

SINGAPORE TELECOMMUNICATIONS LIMITED AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT

The directors present their report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 March 2004.

1. DIRECTORS

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

Chumpol NaLamlieng (Chairman) (appointed as Chairman on 29 August 2003)

Lee Hsien Yang (President and Chief Executive Officer)

Graham John Bradley (appointed on 24 March 2004)

Paul Chan Kwai Wah

Heng Swee Keat (appointed on 4 July 2003)

Simon Israel (appointed on 4 July 2003)

Professor Tommy Koh (appointed on 4 July 2003)

John Powell Morschel

Quek Poh Huat

Jackson Peter Tai

Nicky Tan Ng Kuang

Ang Kong Hua and LG Lim Chuan Poh, who served during the financial year, retired following the conclusion of the Annual General Meeting held on 29 August 2003.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the operation and provision of telecommunications systems and services and investment holding.

The principal activities of the Company's subsidiary companies consist of:

Data communications services;

Investment holding;

Operation of a submarine cable system;

Provision of cable television services;

Provision of information technology services;

Provision of mobile phone and paging services;

Provision of telecommunications and internet services;

Sale and maintenance of telecommunications equipment;

Value added network and computer network services; and

Venture capital investments in start-up technology and telecommunications companies.

Following the reduction of the Company's equity interest in Singapore Post Limited upon its Initial Public Offering and the sale of SingTel Yellow Pages Pte Ltd's (now known as SingTel Interactive Pte. Ltd.) directory assets and businesses during the financial year, postal services and directory advertising and publishing ceased to be principal activities of the Group.

There has been no other significant change in the nature of the principal activities during the financial year.

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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, except for share options granted under the **Singapore Telecom Executives' Share Option Scheme** ("1994 Scheme") and **Singapore Telecom Share Option Scheme 1999** ("1999 Scheme"), and performance shares granted under the **SingTel Executives' Performance Share Plan**.

DIRECTORS' REPORT

4. DIRECTORS' INTEREST IN SHARES AND DEBENTURES

The interests of the directors holding office at the end of the financial year in the share capital and debentures of the Company and related corporations according to the register of directors' shareholdings were as follows:

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31 Mar 2004	At 1 Apr 2003 or date of appointment, if later	At 31 Mar 2004	At 1 Apr 2003 or date of appointment, if later
Singapore Telecommunications Limited				
(Ordinary shares of S\$0.15 each)				
Chumpol NaLamlieng	100,000	–	–	–
Lee Hsien Yang ⁽¹⁾	752,393	752,393	1,407,164	1,740
Graham John Bradley	70,000	70,000	–	–
Paul Chan Kwai Wah	1,880	1,880	1,740	1,740
Heng Swee Keat	1,490	1,490	–	–
Simon Israel	5,000	5,000	45,000	25,000
Professor Tommy Koh	3,700	3,700	650	650
John Powell Morschel	3,200	3,200	–	–
Quek Poh Huat	1,880	1,880	1,740	1,740
Jackson Peter Tai	110,000	110,000	–	–
Nicky Tan Ng Kuang	60,000	–	–	–
(Options to purchase ordinary shares of S\$0.15 each)				
Chumpol NaLamlieng ⁽²⁾	60,000	60,000	–	–
Lee Hsien Yang ⁽³⁾	6,050,000	6,170,000	–	–
Paul Chan Kwai Wah ⁽²⁾	60,000	60,000	–	–
John Powell Morschel ⁽²⁾	60,000	60,000	–	–
Quek Poh Huat ⁽²⁾	60,000	60,000	–	–
Jackson Peter Tai ⁽²⁾	60,000	60,000	–	–
Nicky Tan Ng Kuang ⁽²⁾	–	60,000	–	–
SembCorp Industries Limited				
(Ordinary shares of S\$0.25 each)				
Quek Poh Huat	36,890	36,890	–	–
(Options to purchase ordinary shares of S\$0.25 each)				
Chumpol NaLamlieng	117,500	100,000	–	–
SembCorp Logistics Limited				
(Options to purchase ordinary shares of S\$0.25 each)				
Lee Hsien Yang	–	–	384,000	384,000
Singapore Airlines Limited				
(Ordinary shares of S\$0.50 each)				
Lee Hsien Yang	–	16,000	–	–
Paul Chan Kwai Wah	–	–	20,000	20,000
Simon Israel	3,000	3,000	6,500	6,500
Singapore Computer Systems Limited				
(Ordinary shares of S\$0.25 each)				
Quek Poh Huat	15,000	15,000	–	–

