adjustment to profit or loss on disposal of financial assets in finance costs, net	**(337)**	(2,639)
	(3,883)	(2,020)
(ii) Net fair value changes on cash flow hedges:		
- Net fair value changes during the year	**(12,868)**	(66,601)
- Reclassification adjustment to profit or loss on occurrence of forecast transaction in finance costs, net	**10,082**	(739)
- Recognised in the carrying value of non-financial assets on occurrence of the hedged transactions	**3,639**	122
	853	(67,218)
(iii) Foreign currency translation differences arising from:		
- Translation of quasi equity loans forming part of net investments in foreign entities	**(1,727)**	(8,764)
- Translation of foreign currency loans used as hedging instruments for effective net investment hedges	**(34,980)**	(14,579)
- Translation of foreign entities	**70,547**	41,673
	33,840	18,330

Foreign currency translation reserve

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

As at 31 December 2015, bonds amounting to $424.4 million (US$300 million) (2014: $396.3 million (US$300 million)) have been designated as a hedge of the net investment in Vision Technologies Systems, Inc. and its subsidiaries ("US subsidiaries") and are being used to hedge the Group's exposure to foreign exchange risk on this investment. Exchange gain or loss on the re-translation of these bonds is transferred to other comprehensive income to offset any exchange gain or loss on translation of the net investment in the US subsidiaries. There is no ineffectiveness in the hedge during the year.

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36. OTHER RESERVES (continued)

Statutory reserve

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

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

Fair value reserve

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

Share-based payment reserve

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

Premium paid on acquisition of non-controlling interests

The reserve represents the difference between the consideration paid on acquisition of non-controlling interests and the carrying value of the proportionate share of the acquiree's net assets acquired.

37. RETAINED EARNINGS

	Group	
	2015 $'000	2014 $'000
Retained by:		
The Company	**551,751**	568,323
Subsidiaries	**562,396**	515,715
Associates and joint ventures	**141,067**	141,002
	1,255,214	1,225,040

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38. DIVIDENDS

	Group and Company	
	2015 $'000	2014 $'000
Final dividend paid in respect of the previous financial year of 4.0 cents (2014: 4.0 cents) per share	**124,864**	124,295
Special dividend paid in respect of the previous financial year of 7.0 cents (2014: 8.0 cents) per share	**218,512**	248,591
Interim dividend paid in respect of the current financial year of 5.0 cents (2014: 4.0 cents) per share	**155,519**	124,774
	498,895	497,660
Additional final dividend paid in respect of the previous financial year due to issue of shares before books closure date	**(1,291)**	1,197
	497,604	498,857

The Directors propose a final dividend of 5.0 cents (2014: 4.0 cents) per share amounting to $156.1 million (2014: $124.9 million) and a special dividend of 5.0 cents (2014: 7.0 cents) per share amounting to $156.1 million (2014: $218.5 million), in respect of the financial year ended 31 December 2015. These dividends have not been recognised as a liability as at year end as they are subject to approval of the shareholders at the Annual General Meeting of the Company.

39. RELATED PARTY INFORMATION

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

	Group	
	2015 $'000	2014 $'000
Associates of the Group		
Sales and services rendered	**9,886**	12,087
Purchases and services received	**(31,671)**	(22,367)
Dividend income	**45,357**	36,589
Joint ventures of the Group		
Sales and services rendered	**29,391**	27,514
Purchases and services received	**(24,913)**	(15,081)
Dividend income	**6,036**	2,251
Other related parties *		
Sales and services rendered	**78,116**	124,517
Purchases and services received	**(17,608)**	(23,023)
Rental expense	**(6,539)**	(7,180)
Rental income	**2,289**	2,246

* Other related parties refer to subsidiaries, associates and joint ventures of immediate holding company.

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40. COMMITMENTS

(a) Capital commitments

	Group	
	2015 $'000	2014 $'000
Capital expenditure contracted but not provided in the financial statements	**96,614**	145,345

(b) Leases

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

	Group	
	2015 $'000	2014 $'000
Third parties		
Within 1 year	**40,326**	40,680
Between 1 and 5 years	**103,817**	106,850
After 5 years	**216,870**	222,895
	361,013	370,425
Related parties		
Within 1 year	**5,350**	5,047
Between 1 and 5 years	**17,298**	17,761
After 5 years	**31,879**	24,161
	54,527	46,969

The Group has several operating lease agreements for leasehold land and buildings, office premises and computers. The leases have varying terms, escalation clauses and renewal rights. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing.

None of the operating leases is subject to contingent rent arrangements.

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40. COMMITMENTS (continued)

(c) Operating lease commitments – As lessor

The Group has entered into commercial leases on its aircraft, aircraft engines and certain property, plant and equipment. The non-cancellable leases have lease term ranging from 1 to 15 years. The leases on the aircraft include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

	Group	
	2015 **$'000**	2014 $'000
Within 1 year	**25,196**	17,872
Between 1 and 5 years	**51,457**	27,970
After 5 years	**15,867**	15,424
	92,520	61,266

None of the operating leases is subject to contingent rent arrangements.

(d) Investments

As at 31 December 2015, the Group has outstanding commitments in respect of uncalled capital to the extent of $0.2 million (2014: $0.7 million) in subsidiaries.

(e) Contingent liabilities (unsecured)

(i) The Group is a party to various claims that arise in the normal course of the Group's business. The total liability on these matters cannot be determined with certainty. However, in the opinion of management, the ultimate liability, to the extent not otherwise provided for, will not materially impact the consolidated financial statements of the Group.

(ii) The Group's certain subsidiaries provided equipment buy-back guarantees to financial institutions which have extended equipment financing to the customers for their purchase of their products. The outstanding equipment buy-back guarantees as at 31 December 2015 amounted to $4,553,000 (2014: $10,531,000).

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41. SEGMENT INFORMATION

(a) *Analysis by business segments*

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

(i) *Aerospace*

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

(ii) *Electronics*

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

(iii) *Land Systems*

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

(iv) *Marine*

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

Other operations include research and development, treasury, investment holding and provision of management, consultancy, integrated logistics management, integrated facilities management, warehousing and other support services. None of these segments meets any of the quantitative thresholds for determining reportable segments in financial years 2015 and 2014.

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

Inter-segment pricing is based on terms negotiated between the parties which are intended to reflect competitive terms.

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41. SEGMENT INFORMATION (continued)

	Aerospace $'000	Electronics $'000	Land Systems $'000	Marine $'000	Others $'000	Elimination $'000	Group $'000
2015							
Revenue							
External sales	2,089,772	1,708,959	1,395,587	958,028	182,677	–	6,335,023
Inter-segment sales	5,842	34,215	5,432	345	27,191	(73,025)	–
	2,095,614	1,743,174	1,401,019	958,373	209,868	(73,025)	6,335,023
Reportable segment profit from operations	222,013	178,699	47,189	71,795	(70,129)	60,704	510,271
Other income	23,856	14,654	13,239	7,482	560,949	(564,433)	55,747
Other expenses	(578)	–	(1,645)	(115)	–	2,039	(299)
Finance income	25,596	3,683	2,880	3,716	77,185	(56,869)	56,191
Finance costs	(19,157)	(6,122)	(13,252)	(103)	(103,835)	92,521	(49,948)
Share of results of associates and joint ventures, net of tax	38,870	38	16,590	5,500	–	(2,658)	58,340
Profit before taxation	290,600	190,952	65,001	88,275	464,170	(468,696)	630,302
Taxation	(56,900)	(27,191)	(14,395)	(2,558)	7,385	(5,000)	(98,659)
Non-controlling interests	(6,981)	(761)	5,130	8	–	–	(2,604)
Profit attributable to shareholders	226,719	163,000	55,736	85,725	471,555	(473,696)	529,039
Other assets	2,328,622	1,860,634	1,855,080	994,623	4,579,005	(3,910,420)	7,707,544
Associates and joint ventures	311,473	1,397	121,781	8,229	17,657	1,023	461,560
Segment assets	2,640,095	1,862,031	1,976,861	1,002,852	4,596,662	(3,909,397)	8,169,104
Segment liabilities	1,874,224	1,637,723	1,713,471	810,727	2,510,204	(2,638,172)	5,908,177
Capital expenditure	219,757	52,878	23,247	18,866	18,244	–	332,992
Depreciation and amortisation	71,470	39,871	38,981	29,609	7,404	(43)	187,292
Impairment losses	–	–	4,447	–	–	–	4,447
Other non-cash expenses	5,956	8	393	–	2	–	6,359

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41. SEGMENT INFORMATION (continued)

	Aerospace $'000	Electronics $'000	Land Systems $'000	Marine $'000	Others $'000	Elimination $'000	Group $'000
2014							
Revenue							
External sales	2,061,225	1,583,288	1,396,880	1,341,084	156,956	–	6,539,433
Inter-segment sales	10,239	30,791	8,252	867	24,069	(74,218)	–
	2,071,464	1,614,079	1,405,132	1,341,951	181,025	(74,218)	6,539,433
Reportable segment profit from operations	261,471	174,371	38,727	100,835	(76,109)	55,678	554,973
Other income	7,059	10,402	14,525	12,115	628,530	(627,456)	45,175
Other expenses	(5,035)	(6)	(1,570)	(37)	(24)	1,672	(5,000)
Finance income	11,894	4,867	3,124	3,931	115,809	(96,075)	43,550
Finance costs	(24,670)	(6,136)	(11,655)	–	(112,961)	110,225	(45,197)
Share of results of associates and joint ventures, net of tax	32,280	470	13,050	5,936	–	5,446	57,182
Profit before taxation	282,999	183,968	56,201	122,780	555,245	(550,510)	650,683
Taxation	(53,892)	(30,614)	(11,001)	(14,695)	(3,491)	–	(113,693)
Non-controlling interests	(8,963)	(1,211)	5,123	1	–	12	(5,038)
Profit attributable to shareholders	220,144	152,143	50,323	108,086	551,754	(550,498)	531,952
Other assets	2,202,519	1,783,773	2,091,015	1,106,096	4,250,300	(3,592,749)	7,840,954
Associates and joint ventures	322,508	10,297	112,750	8,159	17,657	6,981	478,352
Segment assets	2,525,027	1,794,070	2,203,765	1,114,255	4,267,957	(3,585,768)	8,319,306
Segment liabilities	1,779,360	1,596,964	1,931,326	955,383	2,102,832	(2,311,169)	6,054,696
Capital expenditure	87,674	61,893	86,318	37,581	10,635	–	284,101
Depreciation and amortisation	60,166	38,362	38,053	27,098	6,869	(42)	170,506
Impairment losses	6,186	638	21,049	–	–	–	27,873
Other non-cash expenses	807	56	20	–	3	(1)	885

