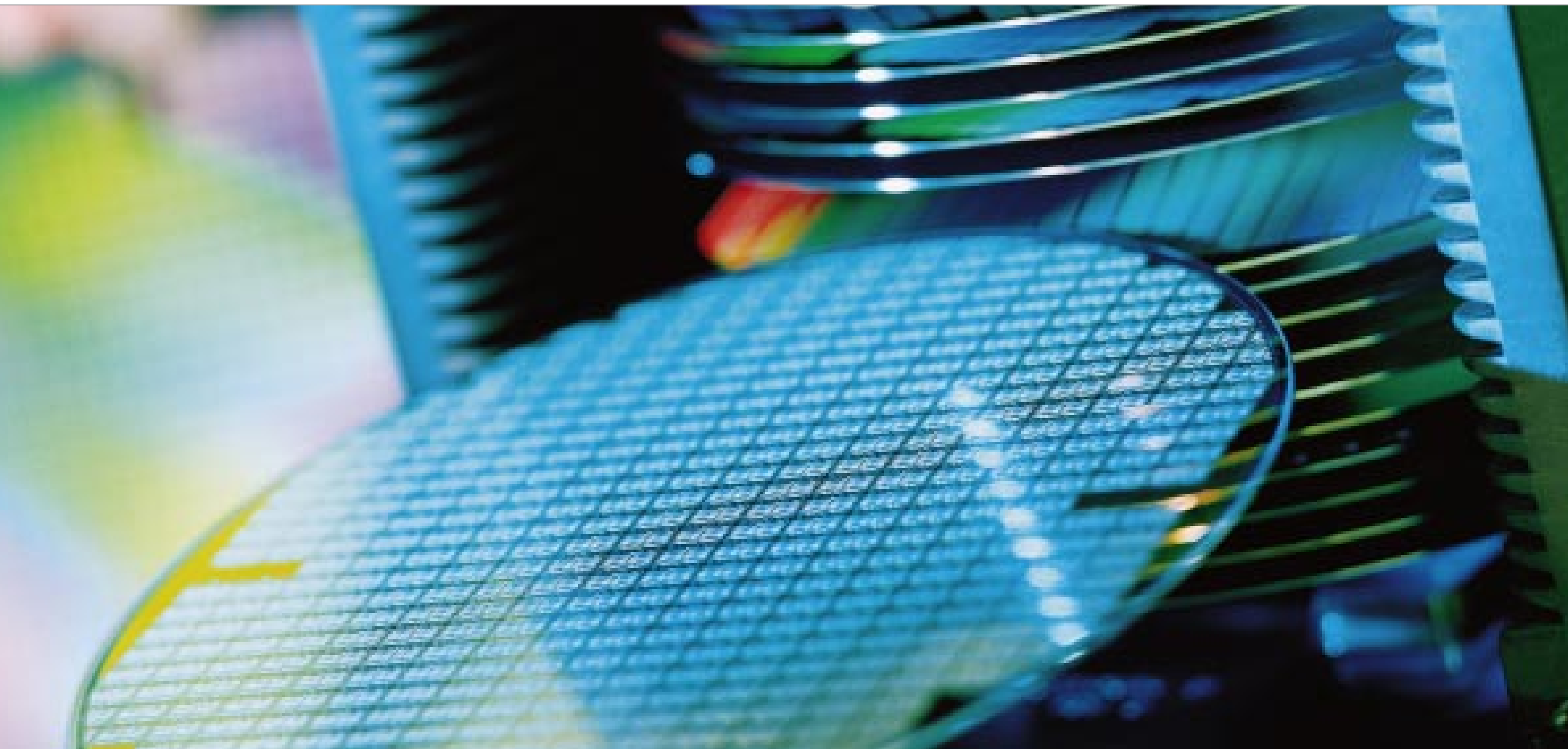
Chartered Semiconductor Manufacturing

1999 Annual Report

The right solution.



Two important megatrends are reshaping today's semiconductor industry: Increasingly, semiconductor companies are strategically using external foundry services to manufacture their semiconductor products. Additionally, a rapidly expanding communications infrastructure is driving demand for semiconductor products. As a leading foundry services provider with a focus on enabling technology for communications markets, Chartered is well positioned to benefit from these important trends.

The Chartered solution.

Chartered collaborates with leading industry innovators to create win-win partnerships. These partnerships build on our core competencies as a top-tier foundry and developer of state-of-the-art process technologies. Structured to support the system-level needs of all our customers, these partnerships allow us to create a distinct "third win" advantage that is the Chartered solution.

Corporate Profile

Chartered Semiconductor Manufacturing Ltd is one of the world's leading independent foundry service suppliers. We enable our customers' success by being the trusted manufacturing service provider and a valued supplier based on our global service, product quality, and technology offerings. To this end, we concentrate our resources on building long-term partnerships with our customers and providing advanced technology that enables our customers to create the best system-level solutions available in the industry.

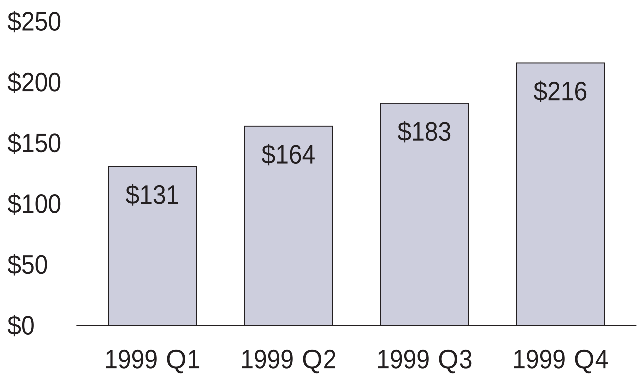
Founded in 1987, Chartered is based in Singapore and has approximately 3,400 employees worldwide. As of December 31, 1999, Singapore Technologies (ST) and its affiliates held a 70.2% ownership interest in Chartered. ST is one of Singapore's largest industrial conglomerates and is indirectly wholly owned by the Government of Singapore.

Financial Highlights

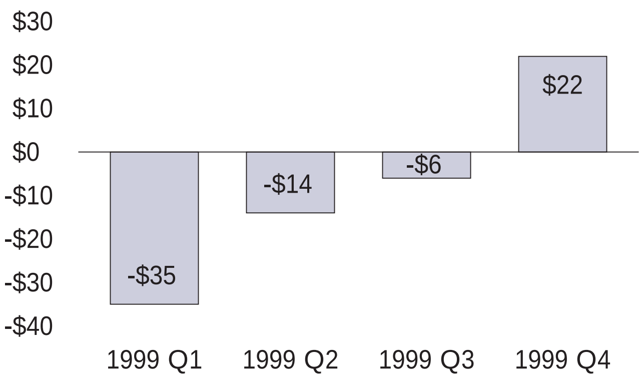
Fiscal year ended	1997	1998	1999	98/99 % Increase
In millions of US Dollars				
Net revenue	$ 380	$ 423	$ 694	64%
Net loss	(120)	(190)	(33)	83%
Net loss per ADS	(2.44)	(2.42)	(0.32)	
Net loss per share	(0.24)	(0.24)	(0.03)	
ADSs used in calculation ('000 shares)	49,041	78,454	103,518	32%
Total assets	$ 1,279	$ 1,322	$ 2,133	61%
Total debt	305	489	557	14%
Shareholders' equity	311	601	1,142	90%
Debt-to-equity ratio	1.0	0.8	0.5	

All currency figures in this report are stated in US Dollars unless otherwise noted.

Revenue In millions of US Dollars



Net Income In millions of US Dollars



To Our Shareholders

Our overall performance reflects our ability to support the increasing opportunities offered by external sourcing of semiconductor manufacturing and the explosive growth of communications markets.

Chartered achieved many milestones in 1999 and established itself as a top-tier wafer foundry services provider and trusted manufacturing partner. Revenues increased 64% from the prior year to a record level of $694 million. Financial performance improved each quarter during the year, and Chartered returned to profitability in the fourth quarter of 1999, recording a net income of $22 million.

The communications market segment accounted for 44% of 1999 revenues, a business share we believe exceeded that of the other independent dedicated foundries. Our overall performance reflects our ability to support the increasing opportunities offered by external sourcing of semiconductor manufacturing and the explosive growth of communications markets. Chartered is ideally positioned to benefit from these megatrends, especially with our expertise in providing technologies supporting system-level applications.

In 1999, we also successfully transitioned from a privately held company to one publicly traded on Nasdaq and the Singapore Exchange. This move opens new avenues to fund growth and allows our performance to be measured within the context of the global market.

Policy Committee and Regional Executives

Back row, left to right: Brian Klene, Vice President, Strategic Development; Justin Lim, PhD, Vice President, Information Technology; Barry Waite, O.B.E., President and CEO; John Martin, PhD, Vice President, Technology Development; Lau Chi Kwan, PhD, Vice President, Quality, Reliability and Assurance; Tan Seng Chai, Vice President, Human Resources; Bruno Guilmart, President, Asia-Pacific and Japan.

Front row, left to right: Robert Baxter, Senior Vice President, Business Operations; Chia Song Hwee, Senior Vice President and Chief Financial Officer; John Docherty, Senior Vice President, Manufacturing Operations; Michael J. Rekuc, President, North America; Walter Prochaska, Vice President, Europe.

Our technology offering and roadmap have been accelerated through another significant partnership with Lucent Technologies Microelectronics. We also entered into a technology alliance with Ericsson Microelectronics. These alliances demonstrate Chartered's role as a trusted partner within a Singaporean environment that offers a competitive cost structure and an intellectual property respectful culture.

By emphasizing the importance of providing the necessary capacity and a competitive suite of system-level technologies, we believe Chartered will be well positioned to take advantage of opportunities offered by our customers.

We plan to double our capacity over the next two years through expansion of our current fabrication facilities, the production ramp of our newest fab—Fab 6, and the construction of a new green-field fab—Fab 7—on our Woodlands campus in Singapore.

In 1999, our Six-Sigma initiative produced our first black-belt experts and was integrated into our total quality management program. We remain committed to national and international environmental initiatives and demonstrate our support through extensive internal programs.

By emphasizing the importance of providing the necessary capacity and a competitive suite of system-level technologies, we believe Chartered will be well positioned to take advantage of opportunities offered by our customers.

Chartered's winning position is *trust*, *service* and *partnership*. Winning also requires the right set of people. Our experienced management team, formed under Singapore Technologies' high standards of corporate governance, works together effectively and has the energy required to lead Chartered through its next era of growth.

Chartered remains well positioned to support the anticipated growth of the foundry services market through our technology offering and additional capacity coming on stream. We will look to you, our shareholders, for your continued support.

Barry Waite, O.B.E.
President and CEO

Chartered's own research and development (R&D) efforts are the cornerstone of our manufacturing capabilities and a key reason that customers choose us as their foundry partner. In 1999, the company increased R&D investment by 36% to $58.9 million. This investment allowed us to continue developing new and advanced processes with line-width geometries down to 0.15um, as well as funding research activities below 0.15um. These strategic R&D programs ensure that our baseline manufacturing process accommodates new technology modules that are the heart of highly differentiated system-level applications.

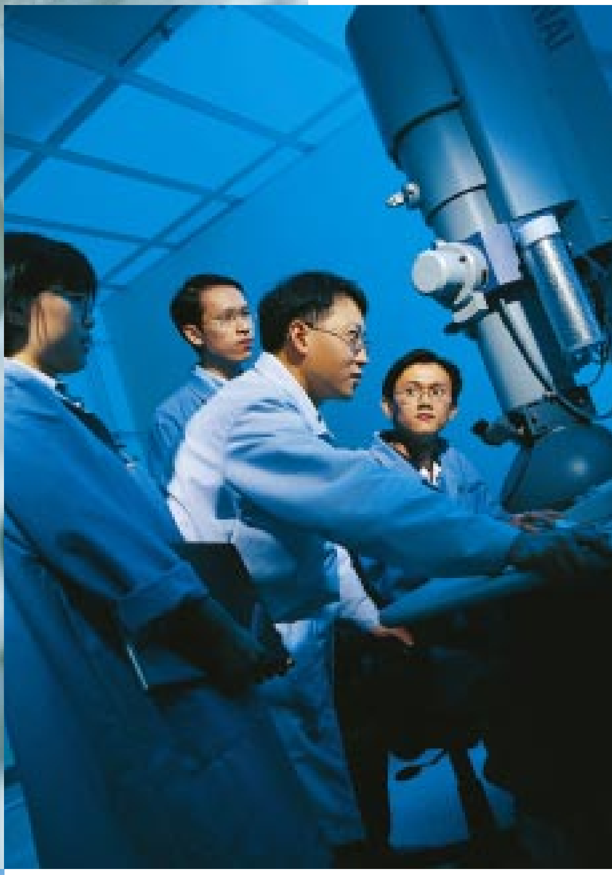
In 1999, we formed two technology-development alliances. In early March, Lucent and Chartered began joint development of advanced aluminum and copper processes that will be used to fabricate systems-on-silicon for the communications, graphics and consumer electronics markets. In December 1999, we initiated an alliance with Ericsson Microelectronics to jointly develop radio-frequency (RF) CMOS and BiCMOS technologies. The resulting manufacturing processes will support wireless communications applications, including the Bluetooth™ specification for pervasive wireless networks.

In both alliances the creation of shared knowledge and expertise is part of the Chartered solution. In this way, other customers can then benefit from the resulting systems technology expertise.

Chartered and our strategic-alliance company, CSP, also signed a cooperative licensing agreement for Motorola's advanced high-performance CMOS process technology, HiPerMOS, including copper interconnect technology.

Partnering with industry innovators.

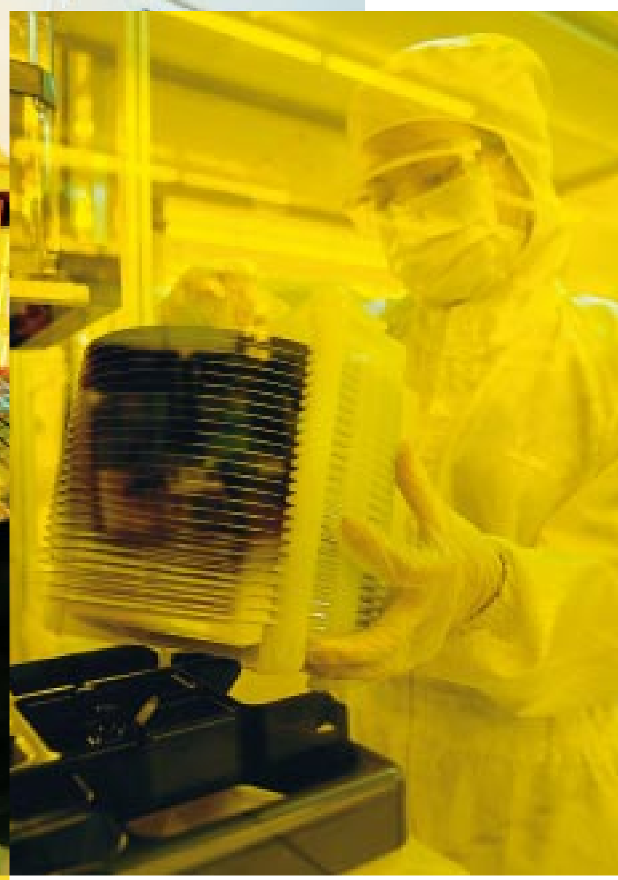
Computer manufacturing systems allow Chartered fab personnel to check the status of wafers at each production step.