DIRECTORS' REPORT

4. DIRECTORS' INTEREST IN SHARES AND DEBENTURES (cont'd)

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31 Mar 2004	At 1 Apr 2003 or date of appointment, if later	At 31 Mar 2004	At 1 Apr 2003 or date of appointment, if later
Singapore Technologies Engineering Limited				
(Ordinary shares of S\$0.10 each)				
Quek Poh Huat	763,228	763,228	–	–
(Options to purchase ordinary shares of S\$0.10 each)				
Quek Poh Huat	144,000	78,000	–	–
ST Assembly Test Services Ltd				
(Ordinary shares of S\$0.25 each)				
Quek Poh Huat	–	–	1,000	1,000
SMRT Corporation Ltd				
(Ordinary shares of S\$0.10 each)				
Quek Poh Huat	–	–	8,000	8,000
The Ascott Group Limited				
(Ordinary shares of S\$0.20 each)				
Paul Chan Kwai Wah	13,020	13,020	–	–
Raffles Holdings Limited				
(Ordinary shares of S\$0.50 each)				
Professor Tommy Koh	10,000	10,000	–	–
CapitaLand Limited				
(Ordinary shares of S\$1 each)				
Lee Hsien Yang	10,000	10,000	–	–
Professor Tommy Koh	1,250	1,250	–	–
Jackson Peter Tai	50,000	50,000	–	–
(Options to purchase ordinary shares of S\$1 each)				
Jackson Peter Tai	500,000	410,000	–	–

Notes:

- (1) Lee Hsien Yang was awarded up to 1,405,424 ordinary shares of S\$0.15 each in Singapore Telecommunications Limited pursuant to the SingTel Executives' Performance Share Plan, subject to certain performance criteria being met and other terms and conditions.
- (2) At exercise price of S\$1.42 per share (2003: S\$1.42 per share).
- (3) At exercise price of between S\$1.36 and S\$3.03 per share (2003: between S\$1.36 and S\$3.03 per share). Included in the share options as at 31 March 2004 are 2,150,000 (2003: 2,150,000) Performance Share Options which will only vest if performance targets are met.

Between the end of the financial year and 21 April 2004, Graham John Bradley acquired an additional 30,000 ordinary shares of S\$0.15 each in Singapore Telecommunications Limited.

Except as disclosed above, there were no changes in any of the above-mentioned interests between the end of the financial year and 21 April 2004.

5. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements and this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' REPORT

6. SHARE OPTIONS

The Compensation Committee is responsible for administering the share option plans. At the date of this report, the Committee members are Chumpol NaLamlieng (Chairman of the Committee), John Powell Morschel and Jackson Peter Tai.

Share options exercised and cancelled during the financial year, and options outstanding at the end of the financial year, were as follows:

(a) 1994 Scheme

Date of grant	Exercise period	Exercise price	Balance as at 1.4.03 ('000)	Options cancelled ('000)	Balance as at 31.3.04 ('000)
17.6.98	18.6.99 to 17.6.03	S\$2.05	3,091	3,091	–

Following the approval of the 1999 Scheme by shareholders at the Extraordinary General Meeting held on 29 September 1999, the 1994 Scheme was terminated.

Included in the balance as at 1 April 2003 were 120,000 share options granted on 17 June 1998 to an executive director. All outstanding options granted under the 1994 Scheme lapsed on 17 June 2003.