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41. SEGMENT INFORMATION (continued)

(b) Analysis by country of incorporation

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

	Revenue		Non-current assets	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Asia	**4,695,163**	4,981,137	**2,095,321**	1,785,853
USA	**1,498,855**	1,420,462	**878,105**	781,302
Europe	**81,354**	75,513	**175,000**	194,450
Others	**59,651**	62,321	**98,236**	101,017
	6,335,023	6,539,433	**3,246,662**	2,862,622

(c) Analysis by geographical areas

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

	Revenue	
	2015 $'000	2014 $'000
Asia	**3,940,047**	3,780,770
USA	**1,503,208**	1,525,088
Europe	**311,526**	290,317
Others	**580,242**	943,258
	6,335,023	6,539,433

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation. The purpose of engaging in treasury transactions is solely for hedging. The Group's treasury mandates allow only foreign exchange spot, forward or non-deliverable forward, foreign exchange swap, cross currency swap, purchase of foreign exchange call, put or collar option, forward rate agreement, interest rate swap, purchase of interest rate cap, floor or collar option ("Permitted Transactions"). These instruments are generic in nature with no embedded or leverage features and any deviation from these instruments would require specific approval from the Board of Directors. The Group's accounting policies in relation to derivative financial instruments are set out in Note 3.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Interest rate risk

As at reporting date, the interest rate profile of the interest-bearing financial instruments is:

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Fixed rate instruments				
Financial assets	**618,504**	1,147,308	**70,303**	316,033
Financial liabilities	**(1,019,158)**	(735,904)	**–**	–
	(400,654)	411,404	**70,303**	316,033
Variable rate instruments				
Financial assets	**501,181**	254,541	**814,280**	532,724
Financial liabilities	**(179,073)**	(282,724)	**(628,472)**	(562,959)
	322,108	(28,183)	**185,808**	(30,235)

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

The Group's debts include 10-year bonds issued, bank loans and lease commitments. The Group seeks to minimise its interest rate risk exposure through tapping different sources of funds to refinance the debt instruments and/or enter into interest rate swaps, where appropriate. Movements in interest rates will therefore have an impact on the Group. An increase of 50 basis points in interest rate at the reporting date would lead to a reduction of the Group's profit or loss and other comprehensive income by approximately $0.9 million (2014: $1.4 million) and $7.7 million (2014: $2.4 million) respectively. A decrease in 50 basis points in interest rate at the reporting date would increase the Group's profit or loss and other comprehensive income by approximately $0.9 million (2014: $1.4 million) and $7.9 million (2014: $2.6 million) respectively. This analysis assumes that all other variables remain constant.

Fixed deposits, bonds, bank loans and other financial instruments with interest rate fixed over the contractual period are excluded from the sensitivity analysis. Information relating to the Group's interest rate risk exposure is also disclosed in the notes on the Group's borrowings, investments and loans receivable, where applicable.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange risk

The Group's foreign exchange risk arises both from its subsidiaries operating in foreign countries, generating revenue and incurring costs denominated in foreign currencies, and from operations of its local subsidiaries which are transacted in foreign currencies. The Group's foreign exchange exposures are primarily from USD and Euro and the Group enters mainly into forward currency contracts to hedge against its foreign exchange risk resulting from anticipated sale and purchase transactions denominated in foreign currencies in accordance with the Group's hedging policy. The Group enters into cross currency swap to hedge the foreign exchange risk of its loans denominated in foreign currency. The Group also uses monetary assets and liabilities and embedded derivatives to hedge its risks associated with foreign currency fluctuation.

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

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

No foreign exchange sensitivity analysis was disclosed as the Company had assessed that a reasonable change in the exchange rate would not result in any significant impact on the Group's results.

Market risk

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

The impact to the Group's profit or loss and other comprehensive income arising as a result of a 10% increase in the fair value of the quoted investments, assuming no impairment on the quoted investments would lead to an increase in the Group's profit or loss and other comprehensive income by approximately \$0.04 million (2014: \$0.04 million) and \$0.02 million (2014: \$0.04 million) respectively. A 10% decrease in the fair value of the quoted investments, assuming no impairment on the quoted investments would have an equal but opposite effect. This analysis assumes that all other variables remain constant.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

	Contractual cash flow $'000	Within 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000
The Group				
2015				
Bank loans	(491,131)	(176,697)	(314,434)	–
Bonds	(827,635)	(33,950)	(793,685)	–
Other loans	(2,181)	(1,673)	(508)	–
Lease obligations	(38,161)	(1,424)	(5,241)	(31,496)
Other long-term payables	(700)	–	(700)	–
Trade and other payables	(1,928,966)	(1,699,285)	(229,022)	(659)
Derivative financial instruments:				
• Forward currency contracts				
- gross payments	(699,352)	(456,604)	(242,748)	–
- gross receipts	696,823	453,402	243,421	–
• Interest rate swaps				
- settled net	(297)	(1,166)	869	–
• Cross currency interest rate swaps				
- settled net	23,593	1,784	21,809	–
Financial guarantee	(83,706)	(83,706)	–	–
2014				
Bank loans	(351,486)	(76,460)	(275,026)	–
Bonds	(804,516)	(31,702)	(772,814)	–
Other loans	(669)	(18)	(651)	–
Lease obligations	(36,911)	(1,818)	(4,550)	(30,543)
Other long-term payables	(1,000)	–	(1,000)	–
Trade and other payables	(1,951,160)	(1,675,134)	(276,026)	–
Derivative financial instruments:				
• Forward currency contracts				
- gross payments	(791,244)	(553,680)	(237,564)	–
- gross receipts	777,387	541,255	236,132	–
• Interest rate swaps				
- settled net	(667)	(857)	190	–
• Cross currency interest rate swaps				
- settled net	24,184	4,381	19,803	–
Financial guarantee	(47,776)	(47,776)	–	–

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Contractual cash flow $'000	Within 1 year $'000	Between 1 and 5 years $'000
The Company			
2015			
Trade payables and accruals	(32,157)	(20,619)	(11,538)
Amounts due to related parties	(752,229)	(1,742)	(750,487)
Derivative financial instruments:			
• Forward currency contracts			
- gross payments	(1,547)	(1,547)	–
- gross receipts	1,652	1,652	–
Intra-group financial guarantee	(297,066)	(297,066)	–
2014			
Trade payables and accruals	(43,967)	(26,961)	(17,006)
Amounts due to related parties	(638,327)	(201,973)	(436,354)
Derivative financial instruments:			
• Forward currency contracts			
- gross payments	(722)	–	(722)
- gross receipts	803	–	803
Intra-group financial guarantee	(274,748)	(274,748)	–

For derivative financial instruments, the cash inflows/(outflows) represent the contractual undiscounted cash flows relating to these instruments. The amounts are compiled on a net basis for derivatives that are net-settled. Gross inflows and outflows are included for derivatives that are gross-settled on a simultaneous basis. Net-settled derivative financial assets are included in the maturity analysis as they are held to hedge the cash flow variability of the Group's bank loans and bonds.

Except for the cash flow arising from the intra-group financial guarantee, it is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Investments	**511,653**	246,490	**–**	–
Long-term receivables	**683**	13,223	**–**	–
Finance lease receivables	**3,696**	7,845	**–**	–
Derivative financial instruments, non-current	**25,790**	24,263	**–**	81
Trade receivables	**911,799**	1,028,504	**–**	–
Amounts due from related parties	**61,388**	71,188	**825,404**	547,070
Advances and other receivables	**109,336**	105,058	**4,871**	3,573
Bank balances and other liquid funds	**951,494**	1,470,723	**82,091**	404,876
Recognised financial assets	**2,575,839**	2,967,294	**912,366**	955,600

The Group limits its exposure to credit risk on investments held by investing mostly in bonds of high credit ratings. Management actively monitors the credit ratings and does not expect any counterparty to fail to meet its obligations.

Derivatives are entered into with financial institutions, which have long-term rating of A3 by Moody's, A- by Standard & Poor's or the equivalent by a reputable credit rating agency.

Cash and bank deposits are placed with reputable financial institutions.

As at 31 December 2015, there were no significant concentrations of credit risk, except for 34% (2014: 43%) of trade debts relating to three major customers of the Group. The table below analyses the trade receivables by the Group's main reportable segments.

