

LETTER TO SHAREHOLDERS

SINGAPORE TECHNOLOGIES ENGINEERING LTD

(Incorporated in the Republic of Singapore)
Company Registration Number: 199706274H

Directors:

Mr Kwa Chong Seng (*Chairman and Independent Director*)
Mr Vincent Chong Sy Feng (*President and CEO*)
Dr Beh Swan Gin (*Independent Director*)
Mr Joseph Leong Weng Keong (*Non-Executive Director*)
Mr Lim Ah Doo (*Independent Director*)
Mr Lim Chin Hu (*Independent Director*)
Mr Lim Sim Seng (*Independent Director*)
LG Ong Su Kiat Melvyn (*Non-Executive Director*)
Mr Quek Gim Pew (*Non-Executive Director*)
Mr Quek See Tiat (*Independent Director*)
Ms Song Su-Min (*Independent Director*)
COL Xu Youfeng (*Alternate Director to LG Ong Su Kiat Melvyn*)

Registered Office:

ST Engineering Hub
1 Ang Mo Kio
Electronics Park Road #07-01
Singapore 567710

23 April 2020

To: The Shareholders of
Singapore Technologies Engineering Ltd (the “**Company**”)

Dear Sir/Madam

1. INTRODUCTION

1.1 Background. We refer to:

- (a) the Notice of the 23rd Annual General Meeting (“**AGM**”) of the Company dated 23 April 2020 (the “**Notice**”), convening the 23rd AGM of the Company to be held on 15 May 2020 (the “**2020 AGM**”);
- (b) Ordinary Resolution No. 8 relating to the proposed change of Auditor from KPMG LLP to PricewaterhouseCoopers LLP (“**PwC LLP**”), as proposed in the Notice;
- (c) Ordinary Resolution No. 10 relating to the proposed renewal of the Shareholders Mandate for Interested Person Transactions (as defined in paragraph 3.1 below), as proposed in the Notice;
- (d) Ordinary Resolution No. 11 relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 4.1 below), as proposed in the Notice;
- (e) Ordinary Resolution No. 12 relating to the proposed adoption of the ST Engineering PSP 2020 (as defined in paragraph 5.1 below), as proposed in the Notice; and

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- (f) Ordinary Resolution No. 13 relating to the proposed adoption of the ST Engineering RSP 2020 (as defined in paragraph 5.1 below), as proposed in the Notice.
- 1.2 **Letter to Shareholders.** The purpose of this Letter is to provide shareholders of the Company (“**Shareholders**”) with information relating to Ordinary Resolution Nos. 8, 10, 11, 12 and 13, proposed in the Notice (collectively, the “**Proposals**”).
- 1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.
- 1.4 **Advice to Shareholders.** Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. If a Shareholder has sold all his ordinary shares in the Company, he should immediately inform the purchaser or the bank, stockbroker or other agent through whom the sale was effected for onward notification to the purchaser, that this Letter (together with the Notice and the Proxy Form) and the Annual Report for the financial year ended 31 December 2019 (“**Annual Report 2019**”) (and updated shareholding statistics as at 1 April 2020) may be accessed at the Company’s website at the URLs <https://www.stengg.com/en/investor-relations/23rd-annual-general-meeting/> and <https://www.stengg.com/en/investor-relations/annual-reports/>, respectively, and are also available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

2. THE PROPOSED CHANGE OF AUDITOR

- 2.1 **Background.** Ordinary Resolution No. 8 proposed in the Notice is to appoint PwC LLP as the Auditor of the Company in place of the retiring Auditor, KPMG LLP, and to authorise the Directors of the Company (the “**Directors**”) to fix its remuneration.
- 2.2 **Rationale.** KPMG LLP has served as external Auditor of the Company for 10 years, since 2010. As part of good corporate governance, the Directors are of the view that it would be timely to effect a change of external Auditor with effect from the financial year ending 31 December 2020. KPMG LLP, the retiring Auditor, will accordingly not be seeking re-appointment at the forthcoming 2020 AGM.