Fab personnel serve as resources for each other to solve problems, and mentoring is an essential element to developing new leaders in this highly complex field.

Wafers are held in hermetically sealed containers called "pods". The pods act as a mini-clean environment for the wafers throughout production.

Chartered's partnership strategy includes sponsoring interns from the National University of Singapore and Nanyang Technological University while teaching them within the manufacturing environment.



Wafers are visually inspected during the fabrication process as an extra quality check.

Controlling the complex semiconductor manufacturing process requires both highly skilled employees and specialized equipment.

Each wafer pod contains one “lot,” or set, of wafers for a specific customer. Special yellow lighting in the fab protects wafers during production.

Since the completion of our first fabrication facility in 1989, we have added four additional fabs to meet our customers' growing needs.

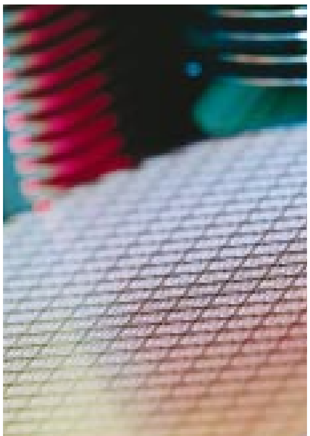
As the semiconductor market continues to expand and the trend toward outsourcing accelerates, we expect our customers to require additional capacity. Therefore, we have plans to double our manufacturing capacity over the next two years.

Our strategy is to add capacity in planned stages. In 1999, we completed building the shell for Fab 6, or Chartered Silicon Partners (CSP), our strategic-alliance company with EDB Investments and a subsidiary of Agilent Technologies, Inc., a spin-off of Hewlett Packard Company. At the publication of this report, we are installing and qualifying the facility's equipment and anticipate volume production to begin in the second quarter of 2000.

As our existing four fabs achieve their planned manufacturing capacity, we are already further expanding them. With new equipment configurations and the utilization of new manufacturing areas, we expect to achieve additional capacity roughly equivalent to that of an additional fab.

Additionally, we broke ground on a new fab—Fab 7—in February of 2000. This mega-fab is currently slated to begin production in mid-2001 and will manufacture state-of-the-art wafers to meet our customers' growing capacity and technology needs.

Expanding capacity to meet customer expectations.



Each wafer consists of individual semi-conductor chips that are as unique in their form, function and design as the customer who designed them.

To provide customers with a complete manufacturing solution, Chartered offers services that begin at the design phase and continue through the delivery of packaged, tested devices. From the beginning, we plan for a structured engagement with our customers early in the design phase of their applications so we can facilitate a seamless flow from product concept through the manufacturing process.

Here the Chartered solution consists of a network of partnerships with electronic design automation (EDA) companies and intellectual property (IP) providers. We work with qualified EDA and IP companies so they can provide tools and libraries matched to Chartered's manufacturing processes in an integrated design flow.

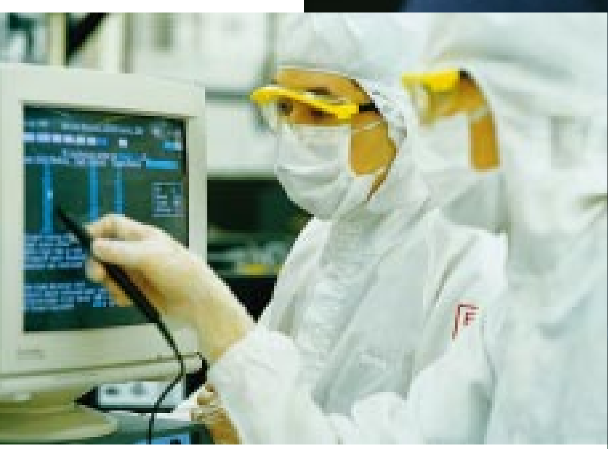
In this way, customers can shorten the time between design and manufacture and, ultimately, market entry. Designs can be optimized for manufacture before they reach the foundry, increasing customer confidence in first-pass silicon success.

Last year we became the first foundry partner for the MIPS® Technologies processor core, which is a key ingredient used in designing a system on a chip with complementary system software. Customers can save time and development costs by using a processor core that has been validated as production-ready in Chartered's fabs.

In each of these areas, IP protection is of the upmost importance. At Chartered, protection of IP is integrated into our business practices through extensive training and safeguards.

Seamless integration of semiconductor design and manufacturing.

We produce test silicon wafers so that IP and EDA design tools and libraries are aligned to our manufacturing process, ensuring an integrated design flow.



While the actual fabrication of semiconductors is controlled by sophisticated computerized equipment, nonetheless, manufacturing is a "hands-on" job requiring thoughtful monitoring and careful analysis at every production step.

Chartered staff verify that customers' designs match the manufacturing process before volume production begins.

Chartered's head-quarters and fabrication facilities are located in Singapore, a multi-cultural country known for its IP respectful culture and global business perspective.

We focus on offering excellent service to our customers. Working as a team, we develop innovative solutions so we will be considered our customers' most trusted manufacturing partner.

Since our founding, we have thoughtfully built a culture based on service, trust, partnership and global experience.

Our international management team gained experience at industry-leading companies. This seasoned group of professionals is matched with an exuberant youthful team of future leaders recruited from universities in Singapore and around the world. By working with Singapore's research institutions and universities, we develop programs that support our ongoing R&D efforts. These relationships help train and develop the next generation of needed engineering talent.

Environmental stewardship is entrusted to companies as well as individuals. Chartered's extensive environmental management system is certified through the internationally recognized ISO 14001 standard. We support the Montreal Protocol on the elimination of ozone depleting substances (ODS). All Chartered fabs are certified by the Singapore Productivity and Standards Board as being in compliance with ODS-free manufacturing processes.

As part of our total quality management approach, Chartered deploys the Six-Sigma methodology across all areas of our business. In 1999, Fab 5, our alliance with Lucent, attained QS9000 certification which is a goal for all of our fabs. We also received two awards at the 16th International Exposition of Quality Circles Conference. These awards are important milestones for measuring our effectiveness. Whether it is IP protection, collaboration for a common benefit, the commitment to quality, or care for the environment, we value the trust placed in Chartered.

A culture based on service, trust, partnership and global experience.

Collaboration is a cornerstone of Chartered's culture. From first engagement with customers, we work to deliver the best results possible.

Our Partners.

Chartered Semiconductor Manufacturing.

Our Customers.

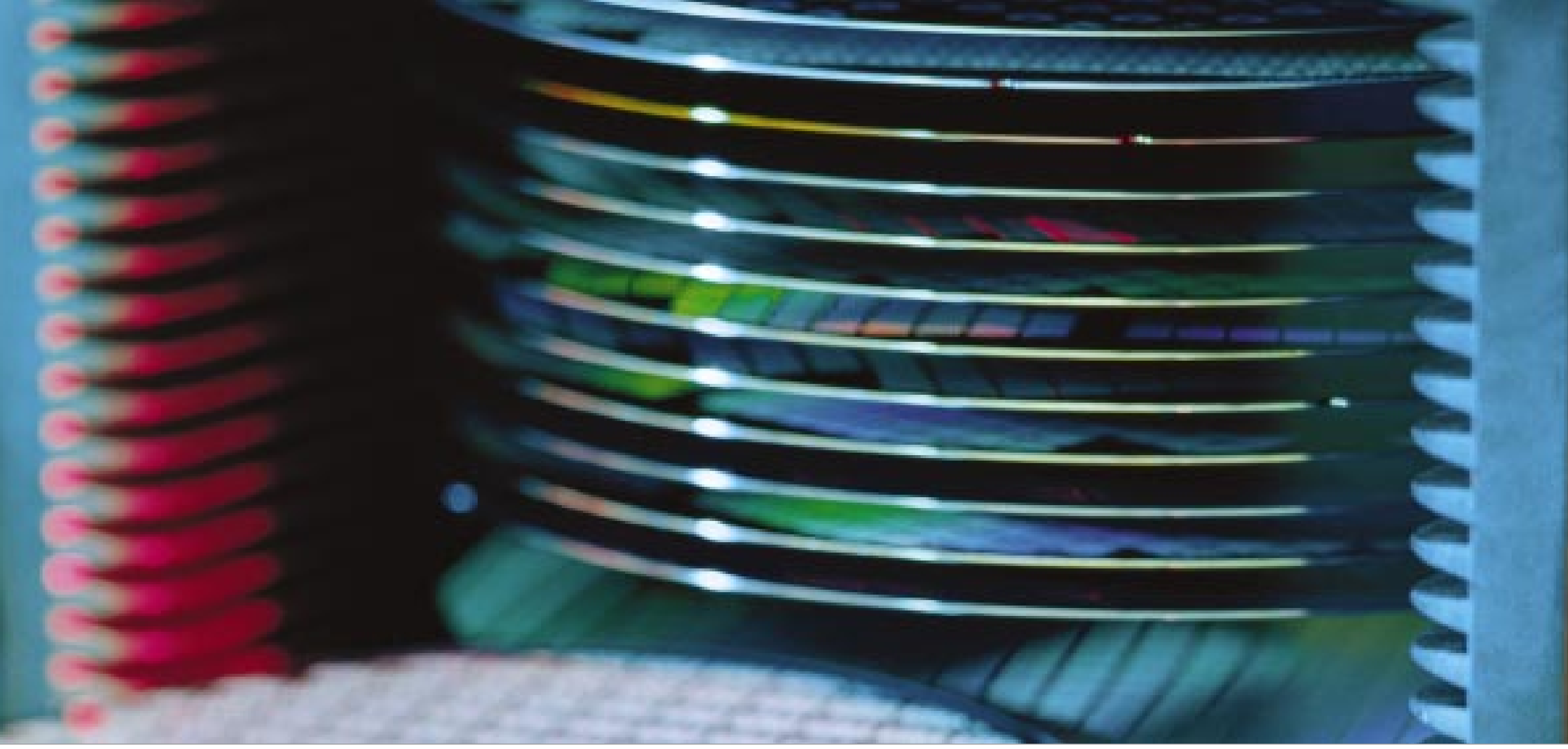
The Chartered solution is a combination of trust, partnerships, services, and people. We understand that our customers are the reason for our success. We value long-term relationships and, therefore, nurture partnerships that create win-win results.

To meet our strategic goals, our partnerships must create a "third win," which is the centerpiece of the Chartered solution. In every collaboration, there must be a clear flow-through benefit

Win. Win. Win.

to other customers in terms of either system-level technology focus, manufacturing process technology access, communications market application, or volume capacity support.

We believe that today's global marketplace makes partnering a fundamental business strategy. It is the centerpiece of our business model and our solution for winning.



The financials.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company operates three wholly-owned fabs in Singapore and holds interests in two strategic alliances for fabs located in Singapore. We hold a 51% equity interest in Chartered Silicon Partners (CSP), which owns and will operate Fab 6, and a 49% equity interest in Silicon Manufacturing Partners (SMP), which owns and operates Fab 5. We account for SMP using the equity method.

As a result of an amendment to the strategic alliance agreement for CSP, we began accounting for this joint venture as a consolidated subsidiary effective October 1, 1999. Historically, CSP had been accounted for using the equity method.

Effective July 1, 1998, we changed our functional currency from the Singapore dollar to the U.S. dollar. Significant changes in economic facts necessitated this change in functional currency.

On October 29, 1999, the Company completed a successful initial public offering. Trading in Chartered's American Depositary Shares began that same day on the Nasdaq National Market in the U.S. and trading of the Company's ordinary shares began on the Singapore Exchange Securities Trading Ltd on November 1, 1999.

On February 18, 2000, the Company broke ground for the construction of a new eight-inch wafer fabrication facility on its main campus in Singapore. The new facility is expected to have a production capacity of approximately 60,000 eight-inch wafers per month and is expected to be capable of fabricating wafers with 0.15um and smaller process geometries. The cost of construction and equipment in the new facility is currently estimated at approximately $2.1 billion.

1999 RESULTS OF OPERATIONS COMPARED WITH 1998

Net Revenue Net revenue increased 64.3% from $422.6 million in 1998 to $694.3 million in 1999. The higher revenue was due to improved customer demand led by the U.S. region which increased $211.8 million to $477.2 million in 1999, and the addition of new customers in Europe, our fastest growing region, which increased $82.2 million to $89.1 million in 1999.

The combined factors of new customers and increased wafer demand spurred wafer shipments from 439,700 in 1998 to 695,300 in 1999, an increase of 255,600 or 58.1%. The improvement in average selling prices also contributed to net revenue improvement. Average selling prices increased by 4% from $961 per wafer in 1998 to $999 per wafer in 1999. Adjusted to exclude the print-head business that was terminated in 1998, average selling prices increased 2% from 1998 to 1999. The average selling price improvement was mainly due to shipment of wafers with higher mix of advanced technology.

Cost of revenue and gross profit (loss) Cost of revenue increased 19.9% from $439.7 million in 1998 to $527.0 million in 1999, principally due to the increase in production volumes. The increase in the number of wafers produced resulted in a 24.2% decrease in average cost per wafer from $1,000 in 1998 to $758 in 1999. As a result of higher volume of shipments and improved capacity utilization, gross profit for 1999 improved to $167.2 million, or 24.1% of net revenue, from gross loss of $17.0 million, or negative 4.0% of net revenue, in 1998.

Research and development expenses Research and development expenses increased by 35.6% from $43.4 million in 1998 to $58.9 million in 1999. The increase was due principally to expenses for the development of 0.25µm and 0.18µm process technologies, as well as other advanced processes.

Fab start-up costs As a result of the amendment to the strategic-alliance agreement with Agilent Technologies Europe B.V. and EDB Investments Pte Ltd, the Company has treated CSP as a consolidated subsidiary from October 1, 1999 forward. The fab start-up costs for 1998 were due primarily to start-up activities for print head operations (since terminated) and for 1999 were related to start-up costs at CSP.

Sales and marketing expenses Sales and marketing expenses increased by 7.8% from $31.9 million in 1998 to $34.4 million in 1999 due principally to costs of expanding our EDA partnership program and customer support structure in the region.

General and administrative expenses General and administrative expenses increased by 19.3% from $37.4 million in 1998 to $44.6 million in 1999. The increase was due primarily to higher administrative headcount which resulted in higher payroll and staff related expenses.