	Group	
	2015 $'000	2014 $'000
Aerospace	**269,660**	261,162
Electronics	**324,607**	354,998
Land Systems	**236,943**	303,153
Marine	**63,666**	89,863
Others	**16,923**	19,328
	911,799	1,028,504

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The ageing of financial assets excluding cash and cash equivalents, investments and derivative financial instruments, net of impairment losses, are as follows:

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Not past due	**684,033**	734,236	**830,170**	550,643
1 – 90 days	**264,517**	365,265	**–**	–
91 – 180 days	**58,029**	52,347	**–**	–
181 – 360 days	**51,439**	48,839	**–**	–
> 360 days	**22,364**	23,960	**–**	–
	1,080,382	1,224,647	**830,170**	550,643

The movements in allowance for impairment losses in respect of financial assets excluding cash and cash equivalents, intangibles and derivative financial instruments are as follows:

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
At beginning of the year	**84,467**	76,230	**6,981**	4,901
Charge to profit or loss	**13,349**	17,797	**6,440**	2,000
Allowance utilised	**(22,201)**	(10,572)	**–**	–
Acquisition of a subsidiary	**282**	–	**–**	–
Translation difference	**1,111**	1,012	**141**	80
At end of the year	**77,008**	84,467	**13,562**	6,981

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43. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Note	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
The Group					
2015					
Financial Assets					
Available-for-sale					
- Equity investments (quoted)	15	189	–	–	189
- Venture capital funds and limited partnership	15	–	–	12	12
- Bonds (unquoted)	15, 24	–	501,181	–	501,181
Fair value through profit or loss					
- Equity investments (quoted)	24	369	–	–	369
Derivatives					
- Forward currency contracts		–	9,187	–	9,187
- Cross currency interest rate swaps		–	22,135	–	22,135
- Interest rate swaps		–	117	–	117
- Embedded derivatives		–	871	–	871
		558	533,491	12	534,061
Financial Liabilities					
Derivatives					
- Forward currency contracts		–	11,716	–	11,716
- Interest rate swaps		–	475	–	475
- Embedded derivatives		–	23,441	–	23,441
		–	35,632	–	35,632
2014					
Financial Assets					
Available-for-sale					
- Equity investments (quoted)	15	378	–	–	378
- Venture capital funds and limited partnership	15	–	–	12	12
- Bonds (unquoted)	15, 24	–	241,778	–	241,778
Fair value through profit or loss					
- Equity investments (quoted)	24	359	–	–	359
Derivatives					
- Forward currency contracts		–	2,612	–	2,612
- Cross currency interest rate swaps		–	22,247	–	22,247
- Embedded derivatives		–	575	–	575
		737	267,212	12	267,961
Financial Liabilities					
Derivatives					
- Forward currency contracts		–	16,469	–	16,469
- Interest rate swaps		–	653	–	653
- Embedded derivatives		–	15,548	–	15,548
		–	32,670	–	32,670

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Significant other observable inputs (Level 2) $'000
The Company	
2015	
Financial Assets	
Derivatives	
-Forward currency contracts	105
2014	
Financial Assets	
Derivatives	
- Forward currency contracts	81

Valuation processes applied by the Group

The Group has an established approach with respect to the measurement of fair values.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Fair value hierarchy

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

(a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(c) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Bank balances, other liquid funds and short-term receivables

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

Quoted and unquoted investments

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There have been no transfer from Level 2 to Level 1 and vice versa in 2015 (2014: no transfers in either directions).

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43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quoted and unquoted investments (continued)

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

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

Long-term receivables

The fair values of long-term receivables and amount due from related parties are estimated based on the expected cash flows discounted to present value.

Long-term payables

The fair values of amount due to related parties are estimated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Short-term borrowings and other current payables

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

Derivatives

The fair value of forward currency contracts, interest rate swaps, cross currency swap, embedded derivatives and cross currency interest rate swaps are based on broker quotes. Similar contract are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Bonds

The fair value of the US$500 million bonds as at 31 December 2015 is determined based on quoted market prices.

Movements in level 3 financial instruments measured at fair value

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

	Group	
	2015 $'000	2014 $'000
Equity instruments (unquoted)		
Opening balance	**12**	43
Total gain or loss:		
- recognised in other comprehensive income	**–**	(31)
Closing balance	**12**	12

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43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Classification of financial instruments

	Loans and receivables $'000	Fair value through profit or loss $'000	Derivatives used for hedging $'000	Available -for-sale $'000	Liabilities at amortised cost $'000	Total carrying amount $'000	Fair value $'000
The Group							
2015							
Assets							
Investments	–	–	–	328,684	–	328,684	328,684
Long-term receivables	683	–	–	–	–	683	683
Finance lease receivables	3,696	–	–	–	–	3,696	3,696
Derivative financial instruments	–	23,006	2,784	–	–	25,790	25,790
Trade receivables	911,799	–	–	–	–	911,799	911,799
Amounts due from related parties	61,388	–	–	–	–	61,388	61,388
Advances and other receivables	102,816	2,129	4,391	–	–	109,336	109,336
Short-term investments	–	369	–	182,600	–	182,969	182,969
Bank balances and other liquid funds	951,494	–	–	–	–	951,494	951,494
	2,031,876	25,504	7,175	511,284	–	2,575,839	2,575,839
Liabilities							
Creditors and accruals	–	3,439	20,578	–	1,908,167	1,932,184	1,921,324
Amounts due to related parties	–	–	–	–	20,699	20,699	20,699
Lease obligations	–	–	–	–	19,436	19,436	18,460
Bank loans	–	–	–	–	466,140	466,140	466,140
Other loans	–	–	–	–	2,088	2,088	2,088
Other long-term payables	–	–	–	–	700	700	664
Bonds	–	–	–	–	705,567	705,567	763,849
Derivative financial instruments	–	1,639	9,976	–	–	11,615	11,615
	–	5,078	30,554	–	3,122,797	3,158,429	3,204,839

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43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Classification of financial instruments (continued)

	Loans and receivables $'000	Fair value through profit or loss $'000	Derivatives used for hedging $'000	Available -for-sale $'000	Liabilities at amortised cost $'000	Total carrying amount $'000	Fair value $'000
The Group							
2014							
Assets							
Investments	–	–	–	127,211	–	127,211	127,211
Long-term receivables	13,223	–	–	–	–	13,223	13,223
Finance lease receivables	7,845	–	–	–	–	7,845	7,845
Derivative financial instruments	–	23,278	985	–	–	24,263	24,263
Trade receivables	1,028,504	–	–	–	–	1,028,504	1,028,504
Amounts due from related parties	71,188	–	–	–	–	71,188	71,188
Advances and other receivables	103,887	462	709	–	–	105,058	105,058
Short-term investments	–	359	–	118,920	–	119,279	119,279
Bank balances and other liquid funds	1,470,723	–	–	–	–	1,470,723	1,470,723
	2,695,370	24,099	1,694	246,131	–	2,967,294	2,967,294
Liabilities							
Creditors and accruals	–	5,257	16,153	–	1,919,925	1,941,335	1,936,667
Amounts due to related parties	–	–	–	–	31,235	31,235	31,235
Lease obligations	–	–	–	–	18,673	18,673	17,938
Bank loans	–	–	–	–	340,942	340,942	340,942
Other loans	–	–	–	–	589	589	589
Other long-term payables	–	–	–	–	1,000	1,000	912
Bonds	–	–	–	–	658,424	658,424	730,227
Derivative financial instruments	–	821	10,439	–	–	11,260	11,260
	–	6,078	26,592	–	2,970,788	3,003,458	3,069,770

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43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Classification of financial instruments (continued)

	Loans and receivables $'000	Fair value through profit or loss $'000	Liabilities at amortised cost $'000	Total carrying amount $'000	Fair value $'000
The Company					
2015					
Assets					
Amounts due from related parties	825,404	–	–	825,404	825,404
Advances and other receivables	4,766	105	–	4,871	4,871
Bank balances and other liquid funds	82,091	–	–	82,091	82,091
	912,261	105	–	912,366	912,366
Liabilities					
Trade payables and accruals	–	–	32,157	32,157	31,333
Amounts due to related parties	–	–	646,016	646,016	646,016
	–	–	678,173	678,173	677,349
2014					
Assets					
Derivative financial instruments	–	81	–	81	81
Amounts due from related parties	547,070	–	–	547,070	547,070
Advances and other receivables	3,573	–	–	3,573	3,573
Bank balances and other liquid funds	404,876	–	–	404,876	404,876
	955,519	81	–	955,600	955,600
Liabilities					
Trade payables and accruals	–	–	43,967	43,967	42,893
Amounts due to related parties	–	–	604,401	604,401	604,401
	–	–	648,368	648,368	647,294

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43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments

		2015			2014		
		Contractual/ notional amount	Estimated fair value		Contractual/ notional amount	Estimated fair value	
	Note	$'000	Asset $'000	Liability $'000	$'000	Asset $'000	Liability $'000
Cash flow hedges							
Forward currency contracts:							
- to hedge confirmed sales in foreign currencies	(a)(i)	**191,950**	**2,310**	**(4,464)**	275,705	1,505	(6,016)
- to hedge firm purchase commitments in foreign currencies	(a)(i)	**214,240**	**2,599**	**(4,708)**	180,123	134	(5,528)
- to hedge accounts receivable in foreign currencies	(a)(i)	**38,104**	**978**	**(334)**	4,861	–	(154)
- to hedge accounts payable in foreign currencies	(a)(i)	**5,564**	**3**	**(70)**	2,045	–	(143)
Interest rate swaps	(b)	**325,358**	**117**	**(475)**	231,158	–	(653)
Embedded derivatives	(a)(i)	**393,595**	**–**	**(20,497)**	433,068	–	(12,211)
Fair value hedges							
Forward currency contracts:							
- to hedge confirmed sales in foreign currencies	(a)(i)	**23,430**	**1,000**	**–**	–	–	–
- to hedge firm purchase commitments in foreign currencies	(a)(i)	**173**	**25**	**–**	742	49	–
- to hedge accounts receivable in foreign currencies	(a)(i)	**14,587**	**143**	**–**	22,971	6	(952)
- to hedge accounts payable in foreign currencies	(a)(i)	**190**	**–**	**(6)**	14,060	–	(935)
Non-hedging instruments							
Forward currency contracts:							
- sales	(a)(ii)	**208,163**	**2,117**	**(2,116)**	230,110	462	(2,671)
- purchases	(a)(ii)	**3,905**	**12**	**(18)**	52,807	456	(70)
Cross currency interest rate swaps	(c)	**124,025**	**22,135**	**–**	246,350	22,247	–
Embedded derivatives	(a)(ii)	**73,620**	**871**	**(2,944)**	249,512	575	(3,337)
Total			**32,310**	**(35,632)**		25,434	(32,670)
Less: Current portion			**(6,520)**	**24,017**		(1,171)	21,410
Non-current portion			**25,790**	**(11,615)**		24,263	(11,260)

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Forward currency contracts

(i) As at 31 December 2015, the Group has forward currency contracts and embedded derivatives separated from the foreign currency portion of sales contracts amounting to $881,833,000 (2014: $933,575,000) designated as hedges of confirmed sales in foreign currencies, firm purchase commitments in foreign currencies, accounts receivable in foreign currencies and accounts payable in foreign currencies.