PwC LLP was selected for the proposed appointment after the Audit Committee of the Company (the “**Audit Committee**”) invited and evaluated competitive proposals from various audit firms. The Audit Committee reviewed and deliberated on the proposals received from each of the audit firms, taking into consideration the factors recommended under the Audit Quality Indicators Disclosure Framework introduced by the Accounting and Corporate Regulatory Authority (“**ACRA**”), and the criteria for the evaluation and selection of the external auditors contained in the Guidebook for Audit Committees in Singapore and the Audit Committee Guide issued by the Singapore Institute of Directors, including factors such as the adequacy of the resources and experiences of the audit firm to be selected and the audit engagement partner to be assigned to the audit, the audit firm’s other engagements, the size and complexity of the Company and its subsidiaries (the “**Group**”) and the number and experience of supervisory and professional staff to be assigned. After evaluation, the Audit Committee informed the Company’s Board of Directors of its view that PwC LLP would be able to meet the audit requirements of the Company. Consequently, the Board of Directors agreed with the Audit Committee’s recommendation to table the proposed change of Auditor for Shareholders’ approval at the 2020 AGM.

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The scope of audit services to be provided by PwC LLP will be comparable to those currently provided by KPMG LLP.

- 2.3 **Information on PwC LLP.** PwC LLP is a leading professional services firm with more than 3,800 staff, including over 140 partners in Singapore. The size of the audit function of PwC LLP in Singapore is 2,046 professional staff as at 31 January 2020. PwC LLP provides their clients with professional services to help solve their business issues and identify and maximise the opportunities their clients seek. Their industry specialisation allows them to help co-create solutions with their clients for the sector of interest. Globally, PwC LLP has over 276,000 professionals around the world.

The audit partner who will be in charge of the audit is Lam Hock Choon (Marcus Lam). Mr Lam is PwC LLP's Singapore Assurance Practice Leader. The Assurance Practice is the firm's largest practice in terms of revenue and headcount. He is also part of PwC LLP's Singapore Leadership Team. Mr Lam has more than 20 years of experience providing audit and advisory services to listed companies, multinationals and government agencies across different industries and sectors in Singapore. His past experience includes audits of listed companies with diverse business activities in the technology, engineering and manufacturing sectors. He has significant experience with U.S. GAAP, IFRS and U.S. SOX reporting requirements. Outside of PwC LLP, Mr Lam is active in the non-profit and government sectors. He also contributes actively to the development of the accounting profession as a council member of the Institute of Singapore Chartered Accountants and a member of the Accounting Standards Council.

Partners of PwC LLP in Singapore, including Mr Lam, have been subject to a Practice Monitoring Programme review by ACRA. Partners involved in this engagement have all passed their quality review.

For more information about PwC LLP, please visit <https://www.pwc.com/sg/en/>.

- 2.4 **Confirmations.** In accordance with the requirements of Rule 1203(5) of the listing manual of the SGX-ST (the "Listing Manual"):
- (a) the outgoing Auditor, KPMG LLP, has confirmed that it is not aware of any professional reasons why the new Auditor, PwC LLP, should not accept appointment as Auditor of the Company;
 - (b) the Company confirms that there were no disagreements with the outgoing Auditor, KPMG LLP, on accounting treatments within the last 12 months;
 - (c) the Company confirms that, other than as set out above, it is not aware of any circumstances connected with the proposed change of Auditor that should be brought to the attention of Shareholders; and
 - (d) the Company confirms that it is or will be in compliance with Rules 712 and 715¹ of the Listing Manual in relation to the appointment of PwC LLP as the Auditor of the Company.

¹ PwC LLP will audit all of the Company's Singapore-incorporated subsidiaries and significant associated companies as well as its significant foreign-incorporated subsidiaries and associated companies.

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2.5 **Nomination Notice.** Pursuant to Section 205 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), a copy of the notice of nomination of the proposed new Auditor dated 23 April 2020 from a Shareholder is attached in Appendix 1 to this Letter.

3. THE PROPOSED RENEWAL OF THE SHAREHOLDERS MANDATE

3.1 **Shareholders Mandate.** At the annual general meeting of the Company held on 18 April 2019 (the “**2019 AGM**”), approval of the Shareholders was obtained for the modifications to, and renewal of, a shareholders mandate (the “**Shareholders Mandate**”) to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual) to enter into certain interested person transactions (“**Interested Person Transactions**”) with the classes of interested persons as set out in the Shareholders Mandate. Particulars of the Shareholders Mandate are set out in Appendix 1 to the Letter to Shareholders dated 21 March 2019 (the “**2019 Letter**”).