(b) 1999 Scheme

Date of grant	Exercise period	Exercise price	Balance as at 1.4.03 ('000)	Options exercised ('000)	Options cancelled ('000)	Balance as at 31.3.04 ('000)
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Market Price Share Options

For staff and senior management

9.11.99	10.11.00 to 9.11.09	S\$3.03	7,756	–	437	7,319
15.5.00	16.5.01 to 15.5.10	S\$2.29	30	–	30	–
9.6.00	10.6.01 to 9.6.10	S\$2.26	31,046	208	2,054	28,784
3.7.00	4.7.01 to 3.7.10	S\$2.40	30	–	30	–
7.8.00	8.8.01 to 7.8.10	S\$2.33	20	–	–	20
1.9.00	2.9.01 to 1.9.10	S\$2.75	113	–	113	–
11.9.00	12.9.01 to 11.9.10	S\$2.66	20	–	–	20
25.9.00	26.9.01 to 25.9.10	S\$2.59	20	–	–	20
2.10.00	3.10.01 to 2.10.10	S\$2.54	555	–	–	555
25.10.00	26.10.01 to 25.10.10	S\$2.70	10	–	–	10
2.1.01	3.1.02 to 2.1.11	S\$2.68	40	–	–	40
8.1.01	9.1.02 to 8.1.11	S\$2.67	225	–	–	225
12.2.01	13.2.02 to 12.2.11	S\$2.85	15	–	–	15
19.2.01	20.2.02 to 19.2.11	S\$2.84	35	–	15	20
2.5.01	3.5.02 to 2.5.11	S\$1.80	225	–	–	225
30.5.01	31.5.02 to 30.5.11	S\$1.69	52,557	11,985	3,681	36,891
1.6.01	2.6.02 to 1.6.11	S\$1.67	30	–	–	30
2.7.01	3.7.02 to 2.7.11	S\$1.84	25	–	–	25
5.7.01	6.7.02 to 5.7.11	S\$1.86	15	–	–	15
9.7.01	10.7.02 to 9.7.11	S\$1.84	40	–	–	40
1.8.01	2.8.02 to 1.8.11	S\$1.81	25	–	–	25
8.8.01	9.8.02 to 8.8.11	S\$1.87	150	–	150	–
16.8.01	17.8.02 to 16.8.11	S\$1.89	78	–	–	78
1.10.01	2.10.02 to 1.10.11	S\$1.76	20	12	–	8
29.11.01	30.11.02 to 29.11.11	S\$1.73	37,815	388	3,388	34,039
10.12.01	11.12.02 to 10.12.11	S\$1.75	222	–	–	222
21.2.02	22.2.03 to 21.2.12	S\$1.63	69	–	–	69
30.5.02	31.5.03 to 30.5.12	S\$1.54	101,536	9,668	7,674	84,194
3.6.02	4.6.03 to 3.6.12	S\$1.54	125	–	–	125
8.7.02	9.7.03 to 8.7.12	S\$1.42	36	–	–	36
26.8.02	27.8.03 to 26.8.12	S\$1.50	222	–	–	222

DIRECTORS' REPORT

6. SHARE OPTIONS (cont'd)

(b) 1999 Scheme (cont'd)

Date of grant	Exercise period	Exercise price	Balance as at 1.4.03 ('000)	Options exercised ('000)	Options cancelled ('000)	Balance as at 31.3.04 ('000)
For executive director						
9.11.99	10.11.00 to 9.11.09	S\$3.03	500	–	–	500
9.6.00	10.6.01 to 9.6.10	S\$2.26	1,500	–	–	1,500
30.5.01	31.5.02 to 30.5.11	S\$1.69	1,900	–	–	1,900
For non-executive directors						
9.9.02	10.9.03 to 9.9.12	S\$1.42	560	200	60	300
			237,564	22,462	17,631	197,472
Performance Share Options						
For senior management						
3.7.02	3.7.05 to 3.7.12	S\$1.36	9,616	266	877	8,474
For executive director						
3.7.02	3.7.05 to 3.7.12	S\$1.36	2,150	–	–	2,150
			11,766	266	877	10,624
Total			249,330	22,727	18,507	208,095

The 1999 Scheme was suspended with the implementation of the **SingTel Executives' Performance Share Plan** following a review of the remuneration policy across SingTel Group in 2003. Hence, no share option was granted in the financial year ended 31 March 2004. The existing share options granted will continue to vest according to the terms and conditions of the schemes and the respective grants.