The maturity dates of the forward currency contracts and embedded derivatives separated from the foreign currency portion of the sales contracts approximate the timing of the expected cash flows of their respective hedged items, which are on varying periods up to five years (2014: six years) from the financial year-end.

(ii) As at 31 December 2015, the Group has outstanding forward currency contracts and embedded derivatives separated from the foreign currency portion of sales contracts amounting to $285,688,000 (2014: $532,429,000). These were not designated as accounting hedges, but were used to economically hedge confirmed sales in foreign currencies and firm purchase commitments in foreign currencies.

(b) Interest rate swaps

As at 31 December 2015, the Group has outstanding interest rate swaps amounting to $325,358,000 (2014: $231,158,000), which are designated as cash flow hedges.

The USD interest rate swaps are being used to hedge the exposure to variability in cash flows associated with the floating rate of the unsecured USD long-term loans. Under the USD interest rate swaps, the Group pays fixed rates of interest of 0.61% to 1.63% (2014: 0.61% to 0.77%) per annum and receives variable rates of interest equal to the LIBOR per annum on the notional amount. The USD interest rate swaps have the same maturity terms as the unsecured USD long-term loans with maturity periods ranging from 2016 to 2020.

(c) Cross currency interest rate swaps

As at 31 December 2015, the Group has outstanding cross currency interest rate swaps amounting to $124,025,000 (2014: $246,350,000), which are not designated as hedging instruments.

The swaps are being used to economically hedge the foreign currency exposure of the US$500 million bond liability and convert the fixed USD bond interest rate of 4.8% (2014: 4.8%) per annum to floating SGD interest rate at 6-month SOR plus margins. The effective SGD interest rates range from 3.2% to 3.6% (2014: 2.8% to 3.6%) per annum.

Master netting or similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's and the Company's balance sheets; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the balance sheets.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the balance sheets.

The derivative transactions that the Group and the Company enter into, are not subject to master netting arrangements. These derivative transactions are also not offset into the balance sheets as the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

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43. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Master netting or similar agreements (continued)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross amount of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the balance sheets $'000	Net amounts of financial instruments presented in the balance sheets $'000	Related financial instruments that are not offset $'000	Net amount $'000
The Group					
31 December 2015					
Financial assets					
Trade receivables	1,419	1,419	–	–	–
Financial liabilities					
Trade payables	1,699	1,419	280	–	280
31 December 2014					
Financial assets					
Trade receivables	55	55	–	–	–
Financial liabilities					
Trade payables	122	55	67	–	67

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the balance sheets that are disclosed in the above tables are measured amortised cost.

The amounts in the above tables that are offset in the balance sheets are measured on the same basis.

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44. NON-CONTROLLING INTERESTS IN SUBSIDIARIES

The following table summarises the information relating to each of the Group's subsidiaries with material NCI, based on their respective (consolidated) financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by NCI.

Name of NCI	ST Aerospace Services Co Pte. Ltd. $'000	EcoServices, LLC $'000	STELOP Pte. Ltd. Δ $'000	Guizhou Jonyang Kinetics Co., Ltd $'000	Jiangsu Huatong Kinetics Co., Ltd $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
2015								
NCI percentage	20%	49.9%	49.95%	40%	24.7%			
Revenue	234,571	24,997	17,270	140,804	31,862			
Profit/(loss)	31,899	795	229	(8,639)	(18,103)			
Other comprehensive income	1,930	3,302	–	149	1,683			
Total comprehensive income	33,829	4,097	229	(8,490)	(16,420)			
Attributable to NCI:								
- Profit/(loss)	6,380	397	114	(3,455)	(4,471)	4,226	(587)	2,604
- Other comprehensive income	386	1,648	–	546	366	(99)	(12)	2,835
- **Total comprehensive income**	6,766	2,045	114	(2,909)	(4,105)	4,127	(599)	5,439
Non-current assets	57,997	32,487	2,550	35,529	102,893			
Current assets	235,199	27,625	57,159	200,741	42,227			
Non-current liabilities	(15,981)	–	(8,080)	(9,379)	(31,592)			
Current liabilities	(82,438)	(4,091)	(38,422)	(177,938)	(70,766)			
Net assets	194,777	56,021	13,207	48,953	42,762			
Net assets attributable to NCI	38,955	27,954	6,597	19,581	10,562	22,894	2,332	128,875
Cash flows from operating activities	27,937	4,438	(8,149)	(23,531)	(39,938)			
Cash flows from investing activities	(30,956)	(1,240)	(236)	1,593	(51,554)			
Cash flows from financing activities *	(20,636)	(2,641)	(1,218)	(19,211)	64,772			
Net increase/(decrease) in cash and cash equivalents	(23,655)	557	(9,603)	(41,149)	(26,720)			
* including dividends to NCI	(6,000)	(879)	–	–	–			

Δ Due to the changes to the shareholders' agreement, the Group has reclassified its investment in STELOP Pte. Ltd. ("STELOP") from a joint venture to a subsidiary with effect from 1 September 2015. The net assets of STELOP include cash and cash equivalents of $17,676,000.

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44. NON-CONTROLLING INTERESTS IN SUBSIDIARIES (continued)

Name of NCI	ST Aerospace Services Co Pte. Ltd. $'000	EcoServices, LLC $'000	Guizhou Jonyang Kinetics Co., Ltd $'000	Jiangsu Huatong Kinetics Co., Ltd $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
2014							
NCI percentage	20%	49.9%	40%	24.7%			
Revenue	269,186	30,038	129,717	54,227			
Profit/(loss)	42,267	3,853	(15,029)	(9,421)			
Other comprehensive income	(2,517)	2,221	895	1,360			
Total comprehensive income	39,750	6,074	(14,134)	(8,061)			
Attributable to NCI:							
- Profit/(loss)	8,453	1,923	(6,012)	(2,327)	3,547	(546)	5,038
- Other comprehensive income	(503)	1,108	379	296	(716)	(18)	546
- **Total comprehensive income**	7,950	3,031	(5,633)	(2,031)	2,831	(564)	5,584
Non-current assets	61,034	34,452	31,384	105,789			
Current assets	237,244	24,299	235,131	56,907			
Non-current liabilities	(15,900)	–	(7,838)	(41,299)			
Current liabilities	(91,197)	(5,065)	(202,452)	(62,009)			
Net assets	191,181	53,686	56,225	59,388			
Net assets attributable to NCI	38,236	26,789	22,490	14,669	27,403	2,820	132,407
Cash flows from operating activities	61,956	(1,794)	(7,753)	30,289			
Cash flows from investing activities	(19,659)	(431)	(23,364)	2,397			
Cash flows from financing activities *	(40,000)	(11,793)	2,495	(15,600)			
Net increase/(decrease) in cash and cash equivalents	2,297	(14,018)	(28,622)	17,086			
* including dividends to NCI	(8,000)	(3,926)	(3,706)	–			

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45. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy financial metrics in order to support its business and maximise shareholder value. Capital consists of total shareholders' funds and gross debts.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group. No major changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

The Group is currently in a net cash position. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements other than those imposed by local regulatory bodies.

	Group	
	2015 $'000	2014 $'000
Gross debt		
Bank loans	**466,140**	340,942
Bonds	**705,567**	658,424
Capitalised lease obligations	**19,436**	18,673
Other loans	**2,088**	589
	1,193,231	1,018,628
Shareholders' funds		
Share capital	**895,926**	889,426
Treasury shares	**(66,870)**	(6,529)
Other reserves	**47,782**	24,266
Retained earnings	**1,255,214**	1,225,040
	2,132,052	2,132,203
Non-controlling interests	**128,875**	132,407
	2,260,927	2,264,610
Gross debt/equity ratio	**0.5**	0.4
Cash and cash equivalents	**944,119**	1,462,612
Funds under management	**501,181**	241,778
	1,445,300	1,704,390
Gross debt (excluding bank overdrafts)	**(1,193,231)**	(1,018,628)
Net cash position	**252,069**	685,762

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46. SUBSEQUENT EVENT

(a) In January 2016, the Group acquired an additional 20% equity interest in Elbe Flugzeugwerke GmbH for a consideration of Euro98,700,000 comprising of Euro3,200,000 of cash and Euro95,500,000 of A320/A321 PTF engineering development work. Upon completion of the acquisition, the Group's interest in Elbe Flugzeugwerke GmbH will increase from 35% to 55% and Elbe Flugzeugwerke GmbH will become a subsidiary of the Group.