3.2 **Proposed Renewal.** The Shareholders Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the 2020 AGM which is scheduled to be held on 15 May 2020. Accordingly, the Directors propose that the Shareholders Mandate be renewed at the 2020 AGM, to take effect until the 24th AGM of the Company. The particulars of the Interested Person Transactions in respect of which the Shareholders Mandate is sought to be renewed remain unchanged.

3.3 **Appendix 2.** The Shareholders Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices and other general information relating to Chapter 9 of the Listing Manual, are set out in Appendix 2 to this Letter. Appendix 2 has also been updated to take into account amendments to the Listing Manual which took effect on 7 February 2020.

3.4 **Audit Committee’s Statement.** The Audit Committee (currently comprising Mr Quek See Tiat, Mr Lim Ah Doo and Ms Song Su-Min) confirms that:

- (a) the methods or procedures for determining transaction prices under the Shareholders Mandate have not changed since the 2019 AGM; and
- (b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

4. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

4.1 **Share Purchase Mandate.** Shareholders had approved the renewal of the mandate (the “**Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire ordinary shares of the Company (“**Shares**”) at the 2019 AGM. The authority and limitations on the Share Purchase Mandate were set out in the 2019 Letter and Ordinary Resolution No. 14 set out in the Notice of the 2019 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 14 at the 2019 AGM and will expire on the date of the forthcoming 2020 AGM to be held on 15 May 2020. Accordingly, Shareholders’ approval is being sought for the renewal of the Share Purchase Mandate at the 2020 AGM.

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As at 1 April 2020 (the “**Latest Practicable Date**”), the Company had purchased or acquired an aggregate of 8,299,100 Shares by way of Market Purchases (as defined in paragraph 4.3.3 below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2019 AGM. The average price paid was S\$3.93 per Share and the total consideration paid for all purchases was S\$32.6 million, excluding commission, brokerage and goods and services tax.

As at the Latest Practicable Date, the Company had not purchased or acquired any of its Shares by way of Off-Market Purchases (as defined in paragraph 4.3.3 below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2019 AGM.

4.2 **Rationale.** The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) In managing the business of the Group, management strives to increase Shareholders’ value by improving, *inter alia*, the return on equity of the Group. Share purchase is one of the ways through which the return on equity of the Group may be enhanced.
- (b) The Share Purchase Mandate is an available option for the Company to return surplus cash which is in excess of the financial and possible investment needs of the Group to its Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company’s share capital structure and its dividend policy.
- (c) Repurchased Shares which are held in treasury may be transferred for the purposes of employee share schemes implemented by the Company. The use of treasury shares in lieu of issuing Shares would also mitigate the dilution impact on existing Shareholders.

The approval of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 2% limit described in paragraph 4.3.1 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 2% limit as authorised and no purchases or acquisitions of Shares would be made in circumstances which would or may materially adversely affect the financial condition of the Company.

4.3 **Authority and Limits.** The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2020 AGM, are substantially the same as were previously approved by Shareholders at the 2019 AGM, save that the definition of “Average Closing Price” (for determining the maximum purchase price for the purchase or acquisition of Shares pursuant to the Share Purchase Mandate) has been changed to take into account amendments to the Listing Manual which took effect on 7 February 2020. These are summarised below:

4.3.1 **Maximum Number of Shares**

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more

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than 2% of the total number of issued Shares as at the date of the 2020 AGM. Treasury shares and subsidiary holdings (as defined in the Listing Manual)² will be disregarded for purposes of computing the 2% limit.

As at the Latest Practicable Date, the Company had 1,256,866 treasury shares and no subsidiary holdings.

Based on 3,122,495,197 issued Shares as at the Latest Practicable Date and disregarding the 1,256,866 Shares held in treasury as at the Latest Practicable Date, and assuming that on or prior to the 2020 AGM (i) no further Shares are issued, (ii) no Shares are purchased or acquired by the Company, and no further Shares purchased or acquired by the Company are held as treasury shares, and (iii) no Shares are held as subsidiary holdings, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 62,424,766 Shares.

4.3.2 *Duration of Authority*

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2020 AGM at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
- (c) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

4.3.3 *Manner of Purchases or Acquisitions of Shares*

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchases**") effected pursuant to an equal access scheme.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in

² "Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

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the interests of the Company in connection with or in relation to any equal access scheme or schemes.