Costs incurred on termination of development program During 1998, we decided to discontinue a technology transfer and licensing arrangement related to a development program. The program involved the transfer of two generation (geometry) process technologies from the licensor and further enhancing them for application by us. The process technologies were intended for a specific market requiring embedding applications on to memory chips. The program started in mid-1997 and by the later half of 1998, extreme weakness and volatility of the market and adverse customer perceptions on the cost of the application, together with customer views of the long and complicated product development cycle, led to difficulties in both Chartered and the licensor fulfilling the original intent of the agreement. All program transfer, development and marketing activities were terminated in 1998.

In connection with the discontinuation of this development program, certain equipment previously purchased and yet to be placed into service was identified by management in 1998 as redundant and to be disposed. We recorded a $31.8 million loss in 1998 to reduce the carrying amount of certain identified equipment and a technology license agreement to their estimated fair value less costs to sell. This loss comprised $30.9 million for the write-down of plant and equipment to fair value less costs to sell and $0.8 million to reduce the carrying amount of the related technology license agreement to zero. The equipment was unique to or specifically configured to the requirements of the transferred process technologies and could not be re-deployed effectively. We sold one item of equipment in 1999 and we are in the process of evaluating bids to purchase the remaining equipment and expect to sell it in 2000. The technology license agreement written off represented the unamortized amount paid in 1997 for the acquisition of the technology.

In 1999, as a result of subsequent discussions with the licensor regarding the termination of the development program, we recorded a $6.5 million charge representing a final cash settlement amount that allowed an in-principle agreement to be reached on the termination of the license agreement.

Equity in loss of CSP Prior to October 1, 1999, CSP was accounted for using the equity method. Effective October 1, 1999, as a result of an amendment to the CSP strategic-alliance agreement, we have treated CSP as a consolidated subsidiary. Our share of the losses in CSP was $5.6 million in 1998 and $9.5 million for the first nine months of 1999 (the period of time in 1999 for which CSP was accounted for using the equity method).

Equity in loss of SMP Our share of the losses in SMP was $14.9 million in 1998 compared to $23.3 million in 1999. This increase in loss represents the increase in start-up activities for SMP in 1999.

Other income As a result of higher recognizable grants from the Government of Singapore for both research and development and staff training, other income increased from $4.7 million in 1998 to $5.7 million in 1999.

Interest income Interest income increased from $1.7 million in 1998 to $6.7 million in 1999. The increase was due to interest earned from cash proceeds from our initial public offering which were placed in fixed deposits.

Interest expense Interest expense decreased 11.5% from $20.1 million in 1998 to $17.8 million in 1999 due primarily to lower average outstanding loan balances in 1999 compared to 1998.

Exchange gain (loss) Exchange gain increased 11.9% from $5.2 million in 1998 to $5.9 million in 1999 due primarily to the strengthening of the U.S. dollar against the Singapore dollar and the resulting effect on our accrual for operating expenses that were denominated in Singapore dollars.

Income tax expense We had a provision for taxes of $0.9 million in 1998 compared to $2.1 million in 1999. The higher tax provision in 1999 was the result of tax payable on interest earned from cash proceeds from our initial public offering which were placed in fixed deposits.

Minority interest in loss of CSP The minority interest in loss of CSP of $7.5 million in 1999 results from the consolidation of CSP as a subsidiary from October 1, 1999.

1998 RESULTS OF OPERATIONS COMPARED WITH 1997

Net revenue Net revenue increased 11.3%, from $379.8 million in 1997 to $422.6 million in 1998. This increase in revenue was due primarily to an increase in the number of wafers shipped. The number of eight-inch equivalent wafers shipped increased from 344,100 in 1997 to 439,700 in 1998, an increase of 95,600 or 27.8%. This was primarily the result of increased shipment of 0.35um products and, to a lesser extent, the sale of print head chips.

The increase in wafers shipped was offset by a 12.9% decrease in average selling prices, from $1,104 per wafer in 1997 to $961 per wafer in 1998. This decrease was due primarily to worldwide semiconductor overcapacity and a resulting decrease in average prices.

Cost of revenue and gross profit (loss) Cost of revenue increased 19.3% from $368.5 million in 1997 to $439.7 million in 1998, principally due to higher depreciation cost as a result of additional capacity installed in Fabs 1, 2 and 3. The increase in the number of wafers produced resulted in average cost per wafer decreasing 6.6% from $1,071 in 1997 to $1,000 in 1998. We suffered a gross loss of $17.0 million in 1998 compared with gross profit of $11.2 million in 1997. This was the result of declining average selling price and higher cost of revenue including higher depreciation cost.

Research and development expenses The 63.5% increase in research and development expenses from $26.6 million in 1997 to $43.4 million in 1998 was due primarily to activities in improving process technology and the development of new technology, in particular the development of 0.25um and 0.35um process technologies. To support these activities, we increased the number of personnel engaged in research and development by 28 during 1998. In addition, we moved our research and development operations from Fab 2, which was in commercial production, to Fab 3, which was then being equipped with our latest production equipment and was only producing a limited number of wafers. This caused a significant increase in absorption of fixed costs by our research and development activity.

Fab start-up costs Fab start-up costs decreased 86.7% from $10.9 million in 1997 to $1.5 million in 1998. Fab 3 commenced operations in August 1997, after which Fab 3 expenses were no longer classified as start-up costs.

Sales and marketing expenses Sales and marketing expenses increased by 57.9% from $20.2 million in 1997 to $31.9 million in 1998 as we expanded our EDA partnership programs, increased our presence in Europe and the eastern United States and increased our use of wafer samples for prospective business. As a percentage of net revenue, sales and marketing expenses increased from 5.3% in 1997 to 7.5% in 1998.

General and administrative expenses General and administrative expenses increased 24.0% from $30.1 million in 1997 to $37.4 million in 1998. As a percentage of net revenue, general and administrative expenses increased from 7.9% in 1997 to 8.8% in 1998. This increase was due to administrative, payroll and other expenses in connection with the commencement of production in Fab 3 in 1997.

Cost relating to termination of development program In connection with the discontinuation of the development program described above under "—1999 Results of Operations Compared with 1998—Costs incurred on termination of development program", certain equipment previously purchased and yet to be placed into service was identified by management in 1998 as redundant and to be disposed of in the near term. We recorded a $31.8 million loss in 1998 to reduce the carrying amount of certain identified equipment and a technology license agreement to their estimated fair value less costs to sell. This loss comprised $30.9 million for the write-down of plant and equipment to fair value less costs to sell and $0.8 million to reduce the carrying amount of the related technology license agreement to zero. The equipment was unique to or specifically configured to the requirements of the transferred process technologies and could not be re-deployed effectively. The technology license agreement written off represented the unamortized amount paid in 1997 for the acquisition of the technology. As of December 31, 1998, management did not expect to incur any further costs with respect to the decision to discontinue the development program.

In 1999, as a result of subsequent discussions with the licensor regarding the termination of the development program, we recorded a $6.5 million charge representing a final cash settlement amount that allowed an in-principle agreement to be reached on the termination of the license agreement. The termination agreement was signed in August 1999. No further payments will be made with respect to this program.

Equity in loss of CSP Our share of the losses in CSP was $5.6 million in 1998 compared to $1.3 million in 1997. The increase in loss was primarily attributable to the increase in pre-operating costs at CSP, which was formed in March 1997.

Equity in loss of SMP Our share of the losses in SMP was $14.9 million in 1998 and was attributable to the pre-operating costs of SMP, which was formed in January 1998.

Interest income Interest income increased from $0.2 million in 1997 to $1.7 million in 1998 due to the additional equity investments in March and October 1998 by existing shareholders. This capital was temporarily deposited in fixed rate interest bearing accounts, before being drawn down for the repayment of indebtedness and purchase of new equipment.

Interest expense Interest expense increased 57.5% from $12.8 million in 1997 to $20.1 million in 1998 due primarily to the higher level of borrowings to finance the expansion of Fab 3. Outstanding loan balances increased from $282.2 million at December 31, 1997 to $468.6 million at December 31, 1998.

Exchange gain (loss) In 1997, we incurred a loss of $31.7 million due to the significant strengthening of the U.S. dollar against the Singapore dollar and its effect on our U.S. dollar denominated liabilities. In 1998, we recognized an exchange gain of $5.2 million in 1998 in a period of relative stability between the U.S. dollar and the Singapore dollar, primarily as a result of the amortization of gains on certain hedging transactions.

Income tax expense Income tax expense increased from $0.4 million in 1997 to $0.9 million in 1998 due primarily to an increase in non-tax exempt interest income.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1999, our principal sources of liquidity included $545.0 million in cash and cash equivalents and $277.8 million of unutilized banking and credit facilities consisting of short-term advances and bank guarantees.

Net cash provided by operating activities totaled $156.9 million in 1998 and $271.1 million in 1999. The $156.9 million of cash generated in 1998 was attributable to a decrease in accounts receivable and inventories and an increase in accrued operating expenses, as well as cash generated by other operating activities. The $271.1 million of cash generated in 1999 was attributable to an increase in accrued operating expenses and other cash generated by operating activities, offset by an increase in accounts receivable.

Net cash used in investing activities totaled $358.6 million in 1998 and $377.4 million in 1999. Through December 31, 1999, our investing activities have consisted primarily of capital expenditures totaling $279.4 million in 1998 and $340.3 million in 1999. Capital expenditures have been principally comprised of the purchase of semiconductor equipment for the equipping of fabs. We also had significant cash outflows relating to our investment in SMP and CSP.

Net cash provided by financing activities totaled $284.9 million in 1998 and $551.8 million in 1999. Cash generated from financing activities in 1998 was principally generated from the issuance of ordinary shares totaling $492.9 million, offset by the repayment of loans and reduction of customer deposits. Cash generated from financing activities in 1999 was principally generated from our initial public offering, which raised approximately $548.1 million in net proceeds, partly offset by a reduction of customer deposits. As of March 15, 2000, of the net proceeds from our initial public offering, approximately $24.4 million has been used for an equity injection in CSP, $8.8 million has been used for an equity injection in SMP and $40.1 million has been used for capital expenditures. The remaining net proceeds are invested in various time deposits with institutions.

We have an oral agreement for a multi-currency $100 million short-term credit facility with ST. Interest on the facility accrues at the monthly average interest rate of three specific banks as indicated by ST. Borrowings are unsecured. As of December 31, 1999, there were no borrowings outstanding under this facility.

As of December 31, 1999, we had three loans for capital expenditures and equipment with outstanding principal amounts of $36.7 million, $165.5 million and $153.7 million, respectively. Each of the loans is denominated in Singapore dollars and we fully hedge both interest and principal payments against fluctuations in foreign exchange rates. The loans bear interest at rates between 4.0% and 4.25%. The three loan agreements are unsecured and guaranteed by ST.

- The first loan matures on September 1, 2003. Interest is payable semi-annually and principal will be amortized in equal semi-annual installments commencing on September 1, 1997.
- The second loan matures on September 1, 2005. Interest is payable semi-annually and principal will be amortized in equal semi-annual installments commencing on September 1, 1999.
- The third loan matures on September 1, 2002. Interest is payable semi-annually and principal will be amortized in equal semi-annual installments commencing on September 1, 1999.

As of December 31, 1999, we had two bank loans with outstanding amounts of S$50.0 million (US$29.9 million) each. The loans are due February 13, 2002 and June 17, 2002, respectively. The loans carry interest rates of 2.0% above the bank's first tier savings rate and 1.0% above the arithmetic mean of SIBOR for deposits quoted by specified banks to the lender, respectively. Interest is payable semi-annually in Singapore dollars for both loans. The loans are unsecured. During 1998, we entered into foreign currency forward contracts to hedge the principal and interest cash flows related to all of our Singapore dollar borrowings.

CSP has a term loan facility of $143.2 million with several banks and financial institutions for capital expenditures and equipment. As of December 31, 1999, $128.0 million had been drawn on this facility. The loan matures June 30, 2002 and carries an interest rate of 0.5625% above the arithmetic mean of SIBOR rates for U.S. dollars deposits quoted by specified banks to the lender. Interest is payable semi-annually in U.S. dollars and principal will be amortized in four equal semi-annual installments commencing December 31, 2000. Borrowings under this facility are unsecured.

We have received research grants totaling $66.7 million from various agencies of the Government of Singapore as of December 31, 1999. These grants provide funding for a portion of our research and development related capital expenditures and for the training and staffing costs associated with some of our process technology development programs. Funds from these grants are disbursed upon the achievement of program milestones. As of December 31, 1999, $16.3 million of the grants currently in effect had been disbursed to us. The grants are disbursed based on the amount of expenditures incurred. There are no conditions attached to the grants other than completion of the project to which the grant relates and the certification of the costs incurred.

We expect our aggregate capital expenditures to be approximately $1.1 billion in 2000, including approximately $480 million relating to CSP, $40 million relating to our investment in SMP and $200 million for the design and initial construction of Fab 7. CSP intends to enter into a credit facility providing for borrowings of approximately $820 million to finance its capital expenditure requirements, including approximately $480 million for its planned capital expenditures for 2000. The actual amount of debt to be incurred under the facility will be influenced by several factors, including without limitation, the speed and timing of the ramp up of operations at Fab 6 and the terms of such debt. We believe that our cash on hand, existing and pending credit facilities and credit terms with our equipment vendors will be sufficient to meet our capital expenditure and working capital needs for 2000.

We expect our aggregate capital expenditures to be approximately $1.5 billion in 2001, including approximately $500 million relating to CSP and $600 million for the construction and equipping of Fab 7. We are actively evaluating financing plans for our capital expenditure requirements for 2001. We expect to fund these requirements through public or private debt or equity financing or from other sources. There can be no assurance that additional financing will be available at all or, if available, that such financing will be obtained on terms favorable to us or that any additional financing will not be dilutive to our shareholders.

Independent Auditors' Report

The Board of Directors and Shareholders
Chartered Semiconductor Manufacturing Ltd:

We have audited the accompanying consolidated balance sheets of Chartered Semiconductor Manufacturing Ltd and subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for the years ended December 31, 1997, 1998 and 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Singapore Standards on Auditing issued by the Institute of Certified Public Accountants of Singapore ("ICPAS"), which set forth standards which are substantially similar to generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chartered Semiconductor Manufacturing Ltd and subsidiaries as of December 31, 1998 and 1999, and the consolidated results of their operations and their cash flows for the years ended December 31, 1997, 1998 and 1999, in conformity with generally accepted accounting principles in the United States of America.