(b) In February 2016, a subsidiary, ST Aerospace Resources Pte. Ltd. ("STA Resources") entered into an agreement to divest 50% of its equity interest in a wholly-owned subsidiary, Keystone Holdings (Global) Pte. Ltd. to SJ Aviation Capital Pte. Ltd., for a consideration estimated to be US$10,700,000. The completion of the agreement will be subject to the customary closing conditions that will lead to the execution of a joint venture agreement. Upon completion, STA Resources and SJ Aviation Capital Pte. Ltd. will each own a 50% shareholding in Keystone Holdings.

(c) In February 2016, a subsidiary, Singapore Technologies Aerospace Ltd ("ST Aerospace") received a Writ of Summons issued in the Court of Toulouse, France, by a number of passenger families against a number of defendants (including ST Aerospace) for losses arising out of an Airbus Air Asia flight from Indonesia to Singapore on 28 December 2014 (the "Claim"). Management asserts that neither ST Aerospace nor any of its subsidiaries were providing line maintenance support to Air Asia's fleet at the time and were not therefore asked to assist the Indonesian Accident Investigation Board when it conducted its investigation and issued its final report in 2015. Accordingly, ST Aerospace does not consider that the Claim against it has any merit and no provisions have been made as at 31 December 2015.

SGX Listing Manual Requirements

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INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX") by the Group are as follows:

	Aggregate value of all transactions excluding transactions conducted under a Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual		Aggregate value of all transactions conducted under a Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Transactions for the Sale of Goods and Services				
CapitaLand Limited and its Associates	–	–	**657**	215
SembCorp Industries Ltd and its Associates	–	–	**645**	190
SembCorp Marine Ltd and its Associates	–	–	**(178) ***	13,236
Singapore Telecommunications Limited and its Associates	–	–	**4,239**	130
Singapore Airlines Limited and its Associates	–	–	**4,554**	–
SMRT Corporation Ltd and its Associates	–	–	**31,137**	120,535
StarHub Ltd and its Associates	–	–	**591**	2,296
Temasek Holdings (Private) Limited and its Associates (non-listed)	–	–	**4,083**	4,490
	–	–	**45,728**	141,092
Transactions for the Purchase of Goods and Services				
SATS Ltd. and its Associates	–	–	**2,169**	2,599
SembCorp Industries Ltd and its Associates	–	–	**8,082**	–
SembCorp Marine Ltd and its Associates	–	–	**180**	–
Singapore Airlines Limited and its Associates	–	–	**143**	11,977
Singapore Telecommunications Limited and its Associates	–	–	**2,174**	2,775
SMRT Corporation Ltd and its Associates	–	–	**180**	–
Temasek Holdings (Private) Limited and its Associates (non-listed)	–	–	**7,048**	23,036
	–	–	**19,976**	40,387
Total Interested Person Transactions	–	–	**65,704**	181,479

* This relates to a credit note.

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31 December 2015
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INCOME STATEMENT

	2015 $'000	2014 $'000
Revenue	**2,095,614**	2,071,464
Cost of sales	**(1,732,054)**	(1,664,645)
Gross profit	**363,560**	406,819
Distribution and selling expenses	**(8,355)**	(10,892)
Administrative expenses	**(114,536)**	(113,731)
Other operating expenses	**(18,656)**	(20,725)
Profit from operations	**222,013**	261,471
Other income	**23,856**	7,059
Other expenses	**(578)**	(5,035)
Other income, net	**23,278**	2,024
Finance income	**25,596**	11,894
Finance costs	**(19,157)**	(24,670)
Finance income/(costs), net	**6,439**	(12,776)
Share of results of associates and joint ventures, net of tax	**38,870**	32,280
Profit before taxation	**290,600**	282,999
Taxation	**(56,900)**	(53,892)
Profit for the year	**233,700**	229,107
Attributable to:		
Shareholder of the Company	**226,720**	220,144
Non-controlling interests	**6,980**	8,963
	233,700	229,107

Sectoral Financial Review – Aerospace

31 December 2015
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BALANCE SHEET

	2015 $'000	2014 $'000
ASSETS		
Non-current assets		
Property, plant and equipment	**820,145**	671,068
Associates and joint ventures	**311,473**	322,508
Investments	**12**	12
Intangible assets	**141,239**	126,958
Derivative financial instruments	**136**	–
Long-term receivables, non-current	**64**	1,534
Deferred tax assets	**11,840**	19,941
	1,284,909	1,142,021
Current assets		
Inventories and work-in-progress	**494,257**	560,001
Trade receivables	**489,856**	388,430
Amount due from related parties, current	**43,205**	35,173
Advances and other receivables	**92,946**	144,118
Long-term receivables, current	**279**	11,428
Short-term investments	**369**	359
Bank balances and other liquid funds	**234,274**	243,497
	1,355,186	1,383,006
TOTAL ASSETS	**2,640,095**	2,525,027
EQUITY AND LIABILITIES		
Current liabilities		
Advance payments from customers, current	**103,347**	60,244
Trade payables and accruals, current	**528,428**	500,842
Amount due to related parties, current	**379,553**	360,864
Provisions	**52,940**	47,538
Progress billing in excess of work-in-progress	**146,336**	105,617
Provision for taxation	**51,273**	64,518
Short-term bank loans	**436**	–
Lease obligations, current	**654**	330
	1,262,967	1,139,953
NET CURRENT ASSETS	**92,219**	243,053
Non-current liabilities		
Advance payments from customers, non-current	**184,081**	237,838
Trade payables and accruals, non-current	**149,332**	180,794
Deferred tax liabilities	**53,170**	39,689
Long-term bank loans, non-current	**102,991**	29,769
Lease obligations, non-current	**18,682**	17,341
Other loans, non-current	**700**	1,000
Derivative financial instruments	**94**	–
Amount due to related parties, non-current	**102,207**	132,976
	611,257	639,407
TOTAL LIABILITIES	**1,874,224**	1,779,360
NET ASSETS	**765,871**	745,667
Share capital and reserves	**686,310**	668,421
Non-controlling interests	**79,561**	77,246
	765,871	745,667
TOTAL EQUITY AND LIABILITIES	**2,640,095**	2,525,027

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STATEMENT OF CASH FLOWS

	2015 $'000	2014 $'000
Net cash from operating activities	**350,010**	257,966
Net cash used in investing activities	**(175,280)**	(60,123)
Proceeds from sale of property, plant and equipment	**1,175**	2,318
Dividends from associates	**34,291**	27,125
Dividends from investments	**3**	2
Purchase of property, plant and equipment	**(199,059)**	(65,410)
Acquisition of controlling interests in a subsidiary, net of cash acquired	**(4,235)**	(632)
Investment in joint ventures	**–**	(622)
Loans to associates	**–**	(640)
Acquisition of intangible assets	**–**	(12,024)
Development of intangible assets	**(7,455)**	(10,240)
Net cash used in financing activities	**(190,682)**	(330,753)
Capital contribution from non-controlling interests	**588**	6,772
Capital contribution from holding company	**–**	216,000
Proceeds from bank loans	**79,936**	–
Repayment of bank loans	**(6,938)**	(290,014)
Repayment of lease obligations, net	**(546)**	(371)
Proceeds from loans with related corporations	**77,596**	290,224
Repayment of loans with related corporations	**(240,988)**	(419,113)
Dividends paid to shareholder	**(81,764)**	(107,299)
Dividends paid to non-controlling interests	**(7,410)**	(12,525)
Interest paid	**(11,156)**	(14,427)
Net decrease in cash and cash equivalents	**(15,952)**	(132,910)
Cash and cash equivalents at beginning of the year	**243,497**	382,022
Exchange difference on cash and cash equivalents at beginning of the year	**6,729**	(5,615)
Cash and cash equivalents at end of the year	**234,274**	243,497

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FINANCIAL HIGHLIGHTS

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Income Statement					
Revenue	**2,095,614**	2,071,464	2,088,105	2,025,627	1,926,800
Profit					
EBITDA	**293,483**	321,637	342,022	323,320	299,886
EBIT	**222,013**	261,471	291,828	274,306	242,114
PBT	**290,600**	282,999	319,442	297,840	278,198
Net Profit	**226,720**	220,144	259,214	253,242	231,794
Balance Sheet					
Property, plant and equipment	**820,145**	671,068	679,552	630,709	836,777
Intangible and other assets	**464,764**	470,953	469,284	298,485	255,096
Inventories and work-in-progress	**494,257**	560,001	666,523	603,391	334,451
Trade receivables, deposits and prepayments	**626,286**	579,149	551,883	614,346	498,591
Bank balances and other liquid funds, and short-term investments	**234,643**	243,856	382,226	305,219	253,904
Current liabilities	**1,262,967**	1,139,953	1,519,751	1,374,363	1,082,014
Non-current liabilities	**611,257**	639,407	703,080	601,082	629,349
Share capital	**368,512**	368,512	152,512	152,512	152,512
Capital and other reserves	**(18,560)**	(41,493)	(37,753)	(73,513)	(65,331)
Retained earnings	**336,358**	341,402	338,557	341,709	332,843
Non-controlling interests	**79,561**	77,246	73,321	55,997	47,432
Financial Indicators					
Earnings per share (cents)	**48.39**	46.99	102.65	100.29	115.90
Net assets value per share (cents)	**163.47**	159.16	208.56	238.35	233.73
Return on sales (%)	**11.2**	11.1	12.7	12.7	12.3
Return on equity (%)	**29.2**	29.2	48.0	52.0	48.8
Return on total assets (%)	**8.9**	9.1	9.7	10.5	10.8
Return on capital employed (%)	**16.9**	15.7	19.6	20.1	20.1
Productivity Data					
Average staff strength (numbers)	**7,126**	7,314	7,370	7,307	7,303
Revenue per employee ($)	**294,080**	283,219	283,325	277,217	263,837
Net profit per employee ($)	**31,816**	30,099	35,172	34,657	31,740
Employment costs ($)	**625,475**	607,228	648,113	657,440	608,257
Employment costs per $ of revenue ($)	**0.30**	0.29	0.31	0.32	0.31
Economic Value Added ($)	**173,674**	162,092	217,064	189,716	180,047
Economic Value Added spread (%)	**11.4**	10.1	14.4	14.8	14.2
Economic Value Added per employee ($)	**24,372**	22,162	29,452	25,964	24,654
Value added ($)	**1,002,326**	975,569	1,035,479	1,032,108	959,184
Value added per employee ($)	**140,658**	133,384	140,499	141,249	131,341
Value added per $ of employment costs ($)	**1.60**	1.61	1.60	1.57	1.58
Value added per $ of gross property, plant and equipment ($)	**0.64**	0.72	0.79	0.83	0.63
Value added per $ of revenue ($)	**0.48**	0.47	0.50	0.51	0.50