Details of the directors' share options are set out in the following table:

	Options granted during the financial year ended 31 Mar 2004	Aggregate options granted since commencement of scheme to 31 Mar 2004	Aggregate options exercised since commencement of scheme to 31 Mar 2004	Aggregate options outstanding as at 31 Mar 2004
1999 Scheme				
Chumpol NaLamlieng	–	60,000	–	60,000
Lee Hsien Yang	–	6,050,000	–	6,050,000
Graham John Bradley	–	–	–	–
Paul Chan Kwai Wah	–	60,000	–	60,000
Heng Swee Keat	–	–	–	–
Simon Israel	–	–	–	–
Professor Tommy Koh	–	–	–	–
John Powell Morschel	–	60,000	–	60,000
Quek Poh Huat	–	60,000	–	60,000
Jackson Peter Tai	–	60,000	–	60,000
Nicky Tan Ng Kuang	–	60,000	60,000	–
Ang Kong Hua ⁽¹⁾	–	140,000	140,000	–
LG Lim Chuan Poh ^{(1) (2)}	–	–	–	–
Keith Tay Ah Kee ⁽³⁾	–	20,000	–	–
		6,570,000	200,000	6,350,000

Notes:

(1) Retired following the conclusion of the Annual General Meeting held on 29 August 2003.

(2) LG Lim Chuan Poh did not accept the share options granted to him.

(3) Retired following the conclusion of the Annual General Meeting held on 30 August 2002. 20,000 SingTel share options were granted to Mr Keith Tay Ah Kee as a director of Singapore Post Pte Ltd ("SingPost") in September 2002. With the Initial Public Offering of SingPost in May 2003, the SingTel share options were cancelled in exchange for SingPost share options.

DIRECTORS' REPORT

6. SHARE OPTIONS (cont'd)

(c) Optus Executive Option Plan

With the acquisition of SingTel Optus Pty Limited ("SingTel Optus"), the **Optus Executive Option Plan** was amended to allow SingTel Optus to discharge its obligations by procuring the issue to the SingTel Optus option holders of ordinary shares in SingTel in the ratio of 1.66 SingTel shares per share option. Details are as follows:

Date of grant	Exercise period	Exercise price	Balance as at 1.4.03 ('000)	Options cancelled ('000)	Balance as at 31.3.04 ('000)
24.5.00 ⁽¹⁾	24.5.03 to 24.5.07	A\$3.70 for 1.66 SingTel shares	8,096	1,135	6,961

Note:

(1) The figures in the table show the number of unissued SingTel shares represented by a corresponding number of outstanding **Optus Executive Option Plan** share options based on a ratio of 1.66 SingTel shares per share option.

From the commencement of the 1999 Scheme to 31 March 2004, an aggregate of 273,767,350 share options have been granted to directors and employees of the Company and its subsidiary companies.

As of 31 March 2004, save as mentioned herein, no share options have been granted to controlling shareholders or their associates, or to parent group directors or employees, and no participant has received 5% or more of the total options available under the share option schemes.

During the current financial year, the Company issued 22,727,300 ordinary shares of S\$0.15 each upon the exercise of 22,727,300 share options at the exercise price of between S\$1.36 and S\$2.26 per share.

The above mentioned options 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.