KPMG

KPMG
Singapore

February 8, 2000

Consolidated Balance Sheets

December 31,	Note	1998	1999
In thousands of US Dollars (except share data)			
ASSETS			
Cash and cash equivalents	3	$ 99,619	$ 544,996
Accounts receivable			
Trade	4	71,285	117,165
Others	4	12,703	24,061
Amounts due from ST and ST affiliates	22	2,591	1,622
Amounts due from CSP		1,095	–
Amounts due from SMP		5,568	6,324
Inventories	5	29,476	33,619
Prepaid expenses		895	2,000
Total current assets		223,232	729,787
Investment in CSP	6	34,158	–
Investment in SMP	6	24,329	47,036
Other assets		50,905	45,453
Technology license agreements	7	6,916	28,526
Property, plant and equipment, net	9	981,970	1,282,106
Total assets		$1,321,510	$2,132,908
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable			
Trade		$ 8,530	$ 10,560
Fixed asset purchases		22,829	141,841
Current installments of obligations under capital leases	10	4,329	5,767
Current installments of long-term debt	11	49,046	119,991
Bank overdrafts	12	3,082	–
Accrued operating expenses	13	84,918	127,147
Amounts due to ST and ST affiliates	22	10,607	9,775
Income taxes payable		662	2,921
Other current liabilities	14	26,130	17,223
Total current liabilities		210,133	435,225
Obligations under capital leases, excluding current installments	10	13,414	7,822
Long-term debt, excluding current installments	11	419,545	423,668
Customer deposits	15	47,087	39,804
Other liabilities	16	30,085	27,475
Total liabilities		720,264	933,994
Minority interest		–	57,164
SHAREHOLDERS' EQUITY			
Share capital: ordinary shares of S$0.26 each			
Authorized: 3,076,923,079 shares			
Issued and outstanding: 1998 – 1,000,106,881 shares, 1999 – 1,278,977,923 shares	18	221,433	264,529
Subscription receivable		(12,341)	–
Additional paid-in capital	19	689,970	1,207,656
Retained deficit	20	(245,120)	(277,739)
Accumulated other comprehensive loss		(52,696)	(52,696)
Total shareholders' equity		601,246	1,141,750
Commitments and contingencies	23		
Total liabilities and shareholders' equity		$1,321,510	$2,132,908

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations and Comprehensive Income (Loss)

December 31,	1997	1998	1999
In thousands of US Dollars (except share and per share data)			
Net revenue	$ 379,761	$ 422,622	$ 694,258
Cost of revenue	(368,521)	(439,668)	(527,023)
Gross profit (loss)	11,240	(17,046)	167,235
OPERATING EXPENSES			
Research and development	26,553	43,419	58,894
Fab start-up costs	10,908	1,455	8,442
Sales and marketing	20,184	31,872	34,359
General and administrative	30,144	37,389	44,619
Costs incurred on termination of development program	–	31,776	6,500
Stock-based compensation (Note 24)	2,024	(2,780)	20,094
Total operating expenses	89,813	143,131	172,908
Operating loss	(78,573)	(160,177)	(5,673)
Equity in loss of CSP	(1,272)	(5,577)	(9,528)
Equity in loss of SMP	–	(14,857)	(23,282)
Other income	4,860	4,680	5,739
Interest income	179	1,690	6,733
Interest expense	(12,782)	(20,137)	(17,822)
Exchange gain (loss)	(31,678)	5,237	5,862
Loss before income taxes	(119,266)	(189,141)	(37,971)
Income tax expense	(355)	(865)	(2,131)
Loss before minority interest	(119,621)	(190,006)	(40,102)
Minority interest in loss of CSP	–	–	7,483
Net loss	$ (119,621)	$ (190,006)	$ (32,619)
Other comprehensive loss – foreign currency translation	$ (62,020)	$ (8,794)	$ –
Comprehensive loss	$ (181,641)	$ (198,800)	$ (32,619)
Net loss per share and ADS			
Basic net loss per share	$ (0.24)	$ (0.24)	$ (0.03)
Diluted net loss per share	$ (0.24)	$ (0.24)	$ (0.03)
Basic net loss per ADS	$ (2.44)	$ (2.42)	$ (0.32)
Diluted net loss per ADS	$ (2.44)	$ (2.42)	$ (0.32)
Number of shares (in thousands) used in computing:			
– basic net loss per share	490,407	784,541	1,035,181
– diluted net loss per share	490,407	784,541	1,035,181
Number of ADS (in thousands) used in computing:			
– basic net loss per ADS	49,041	78,454	103,518
– diluted net loss per ADS	49,041	78,454	103,518

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

In thousands	Ordinary shares Number of shares in thousands	Ordinary shares	Subscription Receivable	Additional Paid-in Capital	Unearned Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 1997	502,351	$143,183	$(10,943)	$ 275,031	$ (752)	$ 64,600	$ 18,118	$ 489,237
Net loss	–	–	–	–	–	(119,621)	–	(119,621)
Distribution	–	–	–	–	–	(93)	–	(93)
Payment of subscription receivable	–	–	1,260	–	–	–	–	1,260
Other changes in unearned compensation, net	–	–	–	3,093	(3,093)	–	–	–
Issuance of shares	1,103	201	(882)	700	–	–	–	19
Amortization of stock compensation	–	–	–	–	2,024	–	–	2,024
Foreign currency translation	–	–	–	–	–	–	(62,020)	(62,020)
Balance at December 31, 1997	503,454	143,384	(10,565)	278,824	(1,821)	(55,114)	(43,902)	310,806
Net loss	–	–	–	–	–	(190,006)	–	(190,006)
Payment of subscription receivable	–	–	1,193	–	–	–	–	1,193
Other changes in unearned compensation, net	–	–	–	(4,601)	4,601	–	–	–
Issuance of shares	496,653	78,049	(2,969)	415,747	–	–	–	490,827
Amortization of stock compensation	–	–	–	–	(2,780)	–	–	(2,780)
Foreign currency translation	–	–	–	–	–	–	(8,794)	(8,794)
Balance at December 31, 1998	1,000,107	221,433	(12,341)	689,970	–	(245,120)	(52,696)	601,246
Net loss	–	–	–	–	–	(32,619)	–	(32,619)
Issuance of shares	6,133	959	(1,302)	2,991	–	–	–	2,648
Payment of subscription receivable	–	–	1,801	–	–	–	–	1,801
Other changes in unearned compensation, net	–	–	–	15,526	(15,526)	–	–	–
Amortization of stock compensation	–	–	–	–	12,138	–	–	12,138
Cancellation of partly paid shares	(14,762)	(2,570)	11,842	(11,642)	3,388	–	–	1,018
Amortization of stock compensation	–	–	–	6,938	–	–	–	6,938
Initial public offering, net of expenses	287,500	44,707	–	503,414	–	–	–	548,121
Share options issued and charged to SMP	–	–	–	459	–	–	–	459
Balance at December 31, 1999	1,278,978	$264,529	$ –	$1,207,656	$ –	$(277,739)	$(52,696)	$1,141,750

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

December 31,	1997	1998	1999
In thousands of US Dollars			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(119,621)	$(190,006)	$ (32,619)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Equity in loss of CSP	1,272	5,577	9,528
Equity in loss of SMP	–	14,857	23,282
Depreciation and amortization	173,762	226,903	271,406
Foreign exchange (gain) loss	41,734	(4,843)	(8,003)
Loss on disposal of property, plant and equipment	623	7,342	2,656
Minority interest in loss of CSP	–	–	(7,483)
Costs on termination of development program	–	31,776	–
Stock-based compensation	2,024	(2,780)	20,094
Others	(491)	475	(2,093)
Change in operating working capital:			
Accounts receivable	(106,390)	36,545	(49,066)
Amounts due from ST and ST affiliates	3,166	257	5,407
Amounts due from CSP	(666)	(1,095)	(8,314)
Amounts due from SMP	–	(5,568)	2,224
Inventories	(22,664)	28,069	(4,143)
Prepaid expenses	129	164	(717)
Trade accounts payable	7,189	(4,408)	109
Accrued operating expenses	23,091	27,550	35,763
Other current liabilities	(1,532)	(17,967)	3,889
Amounts due to ST and ST affiliates	4,346	3,696	2,165
Advances to suppliers	(18,875)	61	4,884
Income taxes payable	116	325	2,085
Net cash (used in) provided by operating activities	(12,787)	156,930	271,054
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on consolidation of CSP	–	–	3,056
Proceeds from sale of property, plant and equipment	256	2,246	19,981
Purchase of property, plant and equipment	(410,551)	(279,368)	(340,305)
Technology license fees paid	(5,878)	(7,790)	(5,200)
Investment in CSP	(6,108)	(34,492)	(8,976)
Investment in SMP	–	(39,186)	(45,989)
Net cash used in investing activities	(422,281)	(358,590)	(377,433)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank overdrafts	(1,502)	1,643	(3,082)
Customer deposits, net	79,755	(60,851)	(30,076)
Loans from ST and ST affiliates			
– borrowings	824,288	410,051	69,500
– repayments	(681,235)	(738,400)	(69,500)
Long term debt			
– borrowings	258,245	193,900	70,500
– repayments	(25,615)	(8,993)	(65,748)
Issuance of shares by the Company	1,279	492,909	552,570
Issuance of shares by CSP to minority shareholders	–	–	32,360
Capital lease payments	(3,407)	(5,317)	(4,680)
Net cash provided by financing activities	451,808	284,942	551,844

Consolidated Statements of Cash Flows (continued)

December 31,	1997	1998	1999
In thousands of US Dollars			
Net increase in cash and cash equivalents	$ 16,740	$ 83,282	$ 445,465
Effect of exchange rate changes on cash and cash equivalents	(19)	(7,448)	(88)
Cash and cash equivalents at the beginning of the year	7,064	23,785	99,619
Cash and cash equivalents at the end of the year	$ 23,785	$ 99,619	$ 544,996
Supplemental Cash Flow Information			
Interest paid (net of amounts capitalized)	$ 9,597	$ 25,451	$ 21,211
Income taxes paid (received)	206	285	(248)

See accompanying notes to consolidated financial statements.

Notes to the Financial Statements

NOTE 1 BUSINESS AND ORGANIZATION

Chartered Semiconductor Manufacturing Ltd (the "Company") is an independent semiconductor foundry providing wafer fabrication services and technologies. The Company operates in Singapore and has service operations in seven countries in North America, Europe and Asia. Its principal markets are the United States of America, Taiwan, Europe and Japan.

The Company is a subsidiary of Singapore Technologies Pte Ltd ("ST"), which is itself ultimately wholly-owned by Temasek Holdings (Private) Limited ("Temasek"). Temasek is the holding company through which the corporate investments of the government of Singapore are held.

In March 1997, the Company, Hewlett-Packard Europe B.V. ("HP Europe") and EDB Investments Pte Ltd ("EDBI") formed Chartered Silicon Partners Pte Ltd ("CSP"), in which the Company had a non-controlling 51% equity interest which was accounted for on the equity method. Effective October 1, 1999, the Company, HP Europe and EDBI amended their strategic alliance agreement by eliminating some of CSP's minority shareholders' approval rights over CSP's annual business plan. It also increased the thresholds for asset dispositions, borrowings and capital expenditures that would require the approval of CSP's minority shareholders. As a result of the amendment, the Company treats CSP as a consolidated subsidiary from October 1, 1999 forward. HP Europe has subsequently assigned its strategic alliance agreement relating to CSP to Agilent Technologies Europe B.V.

Effective October 1, 1999, the Company amended its strategic alliance agreement relating to CSP. As a consequence of these changes, the Company ceased equity-accounting of its investment in CSP and consolidated CSP from that date. The following is a summary of the effect of the consolidation of CSP from that date (in thousands of US Dollars):

Cash and cash equivalents	$ 3,056
Accounts receivable	13,288
Prepaid expenses	388
Technology license agreements	8,333
Property, plant and equipment, net	136,826
Accounts payable	(9,990)
Accrued operating expenses	(7,810)
Amount due to ST and ST affiliates	(1,974)
Other current liabilities	(171)
Long-term debt	(76,000)
Minority interest	(32,286)
Investment in CSP	$ 33,660

In January 1998, the Company and Lucent Technologies Microelectronics Pte Ltd formed Silicon Manufacturing Partners Pte Ltd ("SMP"), in which the Company has a 49% equity interest. The Company accounts for SMP on the equity method. See Note 2(D).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Accounting Principles The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") consistently applied for all periods.

B Use of Estimates The preparation of the consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

C Principles of Consolidation The consolidated financial statements reflect the consolidated accounts of Chartered Semiconductor Manufacturing Ltd and its majority owned and controlled affiliates. Intercompany accounts and transactions have been eliminated in consolidation.

D Investment in CSP and SMP The equity accounting method is applied for the investment in SMP, as well as for the investment in CSP in the period prior to October 1, 1999. The Company's share of the results of their operations is included in the consolidated statement of operations. The Company's equity interest in these equity affiliates, including its share of accumulated post-formation results, was included as investment in CSP (prior to October 1, 1999) and SMP in the consolidated balance sheet.

E Functional Currency Through June 30, 1998, the Company's functional currency was Singapore dollars. Effective July 1, 1998, the Company changed its functional currency to US dollars.

The Singapore dollar was the functional currency of the Company because, historically, the Singapore dollar was the currency of primary economic environment in which the operations of the Company were conducted. However, significant changes in economic facts necessitated a change in the Company's functional currency from the Singapore dollar to the US dollar. The Company's business has changed in that a more significant portion of its revenue is derived from companies based outside of Singapore, principally the United States. There continues to be less financial dependence of the Company on its parent. There are ongoing changes in sources of financing from Singapore dollars to US dollars. With more of the Company's transactions and cash flows denominated in US dollars, the functional currency changed effective July 1, 1998 from the Singapore dollar to the US dollar.

Concurrently with the change in functional currency, the Company converted the majority of its debt financing to US dollars by entering into forward exchange contracts which had the effect of redenominating the non-US dollar loans to US dollar loans.

The change in functional currency was recognized through the translation of Singapore dollar amounts of the Company's non-monetary assets, principally property, plant and equipment at June 30, 1998, to US dollars on July 1, 1998 with those US dollar amounts becoming the accounting basis for those assets at July 1, 1998 and for subsequent periods. The $52,696 thousands cumulative translation adjustment at July 1, 1998 in shareholders' equity prior to the change remains as a separate component of accumulated other comprehensive loss.

F Foreign Currency Transactions Assets and liabilities which are denominated in foreign currencies are converted into the functional currency at the rates of exchange prevailing at the balance sheet date. Income and expenses are converted at the rates of exchange at transaction dates prevailing during the year. Foreign currency transaction gains or losses are included in results of operations, except as described below with respect to forward foreign exchange contracts utilized as a hedge against firm commitments.

G Revenue Recognition Revenue represents the invoiced value of goods and services supplied, excluding goods and services tax, less allowance for returns. Revenue is recognized upon shipment of goods.

H Grants Asset-related government grants consist of grants for the purchase of equipment used for research and development activities. Asset-related grants are presented in the consolidated balance sheet as deferred grants and are credited to other income on the straight-line basis over the estimated useful lives of the relevant assets.

Income-related government grants are subsidies of training and research and development expenses. Income-related grants are credited to other income when it becomes probable that expenditures already incurred will constitute qualifying expenditures for purposes of reimbursement under the grants, which is typically substantially concurrent with the expenditures. See Note 16.

I Fab Start-up Costs The Company expenses costs related to start-up activities, including fab start-up costs, as they are incurred.