Sectoral Financial Review – Electronics

31 December 2015
(Currency - Singapore dollars)

INCOME STATEMENT

	2015 $'000	2014 $'000
Revenue	**1,743,174**	1,614,079
Cost of sales	**(1,222,376)**	(1,125,260)
Gross profit	**520,798**	488,819
Distribution and selling expenses	**(90,657)**	(82,982)
Administrative expenses	**(162,649)**	(153,706)
Other operating expenses	**(88,793)**	(77,760)
Profit from operations	**178,699**	174,371
Other income	**14,654**	10,402
Other expenses	**–**	(6)
Other income, net	**14,654**	10,396
Finance income	**3,683**	4,867
Finance costs	**(6,122)**	(6,136)
Finance costs, net	**(2,439)**	(1,269)
Share of results of associates and joint ventures, net of tax	**38**	470
Profit before taxation	**190,952**	183,968
Taxation	**(27,191)**	(30,614)
Profit for the year	**163,761**	153,354
Attributable to:		
Shareholder of the Company	**163,000**	152,143
Non-controlling interests	**761**	1,211
	163,761	153,354

Sectoral Financial Review – Electronics

31 December 2015
(Currency - Singapore dollars)

BALANCE SHEET

	2015 $'000	2014 $'000
ASSETS		
Non-current assets		
Property, plant and equipment	**185,192**	179,704
Associates and joint ventures	**1,397**	10,297
Investments	**9,902**	3,963
Intangible assets	**335,049**	304,545
Long-term receivable, non-current	**913**	187
Deferred tax assets	**29,726**	30,023
Derivative financial instruments, non-current	**40**	–
	562,219	528,719
Current assets		
Inventories and work-in-progress	**528,333**	381,322
Trade receivables	**424,681**	427,564
Amounts due from related parties, current	**20,743**	104,178
Other receivables, deposits and prepayments	**37,476**	57,776
Advance payments to suppliers	**17,139**	16,976
Loan receivables, current	**5**	7
Bank balances and other liquid funds	**271,435**	277,528
	1,299,812	1,265,351
TOTAL ASSETS	**1,862,031**	1,794,070
EQUITY AND LIABILITIES		
Current liabilities		
Advance payments from customers, current	**165,549**	169,046
Trade payables and accruals, current	**472,571**	387,775
Amounts due to related parties, current	**63,263**	26,934
Provisions	**70,243**	78,382
Progress billings in excess of work-in-progress	**300,451**	375,486
Provision for taxation	**42,201**	48,805
	1,114,278	1,086,428
NET CURRENT ASSETS	**185,534**	178,923
Non-current liabilities		
Advance payments from customers, non-current	**159,172**	182,717
Trade payables and accruals, non-current	**35,683**	42,534
Deferred tax liabilities	**7,040**	4,825
Deferred income	**6,645**	8,565
Derivative financial instruments, non-current	**13**	–
Amounts due to related parties, non-current	**314,892**	271,895
	523,445	510,536
TOTAL LIABILITIES	**1,637,723**	1,596,964
NET ASSETS	**224,308**	197,106
Share capital and reserves	**217,088**	191,847
Non-controlling interests	**7,220**	5,259
	224,308	197,106
TOTAL EQUITY AND LIABILITIES	**1,862,031**	1,794,070

Sectoral Financial Review – Electronics

31 December 2015
(Currency - Singapore dollars)

STATEMENT OF CASH FLOWS

	2015 $'000	2014 $'000
Net cash from operating activities	**65,846**	88,193
Net cash used in investing activities	**(33,151)**	(99,367)
Proceeds from sale of property, plant and equipment	**50**	65
Proceeds from sale of an unquoted investment	**6**	–
Dividends from an associate and a joint venture	**720**	1,297
Purchase of property, plant and equipment	**(32,154)**	(42,574)
Investment in unquoted investments	**(5,281)**	(3,970)
Acquisition of other intangible assets	**(14,168)**	(18,854)
Acquisition of controlling interests in a subsidiary, net of cash acquired	**17,676**	565
Deconsolidation of a subsidiary	**–**	(35,896)
Net cash used in financing activities	**(40,633)**	(188,171)
Repayment of a related party loans	**(2,723)**	(50,140)
Repayment of loans by related parties	**163,000**	93,000
Repayment of a joint venture loan	**–**	(824)
Repayment of lease obligations	**–**	(6)
Proceeds from related parties loans	**46,155**	89,009
Proceeds of a loan from a joint venture	**5,000**	–
Loans to related parties	**(83,000)**	(173,000)
Acquisition of non-controlling interests in subsidiaries	**(7,600)**	–
Dividends paid to shareholder	**(158,059)**	(143,249)
Interest paid	**(2,827)**	(4,005)
Deposits (pledged)/discharged	**(579)**	1,044
Net decrease in cash and cash equivalents	**(7,938)**	(199,345)
Cash and cash equivalents at beginning of the year	**276,893**	476,383
Exchange difference on cash and cash equivalents at beginning of the year	**1,266**	(145)
Cash and cash equivalents at end of the year	**270,221**	276,893

Sectoral Financial Review – Electronics

31 December 2015
(Currency - Singapore dollars)

FINANCIAL HIGHLIGHTS

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Income Statement					
Revenue	**1,743,174**	1,614,079	1,682,278	1,618,717	1,516,975
Profit					
EBITDA	**218,570**	212,733	194,652	185,659	169,536
EBIT	**178,699**	174,371	165,546	158,207	145,587
PBT	**190,952**	183,968	170,328	152,332	136,853
Net Profit	**163,000**	152,143	137,119	119,771	108,802
Balance Sheet					
Property, plant and equipment	**185,192**	179,704	170,244	104,672	79,393
Intangible and other assets	**377,131**	348,855	315,530	329,671	360,524
Inventories and work-in-progress	**528,333**	381,322	280,051	306,697	393,085
Trade receivables, deposits and prepayments	**499,940**	606,661	489,634	421,520	406,138
Bank balances and other liquid funds, and short-term investments	**271,435**	277,528	478,062	398,136	371,411
Current liabilities	**1,114,278**	1,086,428	1,081,005	1,035,080	990,176
Non-current liabilities	**523,445**	510,536	457,767	372,975	475,975
Share capital	**52,522**	52,522	52,522	52,522	52,522
Capital and other reserves	**15,802**	(5,135)	(20,609)	(32,821)	(24,361)
Retained earnings	**148,764**	144,460	150,841	123,022	103,751
Non-controlling interests	**7,220**	5,259	11,995	9,918	12,488
Financial Indicators					
Earnings per share (cents)	**155.17**	144.84	130.53	114.02	103.58
Net assets value per share (cents)	**213.54**	187.64	185.40	145.31	137.47
Return on sales (%)	**9.4**	9.5	8.3	7.6	7.3
Return on equity (%)	**46.8**	47.1	43.7	43.7	41.4
Return on total assets (%)	**8.8**	8.5	8.1	7.8	6.9
Return on capital employed (%)	**23.7**	22.2	23.3	24.8	23.9
Productivity Data					
Average staff strength (numbers)	**6,293**	5,933	5,678	5,485	5,274
Revenue per employee ($)	**277,002**	272,051	296,280	295,117	287,633
Net profit per employee ($)	**25,902**	25,644	24,149	21,836	20,630
Employment costs ($)	**591,543**	536,807	527,360	493,720	457,155
Employment costs per $ of revenue ($)	**0.34**	0.33	0.31	0.31	0.30
Economic Value Added ($)	**132,766**	118,650	106,127	101,777	88,689
Economic Value Added spread (%)	**18.2**	16.6	18.1	19.5	18.0
Economic Value Added per employee ($)	**21,097**	19,998	18,691	18,556	16,816
Value added ($)	**833,641**	764,967	737,285	691,904	633,677
Value added per employee ($)	**132,471**	128,934	129,849	126,145	120,151
Value added per $ of employment costs ($)	**1.41**	1.43	1.40	1.40	1.39
Value added per $ of gross property, plant and equipment ($)	**2.13**	2.12	2.23	2.69	2.84
Value added per $ of revenue ($)	**0.48**	0.47	0.44	0.43	0.42

Sectoral Financial Review – Land Systems

31 December 2015
(Currency - Singapore dollars)

INCOME STATEMENT

	2015 $'000	2014 $'000
Revenue	**1,401,019**	1,405,132
Cost of sales	**(1,133,748)**	(1,140,622)
Gross profit	**267,271**	264,510
Distribution and selling expenses	**(64,989)**	(69,100)
Administrative expenses	**(111,260)**	(106,692)
Other operating expenses	**(43,833)**	(49,991)
Profit from operations	**47,189**	38,727
Other income	**13,239**	14,525
Other expenses	**(1,645)**	(1,570)
Other income, net	**11,594**	12,955
Finance income	**2,880**	3,124
Finance costs	**(13,252)**	(11,655)
Finance costs, net	**(10,372)**	(8,531)
Share of results of associates and joint ventures, net of tax	**16,590**	13,050
Profit before taxation	**65,001**	56,201
Taxation	**(14,395)**	(11,001)
Profit for the year	**50,606**	45,200
Attributable to:		
Shareholder of the Company	**55,736**	50,323
Non-controlling interests	**(5,130)**	(5,123)
	50,606	45,200