An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (1) terms and conditions of the offer;
- (2) period and procedures for acceptances; and
- (3) information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

4.3.4 **Purchase Price**

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors and must not exceed, in the case of both Market Purchases and Off-Market Purchases, 105% of the Average Closing Price of the Shares, excluding related expenses of the purchase or acquisition.

For the above purposes:

“Average Closing Price” means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs during the relevant five-day period and the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase; and

“date of the making of the offer” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than 105% of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition) for each Share) and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

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4.4 **Status of Purchased Shares.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company, which are cancelled and are not held as treasury shares.

4.5 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

4.5.1 ***Maximum Holdings***

The number of Shares held as treasury shares³ cannot at any time exceed 10% of the total number of issued Shares.

4.5.2 ***Voting and Other Rights***

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

4.5.3 ***Disposal and Cancellation***

Where Shares are held as treasury shares, the Company may at any time but subject always to the Singapore Code on Take-overs and Mergers (the "**Take-over Code**"):

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or

³ For these purposes, "treasury shares" shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act.

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- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after such sale, transfer, cancellation and/or use, and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

- 4.6 **Source of Funds.** The Company may purchase or acquire its Shares out of capital, as well as from its distributable profits.

The Company will use the internal sources of funds of the Group to finance the Company's purchase or acquisition of the Shares. The Company does not intend to obtain or incur any external borrowings to finance such purchase or acquisition. The Directors do not propose to exercise the Share Purchase Mandate to such extent that it would materially affect the working capital requirements of the Group.

- 4.7 **Financial Effects.** The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Group and the Company, based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2019, are based on the assumptions set out below.

4.7.1 ***Purchase or Acquisition out of Profits and/or Capital***

Purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

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4.7.2 **Number of Shares Purchased or Acquired**

Based on the number of issued and paid-up Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 4.3.1 above, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 62,424,766 Shares.

4.7.3 **Maximum Price Paid for Shares Purchased or Acquired**

In the case of both Market Purchases and Off-Market Purchases by the Company and assuming that the Company purchases or acquires 62,424,766 Shares at the maximum price of S\$3.2025 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 62,424,766 Shares is S\$199,915,313.

4.7.4 **Illustrative Financial Effects**

The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, whether the purchase or acquisition is made out of profits and/or capital, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and whether the Shares purchased or acquired are cancelled or held in treasury.

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 4.7.2 and 4.7.3 above, and further assuming that the purchase or acquisition of 62,424,766 Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases or Off-Market Purchases is made entirely out of profits and/or capital and either cancelled or held in treasury, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2019 are set out below.

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	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
<u>As at 31 December 2019</u>				
Share Capital & Reserves	2,222,279	2,022,364	1,419,347	1,219,432
NTA ⁴	430,179	230,264	1,419,347	1,219,432
Current Assets	4,639,185	4,439,270	79,569	63,298
Current Liabilities	5,446,408	5,446,408	24,647	208,291
Net (Debt)/Cash	(1,885,612)	(2,085,527)	10,719	(189,196)
Number of Shares (excluding treasury shares) ('000)	3,121,238	3,058,814	3,121,238	3,058,814
<u>Financial Ratios</u>				
Basic EPS ⁵ (S\$)	0.19	0.19	0.15	0.15
NTA per Share (S\$)	0.14	0.08	0.45	0.40
Net Gearing (times)	0.8	1.0	Net Cash	0.2
Current Ratio (times)	0.9	0.8	3.2	0.3

Notes:

- (1) The figures for the Group and the Company are based on the audited financial statements as at 31 December 2019.
- (2) Net Gearing is equal to net borrowings divided by Share Capital & Reserves.

The financial effects set out above are for illustrative purposes only. Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 2% of the issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 2% of the issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

4 Net tangible assets

5 Earnings per share

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- 4.8 **Reporting Requirements.** Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price or trade sensitive development has occurred or has been the subject of a decision until the price or trade sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of one month immediately preceding the announcement of the Company’s half year and full year financial statements.

- 4.9 **Listing Status.** The Listing Manual requires a listed company to ensure that at least 10% of equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. As at the Latest Practicable Date, Temasek Holdings (Private) Limited (“**Temasek**”), a substantial Shareholder, has a direct and deemed interest in approximately 52.13% of the issued Shares (excluding treasury shares) as at that date. Approximately 47.77% of the issued Shares (excluding treasury shares) are held by public Shareholders.

The Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 2% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading.

- 4.10 **Shareholding Limits.** The Constitution of the Company currently prescribes a limit of 15% (or such higher percentage as the holder of the special share (the “**Special Share**”) of the Company (the “**Special Member**”) may from time to time prescribe) (the “**Prescribed Limit**”) of the issued Shares in which any person or related group of persons (other than a person or persons approved by the Special Member) may have an interest. Temasek has been approved by the Special Member to have an interest in the issued Shares in excess of the Prescribed Limit.

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The Constitution empowers the Directors, if it shall come to their notice that the interest of any person or related group of persons (other than a person or persons approved by the Special Member) in the Shares has reached or exceeded the Prescribed Limit, to require the affected person or persons to dispose of the affected Shares within 21 days of the giving of the notice requiring such disposal (or such longer period as the Directors consider reasonable) to a person qualified to have an interest in such Shares.

The Company wishes to draw the attention of Shareholders to the following consequences of a purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate, if the renewal of the Share Purchase Mandate is approved by Shareholders at the 2020 AGM:

A PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY MAY INADVERTENTLY CAUSE THE INTEREST IN THE SHARES OF ANY PERSON OR RELATED GROUP OF PERSONS TO REACH OR EXCEED THE PRESCRIBED LIMIT (IN PARTICULAR, A PERSON WHOSE INTEREST IN SHARES IS CURRENTLY CLOSE TO THE PRESCRIBED LIMIT). THE DIRECTORS ARE EMPOWERED TO SERVE NOTICE ON SUCH PERSON REQUIRING A DISPOSAL OF THE AFFECTED SHARES WITHIN 21 DAYS OF THE GIVING OF SUCH NOTICE OR SUCH LONGER PERIOD AS THE DIRECTORS CONSIDER REASONABLE TO A PERSON QUALIFIED TO HAVE AN INTEREST IN THE AFFECTED SHARES.

- 4.11 **Take-over Implications.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

4.11.1 ***Obligation to Make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

4.11.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);

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- (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which the Shareholders, including the Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

4.11.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, the Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the interests of substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date, the substantial Shareholder would not become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 2% of its issued Shares (excluding treasury shares) as at the Latest Practicable Date.

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Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases by the Company.

5. THE PROPOSED NEW SHARE PLANS

- 5.1 **Previous Share Plans.** The Company had in place the Singapore Technologies Engineering Performance Share Plan 2010 (the “**ST Engineering PSP 2010**”) and the Singapore Technologies Engineering Restricted Share Plan 2010 (the “**ST Engineering RSP 2010**” and together with the ST Engineering PSP 2010, the “**Previous Share Plans**”). The Previous Share Plans were adopted at an extraordinary general meeting of the Company held on 21 April 2010. The duration of the Previous Share Plans was 10 years commencing on the date of adoption, that is, 10 years commencing on 21 April 2010. The Previous Share Plans have accordingly expired on 20 April 2020. The expiry of the Previous Share Plans does not, however, affect awards granted prior to such expiry, whether such awards have been released (whether fully or partially) or not.

The Company proposes to adopt the new Singapore Technologies Engineering Performance Share Plan 2020 (the “**ST Engineering PSP 2020**”) and the Singapore Technologies Engineering Restricted Share Plan 2020 (the “**ST Engineering RSP 2020**” and together with the ST Engineering PSP 2020, the “**New Share Plans**”) to replace the Previous Share Plans following their expiry. Details of the New Share Plans are set out in paragraphs 5.4 to 5.12 below.

- 5.2 **Outstanding Awards/Shares Delivered.** Details of outstanding awards granted/Shares delivered under the Previous Share Plans are set out below:

5.2.1 *PSP Awards/RSP Awards*

As at the Latest Practicable Date:

- (a) there are outstanding awards (“**PSP Awards**”) granted to 50 participants under the ST Engineering PSP 2010 in respect of up to a maximum of 10,161,199 Shares (representing approximately 0.33% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date);
- (b) an aggregate of 8,336,431 Shares (representing approximately 0.27% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date) have been delivered upon vesting of awards granted under the ST Engineering PSP 2010 since the commencement of the ST Engineering PSP 2010;
- (c) there are outstanding awards (“**RSP Awards**”) granted to 916 participants under the ST Engineering RSP 2010 in respect of up to a maximum of 14,691,681 Shares (representing approximately 0.47% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date); and
- (d) an aggregate of 36,406,171 Shares (representing approximately 1.17% of the issued Shares (excluding treasury shares) as at the Latest Practicable Date) have been delivered upon vesting of awards granted under the ST Engineering RSP 2010 since the commencement of the ST Engineering RSP 2010.