J Research and Development Costs Research and development costs, which are expensed as incurred, were $26,553 thousands, $43,419 thousands, and $58,894 thousands in 1997, 1998 and 1999, respectively.

K Stock-Based Employee Compensation The Company measures stock-based employee compensation cost for financial statement purposes in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and its related interpretations and includes pro forma information in Note 24 in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation". Compensation cost for stock options granted to employees in connection with the Company's fixed option plan is measured as the excess of fair market value of the stock subject to the option at the grant date over the exercise price of the option. Compensation cost for options granted to employees under the Company's variable option plans is recorded over the requisite vesting periods based upon the current market value of the Company's stock at the end of each period.

Compensation cost for stock options granted to non-employees in connection with the Company's fixed option plan is measured as the fair market value of the stock options valued based upon an option pricing model over the period in which the options vest.

L Income Taxes Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for loss carryforwards and other deferred tax assets where it is more likely than not that such loss carryforwards and deferred tax assets will not be realized.

M Derivatives Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Any contracts held or issued that do not meet the requirements of a hedge are recorded at fair value in the balance sheet and any changes in that fair value recognized in income.

N Net Income (Loss) Per Share The computation of basic net income (loss) and diluted net income (loss) per share are presented in conformity with SFAS No. 128, "Earnings Per Share" for all periods presented.

The following is a reconciliation of the numerators and denominators of the basic and diluted net income (loss) per share computations prepared in accordance with SFAS No. 128.

Year ended December 31,	1997			1998			1999		
In thousands of US Dollars (except share data)	Loss	Shares (thousands)	Per share amount	Loss	Shares (thousands)	Per share amount	Loss	Shares (thousands)	Per share amount
Basic net loss per share	$(119,621)	490,407	$(0.24)	$(190,006)	784,541	$(0.24)	$(32,619)	1,035,181	$(0.03)
Effect of dilutive securities		–			–			–	
Diluted net loss per share	$(119,621)	490,407	$(0.24)	$(190,006)	784,541	$(0.24)	$(32,619)	1,035,181	$(0.03)

The Company has excluded all outstanding stock options and shares subject to repurchase by ST from the calculation of diluted net loss per share for the years ended December 31, 1997 and 1998 and all outstanding stock options from the calculation of diluted net loss per share for the year ended December 31, 1999 under SFAS No. 128 because all such securities are anti-dilutive for those periods. The total number of shares excluded from the calculations of diluted net loss per share were 13,156,240; 27,015,600; and 15,102,942 for the years ended December 31, 1997, 1998 and 1999, respectively. All amounts have been restated to reflect the impact of the capital restructuring described in Note 18.

O Comprehensive Income The Company applied SFAS No. 130, "Reporting Comprehensive Income" with respect to reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income (loss) consists of net income (loss) and foreign currency translation adjustments and is presented in the consolidated statements of operations and comprehensive income (loss).

P Cash and Cash Equivalents Cash equivalents consist of highly liquid investments that are readily convertible into cash and have original maturities of three months or less.

Q Inventories Inventories are stated at the lower of cost, determined on the weighted average basis, or market (net realizable value).

R Technology License Agreements The Company has entered into technology license agreements requiring the payment of licensing fees and royalties. The agreed fees and royalties are recorded as a liability and an intangible asset. The intangible assets are amortized to results of operations on the straight-line basis over their estimated useful lives. See Note 7.

S Property, Plant and Equipment Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the following periods:

Buildings	20 years (or, if shorter, the remaining period of the lease of the land on which the buildings are erected)
Mechanical and electrical installations	10 years
Equipment and machinery	5 years
Office and computer equipment	2 to 5 years

The Company capitalizes interest with respect to major assets under installation and construction until such assets are ready for use. See Note 9 for details of capitalized interest. Repairs and replacements of a routine nature are expensed, while those that extend the life of an asset are capitalized.

Plant and equipment under capital leases are stated at the present value of minimum lease payments. Plant and equipment held under capital leases and leasehold improvements are amortized straight-line over the shorter of the lease term or estimated useful life of the asset.

T Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

U Operating Leases Rental payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

V Concentration of Risk The Company is an independent foundry that fabricates integrated circuits on silicon wafers for customers in the semiconductor industry. The five largest customers of the Company accounted for 48%, 43% and 38% of net revenue in the years ended December 31, 1997, 1998 and 1999, respectively (see Note 21). The Company believes that the concentration of its credit risk in trade receivables is mitigated substantially by its credit evaluation process, credit policies and credit control and collection procedures.

In addition, certain of the Company's treasury management activities are undertaken by ST or carried out together with other companies in the ST Group. The Company participates in a pooled cash management arrangement and places short-term advances with other companies in the ST Group. The Company also contracts substantially all of its forward purchases of foreign exchange with ST, where required for the purpose of hedging future foreign currency commitments. See Notes 3 and 23(f).

W Segment Disclosures Disclosures on business segments are made under SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." Under SFAS No. 131, a public company reports descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company operates in a single reportable segment.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 1998 and 1999 consist of the following:

	1998	1999
In thousands of US Dollars		
Cash at banks and in hand	$ 6,747	$ 432,094
Cash equivalents – ST pooled cash	92,872	112,902
	$99,619	$ 544,996

Certain of the Company's treasury management activities are undertaken by ST or its affiliates. The Company participates in a pooled cash management arrangement under which the Company may place surplus cash with ST as short-term advances of less than three months.

NOTE 4 ACCOUNTS RECEIVABLE

Trade accounts receivable at December 31, 1998 and 1999 consist of the following:

	1998	1999
In thousands of US Dollars		
Trade receivables	$ 76,264	$ 122,712
Allowance for doubtful accounts	(4,979)	(5,547)
	$ 71,285	$ 117,165

Movements in the allowance for doubtful accounts are as follows:

In thousands of US Dollars	1997	1998	1999
Beginning	$ 7,175	$ 3,957	$ 4,979
Utilized in year	–	–	(322)
Charge (credit) for the year	(2,058)	993	890
Translation adjustment	(1,160)	29	–
Ending	$ 3,957	$ 4,979	$ 5,547

Other receivables at December 31, 1998 and 1999 consist of the following:

In thousands of US Dollars	1998	1999
Advances to suppliers	$ 4,944	$ 227
Loans to employees	1,097	1,480
Deposits	466	785
Receivable from research partners	3,333	6,726
Others	2,863	14,843
	$12,703	$24,061

NOTE 5 INVENTORIES

Inventories at December 31, 1998 and 1999 consist of the following:

In thousands of US Dollars	1998	1999
Raw materials	$ 6,279	$ 3,908
Work in process	17,206	21,650
Consumable supplies and spares	10,184	8,186
	33,669	33,744
Allowance for inventory obsolescence	(4,193)	(125)
	$ 29,476	$ 33,619

Movements in the allowance for inventory obsolescence are as follows:

In thousands of US Dollars	1997	1998	1999
Beginning	$ 654	$ 458	$ 4,193
Utilized in year	(1,467)	–	(4,133)
Charge for the year	1,114	3,744	65
Translation adjustment	157	(9)	–
Ending	$ 458	$ 4,193	$ 125

NOTE 6 INVESTMENT IN CSP AND SMP

The investment in CSP at December 31, 1998 and the investment in SMP at December 31, 1998 and 1999 consist of the following:

	1998	1999
In thousands of US Dollars		
CSP		
Cost	$ 40,600	$ –
Share of retained post-formation loss	(6,849)	–
Translation adjustments	407	–
	$ 34,158	$ –
SMP		
Cost	$ 39,186	$ 85,175
Share of retained post-formation loss	(14,857)	(38,139)
	$ 24,329	$ 47,036

CSP and SMP are semiconductor foundries providing wafer fabrication services and technologies. The Company accounts for its 49% investment in SMP using the equity method. Because the minority owners of CSP had certain approval or veto rights which allowed them to participate in management, CSP was not consolidated and was accounted for using the equity method until September 30, 1999.

On October 1, 1999, the strategic alliance agreement relating to CSP was revised and, since then, the Company has accounted for its 51% investment in CSP on a consolidated basis.

Under the terms of the strategic alliance agreements, the Company is committed to making an equity investment in CSP of up to $215,429 thousands, of which $83,259 thousands has been invested, and in SMP of up to $122,200 thousands, of which $85,175 thousands has been invested.

Under the strategic alliance agreement with the majority shareholder of SMP, in arriving at the share of net income attributable to the Company, the Company is entitled to the margins from sales to customers directed to SMP by the Company, after deducting 49% share of the overhead costs of SMP. Accordingly, SMP's net results are not expected to be shared in the same ratio as the equity holding. The Company accounts for its due share of SMP's net results in accordance with the terms in the foregoing agreement.

SMP commenced recording of sales in the quarter ended June 30, 1999 which amounted to $27,707 thousands in the current year ended December 31, 1999.

Shown below is aggregated summarized financial information for CSP (prior to October 1, 1999) and SMP:

	1998	1999
In thousands of US Dollars		
Current assets	$ 21,151	$ 40,495
Property, plant and equipment	240,574	300,556
Short-term debt	(75,460)	–
Other current liabilities	(38,642)	(52,821)
Long-term debt	(31,000)	(187,000)
Shareholders' equity	$116,623	$ 101,230

	1997	1998	1999
Net revenue	$ –	$ –	$ 66,143
Gross loss	–	–	(47,839)
Operating loss	(2,571)	(42,430)	(74,180)
Net loss	(2,494)	(41,256)	(66,493)

NOTE 7 TECHNOLOGY LICENSE AGREEMENTS

Technology license agreements at December 31, 1998 and 1999 consist of the following:

	1998	1999
In thousands of US Dollars		
Technology licenses, at cost	$ 32,284	$ 62,284
Accumulated amortization	(25,368)	(33,758)
	$ 6,916	$ 28,526

	1998	1999
Future payments under the agreements are as follows:		
Unconditional fixed obligations payable	$ 39,250	$ 69,250
Total payments to date	(30,770)	(45,970)
	$ 8,480	$ 23,280
Current installments (see Note 14)	$ 1,280	$ 11,280
Non-current installments (see Note 16)	7,200	12,000
	$ 8,480	$ 23,280

NOTE 8 DEVELOPMENT PROGRAM TERMINATION COSTS

During 1998, the Company discontinued its technology transfer and licensing arrangement entered into for a development program which the Company decided to terminate. In connection with the discontinuation of this development program, certain equipment previously purchased and yet to be placed into production was identified by management in 1998 as redundant and to be disposed of in the near term. The Company recorded a non-cash impairment loss of $30,938 thousands in adjusting the carrying value of such equipment to $5,961 thousands, the estimated fair value of such equipment less selling costs, and wrote off all unamortized technology license costs of $838 thousands. The impaired equipment was removed from service for all purposes at the time the impairment charge was recognized. The Company sold one item of equipment in 1999 and is in the process of evaluating bids to purchase the remaining equipment and expects to complete these disposals in 2000. Additionally, the Company recorded a $6,500 thousands charge for a final cash settlement amount in 1999 for the termination of the licensing arrangement.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 1998 and 1999 consist of the following:

	1998	1999
In thousands of US Dollars		
COST		
Buildings	$ 147,685	$ 153,023
Mechanical and electrical installations	268,606	252,589
Equipment and machinery	1,048,744	1,260,608
Office and computer equipment	63,112	68,523
Assets under installation and construction	11,555	360,371
Total cost	$1,539,702	$2,095,114
ACCUMULATED DEPRECIATION		
Buildings	$ 16,153	$ 23,961
Mechanical and electrical installations	70,502	87,293
Equipment and machinery	441,815	664,721
Office and computer equipment	29,262	37,033
Total accumulated depreciation	$ 557,732	$ 813,008
Property, plant and equipment (net)	$ 981,970	$1,282,106

Depreciation charged to results of operations amounted to $166,844 thousands, $219,900 thousands, and $264,683 thousands for 1997, 1998 and 1999, respectively. Buildings consist of wafer plants, including administrative offices, built on land licensed to ST and Technology Parks Pte Ltd, and sub-leased to the Company. See Note 22.

Included in property, plant and equipment are assets acquired under capital lease obligations with a cost and related accumulated depreciation of approximately $24,000 thousands and $16,000 thousands, respectively, at December 31, 1998 and $31,973 thousands and $27,691 thousands, respectively, at December 31, 1999.

Capitalized interest relating to property, plant and equipment amounted to $10,500 thousands, $5,970 thousands, and $3,793 thousands in the years ended December 31, 1997, 1998 and 1999, respectively.

NOTE 10 CAPITAL LEASES

Future minimum lease payments under the US dollar denominated capital leases for equipment and machinery as of December 31, 1998 and 1999 are as follows:

Payable in year ending December 31,	1998	1999
In thousands of US Dollars		
1999	$ 5,363	$ –
2000	6,387	6,496
2001	8,106	8,196
Total minimum lease payments	19,856	14,692
Amounts representing interest at rates ranging from 5.90% to 6.06% per annum	(2,113)	(1,103)
Present value of minimum lease payments	17,743	13,589
Less current installments of capital lease obligations	(4,329)	(5,767)
Obligations under capital leases, excluding current installments	$13,414	$ 7,822

The minimum lease payments are guaranteed by ST.

NOTE 11 LONG-TERM DEBT

Long-term debt at December 31, 1998 and 1999 consists of the following:

	1998	1999
In thousands of US Dollars		
Singapore dollar loans at fixed rates of 4% to 4.25%	$408,277	$ 355,903
Singapore dollar loans at floating rates	60,314	59,756
US dollar loan at floating rates	–	128,000
	468,591	543,659
Less current installments	(49,046)	(119,991)
Long-term debt, excluding current installments	$419,545	$ 423,668

All long-term debts are unsecured.

The fixed rate Singapore dollar loans are guaranteed by ST and contain certain covenants which restrict the ability of the Company to pay dividends without prior approval from the lender. Effective November 1, 1999, the Company's management and services support agreement with ST includes a charge for such guarantees. See Note 22. Prior to that date, the Company was not separately charged for the guarantees. The loans are repayable in semi-annual installments and mature between 2002 and 2005.

The floating rate Singapore dollar loans comprise two loans of equal amounts. Interest is charged at 2% above the lending bank's first tier savings rate in respect of one loan (3.50% and 3% as of December 31, 1998 and 1999), respectively and 1% above the arithmetic mean of Singapore inter-bank rates for deposits quoted by specified banks to the lender (6.44% and 4.06% as of December 31, 1998 and 1999), respectively. The loans are repayable in June 2002 and February 2002 respectively. See Note 23(F).

The floating rate US dollar loan is unsecured and bears interest of 0.56% above the arithmetic mean of Singapore inter-bank rates for deposits quoted by specified banks to the lender (6.75% as of December 31, 1999). The loans are repayable in semi-annual installments and mature between 2000 and 2002.