Sectoral Financial Review – Land Systems

31 December 2015
(Currency - Singapore dollars)

BALANCE SHEET

	2015 $'000	2014 $'000
ASSETS		
Non-current assets		
Property, plant and equipment	**354,677**	372,275
Associates and joint ventures	**121,781**	112,750
Investments	**189**	378
Intangible assets	**208,201**	205,335
Long-term receivables, non-current	**–**	13
Finance lease receivables, non-current	**523**	973
Deferred tax assets	**25,993**	18,028
Amounts due from related parties, non-current	**6,049**	5,650
Derivative financial instruments, non-current	**1,138**	1,196
	718,551	716,598
Current assets		
Inventories and work-in-progress	**657,231**	673,177
Trade receivables	**279,305**	359,991
Amounts due from related parties, current	**18,635**	27,726
Advances and other receivables	**96,856**	134,505
Long-term receivables, current	**30**	61
Finance lease receivables, current	**3,173**	6,872
Derivative financial instruments, current	**3,562**	609
Bank balances and other liquid funds	**199,518**	284,226
	1,258,310	1,487,167
TOTAL ASSETS	**1,976,861**	2,203,765
EQUITY AND LIABILITIES		
Current liabilities		
Advance payments from customers, current	**217,493**	247,876
Trade payables and accruals	**427,597**	468,553
Amounts due to related parties, current	**120,792**	119,872
Progress billings in excess of work-in-progress	**9,594**	1,848
Provisions	**77,135**	60,199
Provision for taxation	**32,256**	30,907
Lease obligations, current	**76**	153
Long-term loans, current	**163**	148
Short-term bank loans	**47,257**	29,820
Short-term loan from non-controlling interests	**1,615**	–
Derivative financial instruments, current	**8,186**	5,687
	942,164	965,063
NET CURRENT ASSETS	**316,146**	522,104

Sectoral Financial Review – Land Systems

31 December 2015
(Currency - Singapore dollars)

BALANCE SHEET (continued)

	2015 $'000	2014 $'000
Non-current liabilities		
Advance payments from customers, non-current	**356,379**	478,074
Trade payables and accruals, non-current	**1,150**	2,455
Amounts due to related parties, non-current	**295,941**	356,810
Lease obligations, non-current	**–**	107
Long-term loans, non-current	**310**	441
Long-term bank loan	**–**	6,605
Deferred income	**42,460**	50,588
Deferred tax liabilities	**66,555**	63,041
Derivative financial instruments, non-current	**8,512**	8,142
	771,307	966,263
TOTAL LIABILITIES	**1,713,471**	1,931,326
NET ASSETS	**263,390**	272,439
Share capital and reserves	**221,847**	223,060
Non-controlling interests	**41,543**	49,379
	263,390	272,439
TOTAL EQUITY AND LIABILITIES	**1,976,861**	2,203,765

Sectoral Financial Review – Land Systems

31 December 2015
(Currency - Singapore dollars)

STATEMENT OF CASH FLOWS

	2015 $'000	2014 $'000
Net cash from operating activities	**47,525**	122,107
Cash flows used in investing activities	**(14,743)**	(43,407)
Proceeds from sale of property, plant and equipment	**580**	1,834
Proceeds from sale of an investment property	**–**	22,000
Proceeds from disposal of a subsidiary	**–**	2
Proceeds from disposal of quoted equity investment	**–**	1
Proceeds from disposal of a joint venture	**–**	3,280
Repayment of short-term loan by joint ventures	**272**	3,887
Dividends from associates	**7,652**	9,418
Purchase of property, plant and equipment	**(22,371)**	(83,829)
Purchase of intangible assets	**(876)**	–
Cash flows used in financing activities	**(117,118)**	(47,289)
Interest paid	**(10,414)**	(10,190)
Repayment of short-term related party loans	**(72,705)**	(7,865)
Proceeds from short-term related party loans	**46,752**	20,000
Short-term loan to a related corporation	**(20,000)**	–
Repayment of short-term loan by a related corporation	**20,000**	–
Repayment of short-term immediate holding company loans	**(65,500)**	(47,000)
Proceeds from short-term immediate holding company loans	**44,100**	–
Proceeds from long-term immediate holding company loans	**–**	50,000
Repayment of long-term immediate holding company loans	**(50,000)**	–
Repayment of long-term related party loans	**(710)**	–
Repayment of short-term loans	**(156)**	(369)
Proceeds from short-term bank loans	**40,540**	28,847
Repayment of short-term bank loans	**(30,802)**	(45,709)
Proceeds of a short-term loan from non-controlling interest	**1,615**	–
Acquisition of non-controlling interests in a subsidiary	**–**	(194)
Dividends paid to shareholder	**(17,800)**	(31,800)
Dividends paid to non-controlling interests	**(3,403)**	(5,666)
Capital contribution from non-controlling interests	**50**	2,596
Deposits discharged	**1,315**	61
Net (decrease)/increase in cash and cash equivalents	**(84,336)**	31,411
Cash and cash equivalents at beginning of the year	**276,750**	244,309
Exchange difference on cash and cash equivalents at beginning of the year	**943**	1,030
Cash and cash equivalents at end of the year	**193,357**	276,750

Sectoral Financial Review – Land Systems

31 December 2015
(Currency - Singapore dollars)

FINANCIAL HIGHLIGHTS

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Income Statement					
Revenue	**1,401,019**	1,405,132	1,485,219	1,525,341	1,506,465
Profit					
EBITDA	**86,170**	76,780	129,555	139,979	136,836
EBIT	**47,189**	38,727	90,472	98,512	100,250
PBT	**65,001**	56,201	111,793	113,268	108,073
Net Profit	**55,736**	50,323	91,239	88,160	83,818
Balance Sheet					
Property, plant and equipment and investment property	**354,677**	372,275	330,063	311,761	307,314
Intangible and other assets	**360,864**	338,296	347,621	324,702	341,267
Inventories and work-in-progress	**657,231**	673,177	673,322	669,198	541,886
Trade receivables, deposits and prepayment	**404,571**	535,791	499,598	504,660	527,333
Bank balances and other liquid funds	**199,518**	284,226	251,846	247,386	151,452
Current liabilities	**942,164**	965,063	898,168	971,044	979,820
Non-current liabilities	**771,307**	966,263	880,972	936,491	734,291
Share capital	**194,445**	194,445	194,445	44,445	44,445
Capital and other reserves	**9,630**	8,655	18,204	(13,842)	(6,478)
Retained earnings	**17,772**	19,960	52,837	67,628	67,606
Non-controlling interests	**41,543**	49,379	57,824	51,941	49,568
Financial Indicators					
Earnings per share (cents)	**10.60**	9.57	17.35	73.12	69.52
Net assets value per share (cents)	**50.08**	51.80	61.47	124.56	128.68
Return on sales (%)	**3.6**	3.2	6.2	5.9	6.0
Return on equity (%)	**15.1**	13.6	22.2	36.1	33.3
Return on total assets (%)	**2.6**	2.1	4.4	4.4	4.8
Return on capital employed (%)	**6.3**	5.2	11.6	14.1	12.2
Productivity Data					
Average staff strength (numbers)	**6,392**	6,738	6,998	6,968	6,872
Revenue per employee ($)	**219,183**	208,538	212,235	218,907	219,218
Net profit per employee ($)	**8,720**	7,469	13,038	12,652	12,197
Employment costs ($)	**353,355**	342,860	340,675	339,518	318,485
Employment costs per $ of revenue ($)	**0.25**	0.24	0.23	0.22	0.21
Economic Value Added ($)	**14,985**	4,963	61,162	72,381	55,121
Economic Value Added spread (%)	**0.8**	(0.4)	6.4	8.8	6.3
Economic Value Added per employee ($)	**2,344**	737	8,740	10,388	8,021
Value added ($)	**485,166**	483,896	517,685	532,146	487,530
Value added per employee ($)	**75,902**	71,816	73,976	76,370	70,944
Value added per $ of employment costs ($)	**1.37**	1.41	1.52	1.57	1.53
Value added per $ of gross property, plant and equipment ($)	**0.67**	0.67	0.80	0.88	0.83
Value added per $ of revenue ($)	**0.35**	0.34	0.35	0.35	0.32

Sectoral Financial Review – Marine

31 December 2015
(Currency - Singapore dollars)

INCOME STATEMENT

	2015 $'000	2014 $'000
Revenue	**958,373**	1,341,951
Cost of sales	**(836,564)**	(1,187,968)
Gross profit	**121,809**	153,983
Distribution and selling expenses	**(5,979)**	(8,906)
Administrative expenses	**(35,068)**	(33,150)
Other operating expenses	**(8,967)**	(11,092)
Profit from operations	**71,795**	100,835
Other income	**7,482**	12,115
Other expenses	**(115)**	(37)
Other income, net	**7,367**	12,078
Finance income	**3,716**	3,931
Finance costs	**(103)**	–
Finance income, net	**3,613**	3,931
Share of results of joint ventures, net of tax	**5,500**	5,936
Profit before taxation	**88,275**	122,780
Taxation	**(2,558)**	(14,695)
Profit for the year	**85,717**	108,085
Attributable to:		
Shareholder of the Company	**85,725**	108,086
Non-controlling interests	**(8)**	(1)
	85,717	108,085