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Save as disclosed in this Letter, and save for the prescribed performance-based, time-based and/or other conditions attached to the PSP Awards and the RSP Awards, the PSP Awards and the RSP Awards outstanding as at the Latest Practicable Date are not subject to any material conditions.

No awards have been granted to controlling shareholders of the Company or associates of such controlling shareholders, under the Previous Share Plans.

5.2.2 *Awards Granted to Director*

Details of existing PSP Awards granted under the ST Engineering PSP 2010 to a Director who held office as at the Latest Practicable Date, and which are outstanding and unvested as at the Latest Practicable Date are as follows:

Name of Director	Date of PSP Award	Maximum number of Shares comprised in PSP Awards
Vincent Chong Sy Feng	29 March 2018	728,620 ⁽¹⁾
	27 March 2019	797,954 ⁽²⁾
	23 March 2020	928,128 ⁽³⁾

Notes:

- (1) This conditional award is subject to performance targets set over a three-year performance period from 1 January 2018 to 31 December 2020. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 170% of the conditional base award.
- (2) This conditional award is subject to performance targets set over a three-year performance period from 1 January 2019 to 31 December 2021. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 170% of the conditional base award.
- (3) This conditional award is subject to performance targets set over a three-year performance period from 1 January 2020 to 31 December 2022. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 170% of the conditional base award.

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Details of existing RSP Awards granted under the ST Engineering RSP 2010 to a Director who held office as at the Latest Practicable Date, and which are outstanding and unvested as at the Latest Practicable Date are as follows:

Name of Director	Date of RSP Award	Number of Shares comprised in RSP Awards
Vincent Chong Sy Feng	27 March 2017	20,566 ⁽¹⁾
	29 March 2018	90,400 ⁽²⁾
	27 March 2019	164,426 ⁽²⁾
	23 March 2020	212,708 ⁽³⁾

Notes:

- (1) The restricted shares comprised in this conditional award are unvested restricted shares for the performance period from 1 January 2017 to 31 December 2017 to be released according to the stipulated vesting periods. The restricted shares will vest annually, subject to the recipient's continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.
- (2) The restricted shares comprised in these conditional awards will be released according to the stipulated vesting periods. The restricted shares will vest annually, subject to the recipient's continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.
- (3) This conditional award is subject to a performance target set over a one-year performance period from 1 January 2020 to 31 December 2020. If the performance target is attained, the restricted shares comprised in this conditional award will be released according to the stipulated vesting periods. The restricted shares will vest annually, subject to the recipient's continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

As at the Latest Practicable Date, an aggregate of 590,460 Shares have been delivered to Mr Vincent Chong Sy Feng upon vesting of awards granted under the ST Engineering PSP 2010 since the commencement of the ST Engineering PSP 2010, and an aggregate of 1,676,333 Shares have been delivered to Mr Vincent Chong Sy Feng upon vesting of awards granted under the ST Engineering RSP 2010 since the commencement of the ST Engineering RSP 2010.

5.2.3 **Awards Granted as Directors' Remuneration**

Beginning with the financial year ended 31 December 2011, except for those non-executive Directors who hold/held public sector appointments and who were not eligible for the shares component of the non-executive Directors' remuneration, approximately 30% of the aggregate Directors' remuneration of the non-executive Directors approved by Shareholders for the particular financial year was paid in the form of awards granted under the ST Engineering RSP 2010 in lieu of cash. Such awards consisted of fully paid Shares with no performance conditions attached, and no vesting periods imposed, although a share retention policy was applied. The Directors as at the Latest Practicable Date who were paid part of their Directors' remuneration in the form of awards granted under the ST Engineering RSP 2010 are as follows:

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Directors	Date of appointment as Director	Aggregate number of Shares allotted and issued and/or delivered under the ST Engineering RSP 2010 as part of Directors' remuneration
Kwa Chong Seng	1 September 2012	284,700
Lim Ah Doo	10 November 2015	42,400
Lim Chin Hu	16 July 2018	4,400
Lim Sim Seng	15 May 2015	48,400
Quek See Tiat	1 July 2013	57,900
Song Su-Min	16 September 2018	2,000

Dr Beh Swan Gin, LG Ong Su Kiat Melvyn and Mr Quek Gim Pew were appointed as Directors on 1 September 2014, 8 June 2018 and 15 August 2016 respectively and all of their Directors' remuneration was paid in cash to a government agency, The Directorship & Consultancy Appointments Council. Mr Joseph Leong Weng Keong was appointed as a Director on 7 June 2019 and has not received any Directors' remuneration as at the Latest Practicable Date.

5.3 **Definitions.** For the purposes of paragraphs 5.4 to 5.12 below and in relation to the New Share Plans, the following expressions shall have the following meanings:

"Associated Company" means a company in which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control (as defined in the Listing Manual);

"Associated Company Employee" means any employee of an Associated Company (including any Associated Company Executive Director);

"Associated Company Executive Director" means a director of an Associated Company who performs an executive function;

"Award" means an award of Shares granted under the ST Engineering PSP 2020 and/or the ST Engineering RSP 2020;

"Award Date" means, in relation to an Award, the date on which the Award is granted pursuant to the ST Engineering PSP 2020 and/or the ST Engineering RSP 2020;

"Award Letter" means a letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee;

"Committee" means a committee comprising Directors of the Company duly authorised and appointed by the Board of Directors of the Company to administer the ST Engineering PSP 2020 and the ST Engineering RSP 2020;

"Group" means the Company and its subsidiaries;

"Group Employee" means any employee of the Group including any Group Executive Director;

"Group Executive Director" means a director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function;

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“Non-Executive Director” means a director of:

- (a) the Company and/or any of its subsidiaries, other than a Group Executive Director; or
- (b) an Associated Company, other than an Associated Company Executive Director; and

“Participant” means the holder of an Award.

- 5.4 **Rationale.** The new ST Engineering PSP 2020 and ST Engineering RSP 2020 are intended to replace the ST Engineering PSP 2010 and ST Engineering RSP 2010 respectively, both of which expired on 20 April 2020.

The New Share Plans have substantially the same terms as the Previous Share Plans, save for the introduction of the new malus and clawback rights (see paragraph 5.7 below), the reduction in the limit on the number of Shares which may be delivered pursuant to Awards granted under the New Share Plans (see paragraph 5.8 below), amendments to take into account the changes to relevant legislation and the Listing Manual, and changes to streamline and rationalise certain other provisions.

The New Share Plans are proposed to increase the Company’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. The New Share Plans will strengthen the Company’s competitiveness in attracting and retaining talented key senior management executives and other executives.

The ST Engineering RSP 2020 is intended to apply to a broader base of executives as well as to the Non-Executive Directors, while the ST Engineering PSP 2020 is intended to apply to a select group of key senior management executives. Generally, it is envisaged that the range of performance targets to be set under the ST Engineering RSP 2020 and the ST Engineering PSP 2020 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The New Share Plans will provide incentives to high performing key senior management executives and other executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the New Share Plans, the Company will be able to motivate key senior management executives and other executives to continue to strive for the Group’s long-term shareholder value. In addition, the New Share Plans aim to foster a greater ownership culture within the Group which aligns the interests of Participants with the interests of Shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The New Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management executives and other executives to achieve pre-determined targets which create and enhance economic value for Shareholders. The Company believes that the New Share Plans will be effective tools in motivating key senior management executives and other executives to strive to deliver long-term shareholder value.

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While the New Share Plans cater principally to Group Employees, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include directors and employees of Associated Companies over which the Company has operational control.

For Participants who are employees of the Group and Associated Companies, the New Share Plans contemplate the award of fully paid Shares, when and after pre-determined performance and/or service conditions are met.

In addition, the ST Engineering RSP 2020 will also enable grants of fully paid Shares to be made to certain Non-Executive Directors as part of their remuneration in respect of their office as such in lieu of cash.