Annual maturities of long-term loans as of December 31, 1999 are as follows:

Payable in year ending December 31,

In thousands of US Dollars	
2000	$ 119,991
2001	119,991
2002	179,747
2003	68,772
2004	27,579
Thereafter	27,579
	$ 543,659

NOTE 12 ADDITIONAL CREDIT FACILITIES AND BANK OVERDRAFTS

As of December 31, 1999, the Company has unutilized banking facilities of approximately $177,838 thousands for short-term advances and bankers' guarantees and an unutilized facility with ST of approximately $100,000 thousands.

The weighted average rate of interest payable on the bank overdrafts was 6.0% as of December 31, 1998.

NOTE 13 ACCRUED OPERATING EXPENSES

Accrued operating expenses at December 31, 1998 and 1999 consist of the following:

In thousands of US Dollars	1998	1999
Accrual for employee bonuses and related expenses	$ 14,732	$ 40,992
Accrual for vacation liability	2,237	4,460
Accrual for technology costs (see Note 23(G))	7,853	12,126
Unbilled raw materials	52,113	53,367
Accrual for interest costs	5,971	5,817
Others	2,012	10,385
	$ 84,918	$127,147

Movements in accrual for technology costs are as follows:

In thousands of US Dollars	1997	1998	1999
Beginning	$ 4,261	$ 5,847	$ 7,853
Charge for the year	1,586	2,006	4,273
Ending	$ 5,847	$ 7,853	$ 12,126

NOTE 14 OTHER CURRENT LIABILITIES

Other current liabilities at December 31, 1998 and 1999 consist of the following:

In thousands of US Dollars	1998	1999
Obligations payable under technology license agreements	$ 1,280	$11,280
Customer deposits (see Note 15)	22,795	2
Others	2,055	5,941
	$26,130	$17,223

NOTE 15 CUSTOMER DEPOSITS

Deposits are received from customers to secure the allocation of agreed levels of wafer capacity. These non-interest bearing deposits are refundable at the end of the agreed period of such allocated capacity, typically about five years.

NOTE 16 OTHER LIABILITIES

Other liabilities at December 31, 1998 and 1999 consist of the following:

	1998	1999
In thousands of US Dollars		
Obligations payable under technology license agreements	$ 7,200	$12,000
Deferred grants (see below)	2,873	3,501
Deferred gain on forward contracts	20,012	11,974
	$ 30,085	$27,475

The Company has obtained approval for funding of certain research and development projects from the Economic Development Board of Singapore ("EDB"), under the Research and Development Assistance Scheme ("RDAS") administered by EDB. The program provides for funds to be disbursed to the Company over the terms of the projects.

NOTE 17 INCOME TAXES

The Company has been granted pioneer status under the Economic Expansion Incentives (Relief from Income Tax) Act, Chapter 86 of Singapore (the "Act"), for sub-micron technology manufacturing in four of its fabs, effective for ten years from January 1, 1991, July 1, 1996 and January 1, 1998, and the earlier of initial fab production date and December 31, 2000, respectively.

During the pioneer status period, the Singapore-resident income from pioneer trade is exempt from income tax, subject to compliance with the conditions stated in the certificate and the Act. Income derived from non-pioneer trade during the pioneer period, however, is subject to income tax at the prevailing enacted rate of tax.

In addition, three fabs have been granted post-pioneer status, which entitles them to a concessionary tax rate of 10% for five years after the expiration of their pioneer status in 2006, 2007, and the earlier of ten years from the initial fab production date and December 1, 2000, respectively.

The tax-exempt profits arising from the pioneer trade can be distributed as tax-exempt dividends which are not subject to Singapore income tax in the hands of the holders of ordinary shares. Losses arising in the pioneer status period are available for carryforward to be offset against profits arising in subsequent periods, including profits arising after the pioneer status period. Profits arising during the pioneer status period offset any accumulated pioneer loss carryforward balance. Pioneer loss carryforwards are available indefinitely, subject to more than 50% of the Company's equity staying with the same shareholders from the incurrence of the tax loss to its utilization. However, there is no consolidated group taxation offset allowed between the fabs. As of December 31, 1999, the Company has pioneer loss carryforwards of $94,786 thousands.

The income tax expense for the years ended December 31, 1997, 1998 and 1999 represents income tax payable on non-pioneer trade income, principally interest income.

A reconciliation of the expected tax expense at the statutory rate of tax to the actual tax expense is as follows:

	1997	1998	1999
In thousands of US Dollars			
Income taxes computed at Singapore statutory tax rate of 26%	$ (31,009)	$ (49,177)	$ (9,872)
Permanent non-deductible expenses	–	–	9,220
Pioneer status relief	–	–	(4,769)
Pioneer losses not recognized as deferred benefit	30,534	45,893	–
Non-deductible investee losses	–	3,561	8,531
Settlement of prior years' tax claims	–	–	(880)
All other items, net	830	588	(99)
Income tax expense (benefit)	$ 355	$ 865	$ 2,131

As of December 31, 1998 and 1999, there are no material deferred tax assets or liabilities since profits during the pioneer status period are not taxable and all temporary differences are expected to reverse within the pioneer status period. Accordingly, no deferred tax assets or liabilities have been recognized.

NOTE 18 SHARE CAPITAL

The Company's authorized share capital at December 31, 1999 was comprised of 3,076,923,079 ordinary shares of Singapore dollars S$0.26 par value each.

Share capital at December 31, 1998 and 1999 consists of the following:

	1998	1999
In thousands of US Dollars		
Issued share capital	$160,272	$203,368
Capital reduction (see below)	61,161	61,161
	$221,433	$264,529

On November 6, 1992, the Company reorganized its paid-up share capital by the extinguishment of accumulated losses of $61,161 against the paid-up share capital in a capital reduction sanctioned by the High Court of Singapore. The capital reduction does not qualify as a quasi-reorganization under US GAAP and accordingly has not been reflected in the financial statements.

On September 13, 1999, the Company restructured its share capital with the issuance of one additional fully paid A ordinary share and the cancellation of 20 partly-paid A ordinary shares for every 20 partly paid A ordinary shares. This was approved by the High Court of Singapore on September 30, 1999. Subsequently, the Company on October 14, 1999 merged the A ordinary shares and B ordinary shares into one class of ordinary shares and effected a share split which resulted in each ordinary share with a par value of S$0.4888 being sub-divided into 1.88 ordinary shares with a par value of S$0.26 each.

All share and per share amounts have been presented herein to reflect the impact of this capital restructuring.

Under Singapore law, all increases in share capital (including rights issues) require prior shareholders' approval. Singapore law does not provide for the issue of shares of no par value and, except with court approval, prohibits the issue of shares at a discount to par value.

NOTE 19 ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital as of December 31, 1998 and 1999 represents principally the excess of proceeds received from issues of share capital (net of the costs of issue) over the par value of shares issued, which under Singapore law must be credited to the share premium account. The share premium may only be applied in paying up unissued shares to be issued to shareholders, paying up in whole or in part the balance unpaid on shares in issue, in writing off preliminary expenses and share and debenture issue expenses and by provision for premiums payable on the redemption of redeemable preferred shares. The share premium account had a balance of $1,207,656 thousands as of December 31, 1999.

NOTE 20 RETAINED EARNINGS

Singapore law allows dividends to be paid only out of profits of the Company. Shareholders of ordinary shares are not liable for Singapore income tax on dividends paid by the Company out of its tax exempt profits from pioneer activities.

NOTE 21 BUSINESS SEGMENT DATA AND MAJOR CUSTOMERS

The Company operates in a single reportable segment, providing wafer foundry services. All of the Company's products are manufactured and delivered in Singapore.

The following table presents revenues by country of domicile of customer:

In thousands of US Dollars	1997	1998	1999
USA	$198,288	$265,398	$477,213
Taiwan	140,799	134,171	98,842
Singapore	25,385	6,409	490
France	1,368	2,255	25,844
Japan	562	4,976	20,338
Sweden	–	236	51,015
Others	13,359	9,177	20,516
	$379,761	$422,622	$694,258

Revenues from major customers, as a percentage of total revenue, were as follows:

	1997	1998	1999
Customer A	1.0%	9.6%	11.1%
Customer B	14.0	7.6	6.7
Customer C	10.4	1.0	5.5
Customer D	14.6	9.3	0.9
Others	60.0	72.5	75.8
	100.0%	100.0%	100.0%

The top five customers of the Company accounted for 48%, 43% and 38% of the Company's net revenue in the years ended December 31, 1997, 1998 and 1999, respectively.

As a result of such concentration of the customer base, loss or cancellation of business from, or significant changes in scheduled deliveries or decreases in the prices of products sold to, any of these customers could materially and adversely affect the Company's results of operations or financial position.

NOTE 22 RELATED PARTY TRANSACTIONS

A ST ST, one of Singapore's largest industrial conglomerates, is indirectly wholly-owned by the government of Singapore. The Company transacts business with ST and its affiliates in the normal course of their respective businesses, including ST Assembly Test Services Ltd ("STATS").

In addition to the transactions with related parties disclosed in Note 12, the Company had the following significant transactions with related parties:

In thousands of US Dollars	1997	1998	1999
ST			
Management fees	$ 5,719	$ 4,897	$ 3,820
Reimbursement of expenses incurred on behalf of the Company	5,594	5,697	6,496
Rental for leasehold land from ST	2,128	2,020	2,615
Interest expense	12,729	6,552	–
Affiliates of ST			
Services purchased from STATS	13,261	22,700	33,905
Other services purchased	3,034	1,362	7,593
Net revenue	20,917	6,247	59,031
Property, plant and equipment purchased	1,051	924	588
Building construction costs	2,575	1,101	126
Interest expense	–	2,310	95

The fabs of the Company are built on land held on long-term operating leases from entities controlled by the government of Singapore. Fab 1 is built on land leased by the Company from Technology Parks Pte Ltd ("TPPL"), a private company wholly-owned by Jurong Town Corporation ("JTC"), under a long-term lease which expires in 2017, with an option, subject to certain conditions, to extend by another 30 years. JTC is a statutory board established by the Singapore government to develop and manage industrial estates in Singapore.

Fabs 2, 3 and 6 occupy land leased by ST from JTC. The Company has entered into sub-leases with ST in respect of the underlying land for the entire term of the lease between ST and JTC. The leases expire at different times between 2024 and 2027 with an option, subject to certain conditions, to extend for another 30 years.

Rental rates on JTC and TPPL leases are subject to revisions at market rates at periodic intervals in accordance with the rental agreements, with such increases generally capped at 8% to 10% per annum.

ST provides management and corporate services to the Company. ST also provides staff loans to senior management staff of the Company, including loans related to subscription amounts associated with the employee share plans described in Note 24. Management fees and expenses incurred on behalf of, or allocated to, the Company by ST are charged to the Company. Under a service agreement dated November 1, 1999, annual management fees are payable for the provision of specified services on mutually agreed terms which the Company believes approximates the cost of providing those services. Fees are also payable as a proportion of revenues for affiliation and network benefits. In addition, fees are payable as a percentage of guarantees and similar financial support provided. Prior to November 1, 1999, these services were subject to a management fee computed based on certain percentages of capital employed, revenue, manpower and payroll.

Short term financing is also provided by ST to the Company (generally on 3 to 6 months renewable basis) using ST's cost competitive corporate banking advantage in the banking community. Surplus funds are placed with ST from time to time. Advances to and from ST bear interest at rates comparable to rates offered by commercial banks in Singapore. The Company also participates with ST in a cash management program managed by a bank. Under the program, cash balances are pooled and daily cash surpluses or shortfalls may, on a short-term basis, be lent to or borrowed from other ST affiliates participating in the arrangement at prevailing inter-bank rates. The Company controls its bank accounts, subject to such program.

Tritech Microelectronics Ltd ("Tritech"), an ST affiliate and a fabless designer of semiconductor products, was previously a major customer of the Company. The sales to Tritech were made on substantially the same terms as those available to third parties for similar products and volumes committed. The Company has not made sales to Tritech since it was placed under judicial management on July 2, 1999. Tritech commenced winding-up proceedings on October 15, 1999.

At December 31, 1998 and 1999, there were the following amounts due from or to ST and its affiliates.

	1998	1999
In thousands of US Dollars		
Amounts due from ST		
Other receivables	$ –	$ 282
Amounts due from ST affiliates		
Accounts receivable		
Trade, net of allowance for doubtful accounts	1,481	933
Others	1,110	407
	$ 2,591	$ 1,622
Amounts due to ST		
Other current liabilities	$ 4,654	$ 292
Amounts due to ST affiliates		
Accounts payable, trade	4,916	9,483
Other current liabilities	1,037	–
	$10,607	$ 9,775

B CSP and SMP The Company provides management and corporate support services including accounting, financial, sales and marketing services, to CSP and SMP and allocates a portion of its costs to CSP and SMP. The Company commenced recording such recharges in 1998, which amounted to $17,623 thousands and $19,684 thousands in the years ended December 31, 1998 and 1999, respectively. The Company is also committed to purchase a specified percentage of SMP's output or compensate SMP for any costs it incurs in connection with unused capacity arising from such specified percentage not purchased.

C Leases Rental expense with ST for the years ended December 31, 1997, 1998 and 1999 was $2,128 thousands, $2,020 thousands and $2,615 thousands respectively.

Minimum future rental payments on non-cancellable operating leases of factory land leased from ST as of December 31, 1999 are as follows:

Payable in year ending December 31,

In thousands of US Dollars	
2000	$ 1,919
2001	1,919
2002	1,919
2003	1,919
2004	1,919
Thereafter	36,789
	$ 46,384

NOTE 23 COMMITMENTS AND CONTINGENCIES

A Leases Rental expense, excluding amounts payable to ST disclosed in Note 22(A), for the years ended December 31, 1997, 1998 and 1999 was $2,058 thousands, $1,949 thousands and $2,163 thousands, respectively.

Minimum future rental payments on non-cancellable operating leases of apartments, excluding amounts payable to ST disclosed in Note 22(B), as of December 31, 1999 are as follows:

Payable in year ending December 31,

In thousands of US Dollars	
2000	$ 3,401
2001	2,100
2002	276
2003	243
2004	243
Thereafter	3,090
	$ 9,353

B Technology Partner Agreement In addition to the technology license agreements described in Note 7, the Company has entered into an agreement with a technology partner under which the Company is required to allocate wafer capacity, as part of the consideration for the process technology the partner transferred and licensed to the Company. The agreement will expire in 2002.

C Subscription and Participation Agreements The Company entered into subscription and participation agreements with seven customers (the "Equity Investor Customers"), a technology partner and an investor to raise equity for the establishment of a fab. Under the agreements, the Equity Investor Customers, technology partner and the investor subscribed for shares with the right to subscribe for new shares pro-rata to their interest in the Company. The subscription and participation agreements were terminated with effect from November 5, 1999.

The Company continues to be committed to provide the Equity Investor Customers and technology partner with rights to wafer capacity first granted under those agreements.

D Deposit Agreements The Company entered into deposit and supply agreements with six customers under which the customers are required to maintain deposits with the Company to secure wafer capacity. As of December 31, 1999, deposits held by the Company amounted to $39,806 thousands. These agreements, expiring on December 31, 2000 and December 31, 2002, require the Company to make available capacity to customers over the terms of the agreements.