Sectoral Financial Review – Marine

31 December 2015
(Currency - Singapore dollars)

BALANCE SHEET

	2015 $'000	2014 $'000
ASSETS		
Non-current assets		
Property, plant and equipment	**332,533**	334,075
Joint ventures	**8,229**	8,159
Intangible assets	**84**	94
Long-term receivables, non-current	**4,363**	1,001
Deferred tax assets	**17,225**	19,021
Amounts due from related parties, non-current	**4,806**	12,806
Derivative financial instruments, non-current	**2,341**	605
	369,581	375,761
Current assets		
Inventories and work-in-progress	**205,539**	110,445
Trade receivables	**99,581**	117,296
Amounts due from related parties, current	**182,233**	123,776
Other receivables, deposits and prepayments	**8,745**	5,252
Advance payments to suppliers	**58,546**	157,683
Long-term receivables, current	**22**	15
Bank balances and other liquid funds	**78,605**	224,027
	633,271	738,494
TOTAL ASSETS	**1,002,852**	1,114,255
EQUITY AND LIABILITIES		
Current liabilities		
Advance payments from customers, current	**289,630**	289,949
Trade payables and accruals	**234,454**	256,322
Amounts due to related parties, current	**2,885**	2,900
Provisions	**51,940**	51,491
Progress billings in excess of work-in-progress	**112,194**	241,197
Provision for taxation	**–**	14,456
Short-term bank loans	**18,390**	–
	709,493	856,315
NET CURRENT LIABILITIES	**(76,222)**	(117,821)
Non-current liabilities		
Advance payments from customers, non-current	**1,276**	650
Other long-term payables, non-current	**29,281**	29,670
Deferred income	**42,947**	39,606
Amounts due to related parties, non-current	**26,343**	26,343
Derivative financial instruments, non-current	**1,387**	2,799
	101,234	99,068
TOTAL LIABILITIES	**810,727**	955,383
NET ASSETS	**192,125**	158,872
Share capital and reserves	**192,093**	158,834
Non-controlling interests	**32**	38
	192,125	158,872
TOTAL EQUITY AND LIABILITIES	**1,002,852**	1,114,255

Sectoral Financial Review – Marine

31 December 2015
(Currency - Singapore dollars)

STATEMENT OF CASH FLOWS

	2015 $'000	2014 $'000
Net cash (used in)/from operating activities	**(52,265)**	112,462
Net cash used in investing activities	**(10,850)**	(15,064)
Proceeds from disposal of property, plant and equipment	**853**	39
Proceeds from insurance settlement	**–**	5,220
Purchase of property, plant and equipment	**(17,133)**	(21,323)
Dividends from joint ventures	**5,430**	1,000
Net cash used in financing activities	**(83,827)**	(209,460)
Proceeds from short-term bank loan	**29,354**	–
Repayment of short-term bank loan	**(11,197)**	–
Proceeds from related corporation loan	**2,829**	–
Repayment of related corporation loan	**(2,852)**	–
Loans to related corporations	**(199,128)**	(115,494)
Repayment of loans by related corporations	**156,240**	19,814
Dividends paid to shareholders	**(59,023)**	(113,780)
Interest paid	**(50)**	–
Net decrease in cash and cash equivalents	**(146,942)**	(112,062)
Cash and cash equivalents at beginning of the year	**224,027**	333,058
Exchange difference on cash and cash equivalents at beginning of the year	**1,520**	3,031
Cash and cash equivalents at end of the year	**78,605**	224,027

Sectoral Financial Review – Marine

31 December 2015
(Currency - Singapore dollars)

FINANCIAL HIGHLIGHTS

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Income Statement					
Revenue	**958,373**	1,341,951	1,238,847	1,011,092	877,204
Profit					
EBITDA	**101,404**	127,933	152,993	136,565	123,152
EBIT	**71,795**	100,835	134,479	122,226	110,522
PBT	**88,275**	122,780	146,310	127,582	121,617
Net Profit	**85,725**	108,086	109,955	95,013	91,465
Balance Sheet					
Property, plant and equipment	**332,533**	334,075	324,043	151,322	118,578
Intangible and other assets	**30,219**	28,776	70,050	38,058	35,214
Inventories and work-in-progress	**205,539**	110,445	112,178	280,740	236,426
Trade receivables, deposits and prepayment	**355,956**	416,932	301,487	196,915	233,480
Bank balances and other liquid funds and short-term investments	**78,605**	224,027	333,058	221,442	139,889
Current liabilities	**709,493**	856,315	846,639	624,457	574,776
Non-current liabilities	**101,234**	99,068	103,680	139,636	73,563
Share capital	**50,856**	50,856	50,856	50,856	50,856
Capital and other reserves	**9,051**	2,494	28,425	(6,920)	2,369
Retained earnings	**132,186**	105,484	111,178	80,907	62,137
Non-controlling interests	**32**	38	38	(459)	(114)
Financial Indicators					
Earnings per share (cents)	**43.83**	55.27	56.22	48.58	46.77
Net assets value per share (cents)	**98.24**	81.24	97.41	63.60	58.93
Return on sales (%)	**8.9**	8.1	8.9	9.4	10.4
Return on equity (%)	**39.2**	58.4	50.7	62.8	64.5
Return on total assets (%)	**8.5**	9.7	9.6	10.7	12.0
Return on capital employed (%)	**41.3**	42.9	63.3	74.1	50.2
Productivity Data					
Average staff strength (numbers)	**1,822**	1,884	1,871	1,834	1,850
Revenue per employee ($)	**526,001**	712,288	662,131	551,304	474,164
Net profit per employee ($)	**47,050**	57,370	58,768	51,806	49,441
Employment costs ($)	**173,487**	180,390	197,545	186,990	174,248
Employment costs per $ of revenue ($)	**0.18**	0.13	0.16	0.18	0.20
Economic Value Added ($)	**76,544**	93,593	114,848	91,402	81,042
Economic Value Added spread (%)	**35.8**	37.3	58.2	68.8	44.3
Economic Value Added per employee ($)	**42,011**	49,678	61,383	49,838	43,806
Value added ($)	**294,698**	336,164	366,414	332,510	308,606
Value added per employee ($)	**161,744**	178,431	195,839	181,303	166,814
Value added per $ of employment costs ($)	**1.70**	1.86	1.85	1.78	1.77
Value added per $ of gross property, plant and equipment ($)	**0.41**	0.49	0.56	0.77	0.79
Value added per $ of revenue ($)	**0.31**	0.25	0.30	0.33	0.35

Shareholding Statistics

As at 29 February 2016

SHARE CAPITAL

Paid-Up Capital (including treasury shares)	:	S$895,925,583.405
Number of issued ordinary shares (excluding treasury shares)	:	3,100,584,160
Number of ordinary shares held in treasury	:	21,911,037
Percentage of such holding against the number of issued ordinary shares (excluding ordinary shares held in treasury)	:	0.7067%
Class of Shares	:	Ordinary Shares One Special Share held by the Minister for Finance
Voting Rights	:	One vote per share (excluding ordinary shares held in treasury)

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 29 February 2016, 42.10% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares (excluding treasury shares)	%
1 --- 99	775	2.02	13,960	0.00
100 --- 1,000	5,068	13.22	4,294,905	0.14
1,001 --- 10,000	25,473	66.43	117,088,125	3.78
10,001 --- 1,000,000	6,994	18.24	265,910,555	8.57
1,000,001 and above	36	0.09	2,713,276,615	87.51
	38,346	100.00	3,100,584,160	100.00

Substantial Shareholder	No. of Shares Direct Interest	Deemed Interest	Total Interest	%*
Temasek Holdings (Private) Limited	1,554,764,574	37,836,336 (1)	1,592,600,910	51.36
Aberdeen Asset Management PLC	-	195,648,471 (2)	195,648,471	6.31005
Aberdeen Asset Management Asia Limited	-	179,159,171 (3)	179,159,171	5.77823

Notes:

(1) Includes deemed interests held through subsidiaries and associated companies.

(2) Includes interests held by Aberdeen Asset Management PLC and its subsidiaries, including Aberdeen Asset Management Asia Limited.

(3) Details of their deemed interests are not available.

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company (excluding ordinary shares held in treasury).

Shareholding Statistics

As at 29 February 2016

MAJOR SHAREHOLDERS LIST – TOP 20

No.	Name	No. of Shares held	%*
1	Temasek Holdings (Private) Limited	1,554,764,574	50.14
2	DBS Nominees (Private) Limited	297,051,455	9.58
3	Citibank Nominees Singapore Pte Ltd	252,861,652	8.16
4	DBSN Services Pte. Ltd.	203,289,477	6.56
5	BNP Paribas Securities Services	110,680,442	3.57
6	United Overseas Bank Nominees (Private) Limited	68,171,462	2.20
7	HSBC (Singapore) Nominees Pte Ltd	66,385,845	2.14
8	Raffles Nominees (Pte.) Limited	32,702,847	1.06
9	Vestal Investments Pte. Ltd.	28,501,000	0.92
10	Lee Pineapple Company (Pte) Limited	15,000,000	0.48
11	Bank of Singapore Nominees Pte. Ltd.	14,507,227	0.47
12	DB Nominees (Singapore) Pte Ltd	10,043,291	0.32
13	OCBC Nominees Singapore Private Limited	7,754,243	0.25
14	DBS Vickers Securities (Singapore) Pte Ltd	6,218,950	0.20
15	OCBC Securities Private Limited	5,504,435	0.18
16	Tan Pheng Hock	4,892,937	0.16
17	Philip Securities Pte Ltd	3,784,094	0.12
18	Mrs Lee Li Ming Nee Ong	3,500,000	0.11
19	NTUC Fairprice Co-Operative Ltd	2,240,000	0.07
20	Heng Siew Eng	2,214,000	0.07
		2,690,067,931	86.76

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company (excluding ordinary shares held in treasury).

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