7. PERFORMANCE SHARE PLANS

Following a review of the remuneration policy across the Group, SingTel implemented the **SingTel Executives' Performance Share Plan** in June 2003 and granted awards to selected employees of the Group ("participants") under this plan. The **SingTel Executives' Performance Share Plan** only allows the Company to purchase and deliver existing ordinary shares to participants upon the vesting of awards. The **SingTel Performance Share Plan** was implemented with the approval of shareholders at the Extraordinary General Meeting held on 29 August 2003 and this plan gives the Company the flexibility to either allot and issue and deliver new ordinary shares or purchase and deliver existing ordinary shares upon the vesting of awards.

Participants will receive fully paid ordinary shares of SingTel free of charge, the equivalent in cash, or combinations thereof, provided that certain prescribed performance targets are met within a prescribed performance period. The performance period for the awards granted in the financial year ended 31 March 2004 is three years. At the end of the performance period, SingTel will determine the number of SingTel shares to be allocated to each participant or category of participants based on the level of attainment of the performance targets.

As at 31 March 2004, 36,898,296 performance shares of the Group were outstanding pursuant to the **SingTel Executives' Performance Share Plan**.

Performance share awards granted and cancelled during the financial year, and share awards outstanding at the end of the financial year, are as follows:

Date of Grant	Share awards granted ('000)	Share awards cancelled ('000)	Balance as at 31 Mar 2004 ('000)
Performance shares (General Awards)			
For staff and senior management			
25.6.03	33,513	1,614	31,899
For executive director			
25.6.03	703	–	703
	34,216	1,614	32,602

DIRECTORS' REPORT

7. PERFORMANCE SHARE PLANS (cont'd)

Date of Grant	Share awards granted ('000)	Share awards cancelled ('000)	Balance as at 31 Mar 2004 ('000)
Performance shares (Senior Management Awards)			
For senior management			
25.6.03	3,593	–	3,593
For executive director			
25.6.03	703	–	703
	4,296	–	4,296
Total	38,512	1,614	36,898

8. AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises the following members, all of whom are non-executive and independent:

Nicky Tan Ng Kuang (Chairman)
Graham John Bradley (appointed on 27 April 2004)
Heng Swee Keat (appointed on 29 August 2003)
Jackson Peter Tai

Chumpol NaLamlieng, who served during the financial year, resigned on 29 August 2003 following a review of the composition of board committees.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50.

In performing its functions, the Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls.

The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2004 as well as the auditors' report thereon.

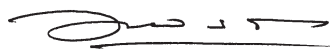
In addition, the Committee has, with the assistance of the internal auditors, reviewed the procedures set up by the Group and the Company to identify and report, and where necessary, seek appropriate approval for interested person transactions.

The Audit Committee has nominated PricewaterhouseCoopers for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

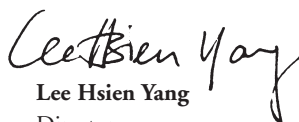
9. AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors



Chumpol NaLamlieng
Chairman



Lee Hsien Yang
Director

Singapore
5 May 2004

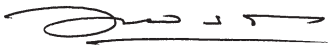
STATEMENT OF DIRECTORS

31 March 2004

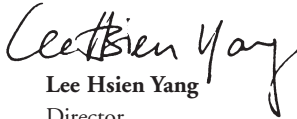
In the opinion of the directors,

- (a) the financial statements of the Group and Company as set out on pages 68 to 134 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2004 and of the results of the business, changes in equity of the Group and Company and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



Chumpol NaLamlieng
Chairman



Lee Hsien Yang
Director

Singapore
5 May 2004

AUDITORS' REPORT

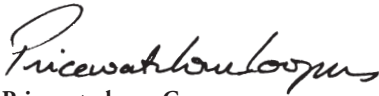
To the Members of Singapore Telecommunications Limited

We have audited the financial statements of Singapore Telecommunications Limited and the consolidated financial statements of the Group for the financial year ended 31 March 2004 set out on pages 68 to 134. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the financial statements of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and the results and changes in equity of the Company and of the Group and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers

Certified Public Accountants

Singapore
5 May 2004