E Capital Expenditure The Company had the following capital commitments as of December 31, 1998 and 1999:

	1998	1999
In thousands of US Dollars		
Contracts for capital expenditure	$362,761	$876,263

F Forward Foreign Exchange Contracts The Company had the following notional amounts of forward foreign exchange contracts as of December 31, 1998 and 1999:

	1998	1999
In thousands of US Dollars		
Forward foreign exchange contracts	$ 522,087	$ 512,760

In conjunction with the change in the functional currency effective July 1, 1998, the Company entered into forward foreign exchange contracts to hedge the principal and interest obligations associated with its Singapore dollar denominated loans with the effect of redenominating them to US dollars.

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. They are used to manage identified foreign currency risks (prior to July 1, 1998, principally Japanese yen and US dollars; subsequent to June 30, 1998, principally Japanese yen and Singapore dollars). See Note 2(E). Foreign currency forward contracts are generally used to reduce the potential impact of increases in foreign currency exchange rates on existing long-term debt, and to a lesser extent are used to hedge foreign currency purchase commitments. The term of forward contracts rarely exceeds five years. Foreign currency forward contracts used to hedge firm commitments are carried at market value and are recorded as other assets or other liabilities in the accompanying consolidated balance sheet. Changes in market values of these agreements are deferred, and included in the basis of the hedged asset upon purchase.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to its foreign currency exchange contracts. The Company anticipates, however, that counterparties will be able to fully satisfy their obligations under the contracts. The Company does not obtain collateral or other security to support financial instruments subject to credit risk but monitors the credit standing of counterparties. See also Note 2(V).

G Contingencies As is typical in the semiconductor industry, the Company has from time to time received communications from third parties asserting patents that cover certain of the Company's technologies and alleging infringement of certain intellectual property rights of others. The Company has acquired certain technology licenses for use in its business and may seek to obtain other licenses in the future. There can be no assurance that the Company will be able to obtain such future licenses on commercially reasonable terms, or at all.

The Company has accrued a liability for, and charged to its results of operations in the periods presented, the estimated costs of obtaining such licenses for third party technology. The amounts so accrued were $7,853 thousands and $12,126 thousands as of December 31, 1998 and 1999, respectively. No assurance can be given that such provisions are adequate.

NOTE 24 SHARE OPTIONS AND INCENTIVE PLANS

The Company determines the fair market values of the ordinary shares underlying each option grant by averaging (i) discounted cashflow valuation; (ii) last twelve months' revenue multiplied by a composite industry comparable revenue to market capitalization factor and (iii) book value at each grant date multiplied by a composite industry comparable book value to market capitalization factor.

A 1995 Ownership Plan The Company adopted the Chartered Semiconductor Manufacturing Employees' Share Ownership Plan (the "1995 Ownership Plan") in 1995 and terminated it on September 30, 1999 by converting the total amount paid up on the partly paid shares into an equivalent number of fully paid shares, and the unpaid subscription amounts into 1999 Option Plan options. The plan was administered by a committee nominated by the directors and provided for the grant of options to employees and directors of the Company and certain of its affiliates. The exercise period of the options was 30 days and the subscription price for each share which could be purchased upon exercise of the options was determined by the committee but could not be less than Singapore dollars S$0.80. The subscription price was payable in installments, the first installment of 5% of the subscription price being payable upon exercise of the option, the second installment of 95% of the subscription price being payable over a period between the second and fifth years following the date the option is granted, however, such cumulative second installment due could be deferred and payable at each successive anniversary date. Interest was payable on outstanding installments at 8% per annum, but in 1997, the plan was revised to allow ST to bear all interest on behalf of the employees.

Where employees failed to pay the second installment within seven years of the date of grant of the option, the employees were required to sell their shares to an ST affiliate at the greater of 5% of the market value of the shares, as determined by the committee, or 5% of the net asset value of the shares. Employees leaving the employment of the Company were entitled to retain those shares which had been fully paid for, while shares not fully paid for were either required to be sold to the ST affiliate or, in certain circumstances, were allowed to be fully paid. Shares which were not fully paid for could not be sold. Shares which were fully paid for were required to be offered to the ST affiliate at the greater of the market value of the shares, as determined by the committee, or net asset value of the shares before they could be sold to any other party.

The 1995 Ownership Plan was accounted for in accordance with variable plan accounting.

Total compensation expense (income) recognized for stock-based compensation under the plan for the years ended December 31, 1997, 1998 and 1999 were $1,853 thousands, $(2,609) thousands and $8,081 thousands respectively.

Information for December 31, 1997, 1998 and 1999 is as follows:

	1997	1998	1999
Shares outstanding at beginning of year (in thousands)	13,451	12,859	11,436
Shares granted during the year (in thousands)	1,103	–	–
Shares fully paid and partly paid shares converted to fully paid shares during the year (in thousands)	(1,695)	(1,423)	(2,894)
Shares cancelled during the year (in thousands)	–	–	(2,626)
Shares converted to 1999 Option Plan (in thousands)	–	–	(5,916)
Shares outstanding at year end (in thousands)	12,859	11,436	–
Subscription price for shares issued in 1995 at	$ 0.77	$ 0.77	–
Subscription price for shares issued in 1996 from	$ 0.92	$ 0.92	–
to	$ 0.98	$ 0.98	–
Subscription price for shares issued in 1997 at	$ 0.83	$ 0.83	–
Weighted average grant date fair value of options	$ 1.31	–	–
Subscription receivable at year end (in thousands)	$10,565	$ 9,247	–

The fair value of option grants was estimated using the Black-Scholes option pricing model with the following assumptions used: dividend yield of 0% and expected lives of 10 years. The weighted average expected volatility used for option grants was 57.0% in 1997. The weighted average risk free interest rate used was 6.84%.

B 1997 Ownership Plan The Company adopted the Chartered Semiconductor Manufacturing Employees' Share Ownership Plan 1997 (the "1997 Ownership Plan") in 1997 and terminated it on September 30, 1999 by converting the total amount paid up on the partly paid shares into an equivalent number of fully paid shares, and the unpaid subscription amounts into 1999 Option Plan options. The terms of the 1997 Ownership Plan were substantially similar to the 1995 Ownership Plan except that (i) interest was not charged on outstanding and unpaid installments and (ii) the cumulative unpaid second installments due could be deferred and paid at each successive anniversary date but were not due until ten years after the date of grant of the option.

The 1997 Ownership Plan was accounted for in accordance with variable plan accounting.

Total compensation expense (income) recognized for stock-based compensation under the plan for the years ended December 31, 1997, 1998 and 1999 were $171 thousands, $(171) thousands, and $2,922 thousands respectively.

Information for December 31, 1997, 1998 and 1999 is as follows:

	1997	1998	1999
Shares outstanding at beginning of year (in thousands)	–	–	4,021
Shares granted during the year (in thousands)	2,792	5,341	2,526
Partly paid shares converted to fully paid shares during the year (in thousands)	–	–	(327)
Shares cancelled during the year (in thousands)	–	–	(937)
Shares converted to 1999 Option Plan (in thousands)	–	–	(5,283)
Shares granted pending issuance at year end (in thousands)	(2,792)	(1,320)	–
Shares outstanding at year end (in thousands)	–	4,021	–
Subscription price for shares issued in 1997 at	$ 0.74	$ 0.74	–
Subscription price for shares issued in 1998 from	–	$ 0.59	–
to	–	$ 0.84	–
Subscription price for shares issued in 1999 at	–	–	$ 0.55
Weighted average grant date fair value of shares	$ 1.50	$ 1.13	$ 1.05
Subscription receivable at year end (in thousands)	–	$ 3,094	–

The fair value of option grants was estimated using the Black-Scholes option pricing model with the following assumptions used: dividend yield of 0% and expected lives of 10 years. The weighted average expected volatility used for option grants was 55.0%, 70.0% and 71.0% in 1997, 1998 and 1999, respectively. The weighted average risk free interest rate used was 5.96%, 5.29% and 5.52% in 1997, 1998 and 1999, respectively.

C 1999 Option Plan Effective March 30, 1999, the Company adopted the Chartered Semiconductor Manufacturing Ltd Share Ownership Plan 1999 (the "1999 Option Plan") which provides for a maximum of 107 million shares (subject to adjustment under the plan) to be reserved for option grants. Options granted under the plan may include nonstatutory options as well as incentive stock options intended to qualify under Section 422 of the United States Internal Revenue Code.

The plan is administered by a committee appointed by the directors. Employees, outside directors and consultants are eligible for the grant of options except for (i) employees of affiliates and SMP, and outside directors and consultants, who are not eligible for the grant of incentive stock options; (ii) employees, outside directors and consultants of affiliates resident in the United States, who are not be eligible for the grant of options; and (iii) employees of SMP resident in the United States, who are not eligible for the grant of options.

The exercise price of an incentive stock option is the fair market value of the shares at the date of the grant. In certain circumstances, the exercise price may be higher than the fair market value but in no event will the exercise price be below the par value of the share.

Option periods do not exceed 10 years from the date of grant. Upon leaving the employment of the Company, outstanding options remain exercisable for a specified period.

Information on options granted is as follows:

	Options (in thousands)	Weighted Average Exercise Price
Outstanding at beginning of year	–	–
Granted	25,208	$ 1.52
Conversion from 1995 and 1997 Ownership Plans	11,199	$ 0.78
Exercised	(2,630)	$ 0.79
Outstanding at end of year	33,777	$ 1.33
Exercisable at end of year	11,295	$ 1.11
Weighted average fair value of options granted during the year		$ 1.26

The following table summarizes information about fixed stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding at 12/31/99 (in thousands)	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable 12/31/99 (in thousands)	Weighted average exercise price
$0.54 to $0.98	17,054	8.1 years	$ 0.68	8,075	$ 0.75
$2.00	16,723	9.2 years	$ 2.00	3,220	$ 2.00
	33,777			11,295	

The options vest over five years and expire on dates ranging from October 2004 to October 2009. The 1999 Option Plan is accounted for in accordance with fixed-plan accounting under APB 25. Total compensation expense recognized for 1999 totalled $9,091 thousands.

The fair value of the 1999 option grant is estimated using the Black-Scholes option pricing model with the following weighted average assumptions used: dividend yield 0%, risk free interest rate of 6.1%, expected volatility of 60.6% and expected lives of 10 years.

Options over 451,920 shares of the Company were granted in 1999 to employees of SMP. SMP will bear the stock-based compensation charge in respect of these grants.

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS 123, the Company's net income would have been reduced or increased to the pro forma amounts indicated below:

	1997	1998	1999
Net loss (in thousands of US Dollars)			
As reported	$ (119,621)	$ (190,006)	$ (32,619)
Pro forma	$ (119,790)	$ (195,464)	$ (26,186)
Basic net loss per share			
As reported	$ (0.24)	$ (0.24)	$ (0.03)
Pro forma	$ (0.24)	$ (0.25)	$ (0.03)
Diluted net loss per share			
As reported	$ (0.24)	$ (0.24)	$ (0.03)
Pro forma	$ (0.24)	$ (0.25)	$ (0.03)

NOTE 25 FAIR VALUES OF FINANCIAL INSTRUMENTS

	1998		1999	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
In thousands of US Dollars				
ASSETS:				
Cash and cash equivalents	$ 99,619	$ 99,619	$544,996	$ 544,996
Accounts receivable	83,988	83,988	141,226	141,226
Amounts due from ST and affiliates	9,254	9,254	7,946	7,946
LIABILITIES:				
Accounts payable	31,359	31,359	152,401	152,401
Bank overdrafts	3,082	3,082	–	–
Amounts due to ST and affiliates	10,607	10,607	9,775	9,775
Long-term debt	468,591	458,031	543,659	538,270
Technology obligations payable	7,200	6,879	12,000	11,287
DERIVATIVES:				
Forward foreign exchange	4,199	42,620	6,553	39,148

Cash and cash equivalents, bank overdrafts, amounts owing from and to ST and affiliates, accounts receivable and accounts payable. The carrying amounts approximate fair value in view of the short term nature of these balances.

Long-term debt. The fair value is based on current interest rates available to the Company for issuance of debts of similar terms and remaining maturities.

Technology obligations payable. The fair value is based on the discounted present value of future payment obligations.

Forward foreign exchange contracts. The fair value is estimated by reference to market quotations for forward contracts with similar terms adjusted where necessary for maturity differences, and was a net asset approximately $42,620 thousands and $39,148 thousands, respectively, at December 31, 1998 and 1999.

Limitations. Fair value estimates are made at a specific point in time, and are based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTE 26 RECENT CHANGES IN US GAAP

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133, as recently amended, is effective for fiscal years beginning after June 15, 2000. Management believes the adoption of SFAS No. 133 will not have a material effect on the Company's financial position or results of operations.

Summary Report of the Directors

Important Note

The summary annual report as set out on pages 46 to 51 has been prepared to provide additional information required under the Singapore Companies Act (the "Act") to be included in the Company's 1999 annual report to shareholders, where such information is not required to be included and has not been included in the 1999 annual report on Form 20-F filed by the Company to comply with the requirements of the Securities and Exchange Commission of the United States of America.

This summary financial statement does not contain sufficient information to allow for a full understanding of the results and state of affairs of the Company or of the group.

For further information, the full annual financial statements, the auditors' report on those financial statements and the report of the directors should be consulted. Shareholders may request for a copy of the Supplementary Financial Statements free of charge by notifying the Company before April 28, 2000.

SUMMARY DIRECTORS' REPORT

Directorate

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

Ho Ching	(Chairman)
Lim Ming Seong	(Deputy Chairman)
Barry Waite	(President and CEO)
James H. Van Tassel	
Sum Soon Lim	(Chairman of Audit Committee)
Aubrey C. Tobey	(Member of Audit Committee)
Robert Edmund La Blanc	(Member of Audit Committee)
Andre Borrel	
Charles E. Thompson	
Koh Beng Seng	(Appointed on February 23, 1999, member of Audit Committee)
Tsugio Makimoto	(Appointed on September 15, 1999)
Liow Voon Kheong	(Alternate to Lim Ming Seong)
Premod Paul Thomas	(Alternate to Sum Soon Lim, appointed on July 29, 1999)

Principal Activities

The principal activities of the Company during the financial year are those of an independent foundry of semiconductor integrated circuits using its advanced production facilities and proprietary integrated circuit designs of its customers. The Company operates in Singapore and its principal markets are the United States of America and Taiwan. There have been no significant changes in such activities during the financial year.

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 objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Shares and Debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year in ordinary shares of the Company and related corporations held in their names or those of their spouses or infant children are as follows:

	At beginning of the year/ date of appointment	At end of the year
The Company—"A" ordinary shares of S$0.4888* each fully paid		
James H. Van Tassel	43,792	—
Sum Soon Lim	18,230	—
The Company—"A" ordinary shares of S$0.4888* each partly paid up to S$0.02444		
Sum Soon Lim	12,000	—
The Company—ordinary shares of S$0.26* each fully paid		
Barry Waite	—	1,692,000
James H. Van Tassel	—	82,329
Sum Soon Lim	—	194,425
Aubrey C. Tobey	—	1,880
Robert Edmund La Blanc	—	26,880
Andre Borrel	—	1,880
Charles E. Thompson	—	33,880
Premod Paul Thomas	—	18,000
The Company—Share options in unissued ordinary shares of S$0.26 each		
Ho Ching	—	100,000
Barry Waite	—	9,688,000
James H. Van Tassel	—	87,600
Sum Soon Lim	—	130,008
Aubrey C. Tobey	—	104,520
Robert Edmund La Blanc	—	55,720
Andre Borrel	—	115,720
Charles E. Thompson	—	85,720
Koh Beng Seng	—	57,600
Tsugio Makimoto	—	30,000
Liow Voon Kheong	—	20,000
Premod Paul Thomas	—	10,000
Singapore Airlines Ltd—ordinary shares of S$1.00 each fully paid		
Lim Ming Seong	4,000	4,000
Singapore Telecommunications Ltd—ordinary shares of S$0.15 each fully paid		
Ho Ching	3,280	3,400
Lim Ming Seong	3,280	3,400
Sum Soon Lim	3,280	3,400
Koh Beng Seng	1,500	1,560
Liow Voon Kheong	2,760	2,880
ST Assembly Test Services Ltd—ordinary shares of S$0.25 each partly paid to S$0.0125		
Sum Soon Lim	100,000	—
Premod Paul Thomas	80,000	—
ST Assembly Test Services Ltd—ordinary shares of S$0.25 each fully paid		
Sum Soon Lim	—	60,000
Robert Edmund La Blanc	—	20,000
Koh Beng Seng	—	10,000
Premod Paul Thomas	—	4,000
ST Assembly Test Services Ltd—Share options in unissued ordinary shares of S$0.25 each		
Sum Soon Lim	—	60,000
Koh Beng Seng	—	60,000
Premod Paul Thomas		96,000
SembCorp Industries Ltd—ordinary shares of S$0.25 each fully paid		
Lim Ming Seong	81,379	81,379

	At beginning of the year/ date of appointment	At end of the year
Vertex Technology Fund Ltd—ordinary shares of US$1.00 each fully paid		
Ho Ching	—	100
Lim Ming Seong	—	300
Sum Soon Lim	—	300
Premod Paul Thomas	50	50
Vertex Technology Fund Ltd—redeemable preference shares of US$0.01 each fully paid		
Ho Ching	—	80
Lim Ming Seong	—	240
Sum Soon Lim	—	240
Premod Paul Thomas	50	40
Singapore Food Industries Limited (formerly known as Singapore Food Industries Pte Ltd)—ordinary shares of S$0.05 each fully paid		
Ho Ching	—	50,000
Premod Paul Thomas	—	9,000

*During the financial year, the Company restructured its share capital with the issuance of one additional fully paid "A" ordinary share and the cancellation of 20 partly-paid "A" ordinary shares for every 20 partly paid "A" ordinary shares. Subsequently, on October 14, 1999, the Company merged the "A" ordinary shares and "B" ordinary shares into one class of ordinary shares and effected a share split which resulted in each ordinary share with a par value of S$0.4888 being sub-divided into 1.88 ordinary shares with a par value of S$0.26 each.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

Directors' Interests in Contracts

Since the end of the last financial year, no director has received or become entitled to receive a benefit 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.

Unusual Items During and After the Financial Year

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen during the financial year or in the interval between the end of the financial year and the date of this report which would affect substantially the consolidated or unconsolidated results for the financial year in which this report is made, or render any items in the consolidated or unconsolidated financial statements for the current financial year misleading, or affect the ability of the Company or its subsidiaries in meeting their obligations as and when they fall due.

Share Options

Details of options on shares in the Company granted during the financial year by the Company are set out in the financial statements.

Except as set out in the accompanying financial statements:

(i) during the financial year, there were no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) during the financial year, there were no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries; and

(iii) as of the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

The summary annual report set out on pages 46 to 51 was approved by the board of directors on February 8, 2000 and was signed on its behalf by:

HO CHING	BARRY WAITE, O.B.E.
Chairman	President and CEO

SINGAPORE

February 8, 2000

Unconsolidated Balance Sheet and Statement of Operations

	1998	1999
In thousands of US Dollars		
UNCONSOLIDATED BALANCE SHEET		
Investment in subsidiaries	$ 40,726	$ 83,385
Investment in SMP	39,186	85,174
Other assets	50,905	45,453
Technology license agreements	6,916	21,026
Property, plant and equipment, net	979,692	952,710
Current assets	222,576	709,338
Current liabilities	(208,067)	(292,604)
Net current assets	14,509	416,734
Non-current liabilities	(510,131)	(401,991)
	$ 621,803	$ 1,202,491
Share capital	221,433	264,529
Subscription receivable	(12,341)	—
Additional paid-in capital	689,970	1,207,656
Retained deficit	(224,563)	(216,998)
Accumulated other comprehensive loss	(52,696)	(52,696)
	$ 621,803	$ 1,202,491
UNCONSOLIDATED STATEMENT OF OPERATIONS		
Net revenue	$ 422,622	$ 694,809
Operating (loss) income	$ (160,832)	$ 9,734
(Loss) income before income tax	(169,362)	9,027
Income tax expense	(559)	(1,462)
Net (loss) income	$ (169,921)	$ 7,565

See accompanying notes to unconsolidated financial statements.

Notes to Summary Financial Statement

The Company completed its initial public offering ("IPO") during the year. In light of the composition of the Company's shareholders, its business strategy and capital raising plans, the Company believes that generally accepted accounting principles applicable in the United States of America ("US GAAP") is the most relevant basis of accounting and that the US dollar is the most appropriate reporting currency. The adoption of US GAAP was applied retrospectively, as if the Company had adopted US GAAP since its inception. Comparative balances have been restated as a result of the changes in accounting policies used by the Company, arising from the adoption of US GAAP.

The statutory financial statements comprise:

(i) the financial statements presented in accordance with generally accepted accounting principles applicable in the United States of America (the "US GAAP financial statements"), which contains the consolidated financial statements of the Group as of and for the year ended December 31, 1999 and notes thereto, together with comparative balances for the previous period, which are distributed to shareholders together with the summary financial statement;

(ii) the additional financial statements and disclosures required under the Companies Act (the "supplementary financial statements"), being the unconsolidated balance sheet and statement of operations of the Company for the year ended as of and for the year ended December 31, 1999, and the disclosures required by the Act.

The summary financial statement should be read in conjunction with the US GAAP financial statements and the supplementary financial statements.

Report of the Auditors

Shareholders of Chartered Semiconductor Manufacturing Ltd

We have audited the summary financial statement set out on pages 46 to 50, which has been prepared by the directors from the financial statements of Chartered Semiconductor Manufacturing Ltd for the year ended December 31, 1999.

In our opinion, the summary financial statement is consistent in all material respects with the complete financial statements and directors' report of Chartered Semiconductor Manufacturing Ltd for the year ended December 31, 1999, and complies with the requirements of Section 203A of the Companies Act, and the regulations applicable to a summary financial statement.

For a better understanding of the Company's financial position and the results of its operations, the summary financial statement should be read in conjunction with the financial statements from which the summary financial statement was derived.

We have issued an unqualified audit report dated February 8, 2000 on the complete financial statements of Chartered Semiconductor Manufacturing Ltd. The audit report is as follows:

Shareholders of Chartered Semiconductor Manufacturing Ltd

We have audited the consolidated financial statements of Chartered Semiconductor Manufacturing Ltd as set out on pages 23 to 45 (the "US GAAP financial statements") and the supplementary financial statements of the Company set out on pages S-10 to S-16 (the "supplementary financial statements" and collectively, the "statutory financial statements").

The US GAAP financial statements have been prepared to present the consolidated financial position, results and cash flows of the Company and subsidiaries under generally accepted accounting principles applicable in the United States of America ("US GAAP"). The supplementary financial statements have been prepared to present the unconsolidated financial position and results of the Company and other additional information required by the Companies Act (the "Act").

The statutory financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on the statutory financial statements based on our audit.

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

In our opinion:

(a) the statutory financial statements are properly drawn up in accordance with the provisions of the Act, as modified by exemption orders granted by the Registrar of Companies and Businesses, so as to give a true and fair view of:

  (i) the consolidated and unconsolidated state of affairs as at December 31,1999 and of the consolidated and unconsolidated results for the year ended on that date; and

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

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

We have considered the financial statements of Chartered Semiconductor Manufacturing, Inc., which are not required by the law of the country in which it is incorporated to be audited, being financial statements that have been included in the US GAAP financial statements.

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

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

KPMG
Certified Public Accountants
Singapore

February 8, 2000

Supplementary Statement by Chairman

ADDITIONAL INFORMATION

The additional information set out below is presented to satisfy the requirements of the Second Schedule of Regulation 7 of the Companies (Summary Financial Statement) Regulations 1995.

Chairman's Statement

In view of the listing during the year of the Company's shares on Nasdaq in the United States of America and on the Main Board of the Singapore Exchange, and in the light of the composition of the Company's shareholders, its business strategy and capital raising plans, the Company ceased the application of Singapore Statements of Accounting Standard ("SAS") and adopted generally accepted accounting principles applicable in the United States of America ("US GAAP") as its comprehensive basis of accounting for financial reporting purposes. The adoption of US GAAP was applied retrospectively, as if the Company had adopted US GAAP since its inception.

The Company raised net proceed of $548,121 thousands from the initial public offering of the Company's shares during the year.

Operating environment that affects business prospects, and business review and future developments are included in the President's Statement.

HO CHING
Chairman

February 8, 2000

Shareholding Statistics as of March 15, 2000

Twenty Largest Shareholders

No.	Shareholder	No. of Shares	%
1	Singapore Technologies Pte Ltd	499,116,152	38.98
2	Singapore Technologies Semiconductors Pte Ltd	398,518,228	31.12
3	Citibank Nominees Singapore Pte Ltd	219,164,539	17.12
4	Raffles Nominees Pte Ltd	24,806,500	1.94
5	Alliance Semiconductor Corporation	21,418,177	1.67
6	DBS Nominees Pte Ltd	17,334,400	1.35
7	EDB Investments Pte Ltd	11,367,280	0.89
8	HSBC (Singapore) Nominees Pte Ltd	10,991,700	0.86
9	Conexant Systems Inc	10,306,610	0.81
10	Analog Devices BV	8,627,185	0.67
11	LSI Logic Hong Kong Limited	8,518,750	0.67
12	Standard Microsystems Corporation	8,283,750	0.65
13	Actel Corporation	5,153,304	0.40
14	United Overseas Bank Nominees Pte Ltd	5,135,210	0.40
15	Brooktree Corporation	4,948,160	0.39
16	Tan Bock Seng	2,230,432	0.17
17	Toshiba Corporation	1,735,475	0.14
18	Prudential Assurance Co Singapore (Pte) Ltd—Life Fund	1,429,000	0.11
19	DB Nominees (S) Pte Ltd	1,327,300	0.10
20	Prudential Assurance Co Singapore (Pte) Ltd—Prulink Fund	1,294,000	0.10
		1,261,706,152	98.53

Size of Holding	No. of Shareholders	%	No. of Shares	%
1–1,000	1,804	51.05	1,221,815	0.09
1,001–10,000	1,477	41.79	4,833,266	0.38
10,001–1,000,000	232	6.57	11,747,490	0.92
1,000,001 and above	21	0.59	1,262,710,152	98.61
	3,534	100.00	1,280,512,723	100.00

Substantial Shareholders

	Direct Interest	Deemed Interest
Temasek Holdings (Private) Limited	—	898,164,380
Singapore Technologies Holdings Pte Ltd	—	897,634,380
Singapore Technologies Pte Ltd	499,116,152	398,518,228
Singapore Technologies Semiconductors Pte Ltd	398,518,228	—

Note:

- 'Substantial Shareholders' are those shareholders who own at least 5% of the equity of the company.
- 'Deemed Interest' in shares arises, for example, when a person (including a company) owns at least 15% of another company which in turn owns shares in Chartered Semiconductor Manufacturing Ltd. The person is "deemed" to have an interest in the Chartered Semiconductor Manufacturing Ltd shares owned by that other company. It is, therefore, possible for several persons to be deemed interested in the same shares.

This note is merely illustrative. For a full understanding of the scope of the regulations, it is necessary to refer to the Companies Act.

Corporate Directory

BOARD OF DIRECTORS

Chairman
Ho Ching

Deputy Chairman
Lim Ming Seong

Directors
Barry Waite, O.B.E.
Sum Soon Lim
James H. Van Tassel, PhD
Aubrey C. Tobey
Robert E. La Blanc
Andre Borrel
Charles E. Thompson
Koh Beng Seng
Tsugio Makimoto, PhD

Alternate Directors
Liow Voon Kheong
Premod Paul Thomas

Executive Officers
Barry Waite, O.B.E.
President and Chief Executive Officer

Chia Song Hwee
Senior Vice President & Chief Financial Officer

Robert Baxter
Senior Vice President, Business Operations

John Docherty
Senior Vice President, Manufacturing Operations

Brian Klene
Vice President, Strategic Development

John Martin, PhD
Vice President, Technology Development

Lau Chi Kwan, PhD
Vice President, Quality, Reliability and Assurance

Justin Lim, PhD
Vice President, Information Technology

Tan Seng Chai
Vice President, Human Resources

Michael J. Rekuc
President, North America

This report contains forward-looking statements, as defined in the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements—including without limitation statements relating to increased capacity, capacity acceleration and the construction and equipping of our new fabrication facility described in Paragraph 6 of the President's Letter and under the section on "Expanding Capacity to Meet Customer Expectation"—reflect the Company's current views with respect to future events and financial performance. These statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from historical results or those anticipated. For example, changes in the market outlook, customer demands, delays and interruptions in the construction schedule for our new fabrication facility due to the lack of building materials, equipment, manpower and timely regulatory approvals could affect the Company's capacity addition and acceleration plans. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. In addition, a description of certain other risks and uncertainties which could cause actual results to differ materially from those indicated in the forward-looking statements can be found in the section captioned "Risk Factors" in the Company's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate Information

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STOCK LISTINGS
Chartered Semiconductor Manufacturing Ltd's ordinary shares are traded on the Singapore Exchange Securities Trading Limited under the symbol "Chartered." Its American Depositary Shares are traded on the Nasdaq National Market under the symbol "CHRT."

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ANNUAL GENERAL MEETING OF SHAREHOLDERS
The 2000 Annual General Meeting of Shareholders will be held at 10:00 am local time, Thursday, May 25, 2000, at Chartered's headquarters in Singapore. The meeting will take place in Fab 2, located at 60 Woodlands Industrial Park D, Street 2, Singapore 738406.

TRADEMARKS
All trademarks are the property of their respective holders. Our relationships with these companies are solely as described in this document.

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