A Participant's Awards under the New Share Plans will be determined at the sole discretion of the Committee. In considering an Award to be granted to a Participant who is an employee of the Group or an Associated Company, the Committee may take into account, *inter alia*, the Participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

5.4.1 ***The Proposed ST Engineering PSP 2020***

One of the primary objectives of the ST Engineering PSP 2020 is to further motivate key senior management executives to strive for superior performance and to deliver long-term shareholder value. The ST Engineering PSP 2020 is targeted at senior management executives in key positions who shoulder the responsibility for the Company's performance and who are able to drive the growth of the Company through superior performance.

Awards granted under the ST Engineering PSP 2020 are performance-based. Performance targets set under the ST Engineering PSP 2020 are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of performance targets include EPS growth as a performance measure to drive sustainable earnings growth, and other targets based on criteria such as total shareholders' return, economic value added, market share, market ranking or return on sales.

Awards granted under the ST Engineering RSP 2020 to employees of the Group and Associated Companies differ from those granted under the ST Engineering PSP 2020 in that an extended vesting period is normally (but not always) imposed for performance-based restricted Awards granted under the ST Engineering RSP 2020 beyond the performance target completion date, that is, they also incorporate a service condition as well, to encourage Participants to continue serving the Group beyond the achievement date of the pre-determined performance targets.

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5.4.2 *The Proposed ST Engineering RSP 2020*

One of the primary objectives of the ST Engineering RSP 2020 is to serve as an additional motivational tool to recruit and retain talented executives as well as to reward for Company and individual performance. In addition, the ST Engineering RSP 2020 acts as an enhancement of the Group's overall compensation packages, strengthening the Group's ability to attract and retain high performing talent. Potential senior hires who decide on a career switch often have to forego substantial share options/share incentives when they join the Group. Through the ST Engineering RSP 2020, the Company will be able to compensate such new hires for share options or incentives that they may have to forego when they join the Group.

Awards granted under the ST Engineering RSP 2020 to employees of the Group and Associated Companies will typically vest only after the satisfactory completion of service conditions, that is, after the Participant has served the Group or Associated Company for a specified number of years (time-based restricted Awards) or, where the Award is performance-related (performance-based restricted Awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the ST Engineering RSP 2020, and the length of the vesting period(s) in respect of each Award will be determined on a case-by-case basis.

A time-based restricted Award may be granted, for example, as a supplement to the cash component of the remuneration packages of senior management executives. A performance-based restricted Award may be granted, for example, with a performance target based on the successful completion of a project, or on the Company meeting certain specified corporate target(s), and thereafter with a further vesting period to encourage the Participant to continue serving the Group for a further period of time following completion of the project.

For Participants who are employees of the Group and Associated Companies, it is the current intention of the Company to award performance-based restricted Awards under the ST Engineering RSP 2020, which would incorporate service conditions with equal vesting over the stipulated vesting periods. The use of time-based restricted Awards will only be made on a case-by-case basis where business needs justify such Awards.

Similar to the ST Engineering RSP 2010, the ST Engineering RSP 2020 will also enable grants of fully paid Shares to be made to Non-Executive Directors as part of their remuneration in respect of their office as such in lieu of cash, save that Non-Executive Directors who are from the public service sector will decline to accept any Award of Shares. Currently, the intention is for the Executive Resource and Compensation Committee ("**ERCC**") to be given the discretion to pay out 30% (or such other percentage as may be determined by the ERCC) of a Non-Executive Director's remuneration approved by Shareholders for a particular financial year in the form of Shares comprised in Awards granted under the ST Engineering RSP 2020. The formula for converting the relevant amount from cash into Shares will be disclosed as and when such Awards are intended to be made. No performance conditions may be attached to Awards granted to Non-Executive Directors under the ST Engineering RSP 2020. Although the ST Engineering RSP 2020 will permit time-based vesting periods to be imposed on such Awards, the current intention is that such Awards will consist of the grant of fully paid Shares outright, with no vesting periods imposed.

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However, in order to encourage the alignment of the interests of the participating Non-Executive Directors with the interests of Shareholders, it is currently intended that a retention period, during which the Shares awarded under the ST Engineering RSP 2020 as part of such Non-Executive Directors' remuneration may not be transferred or otherwise disposed of (except to the extent set out in the Award Letter or with the prior approval of the Committee), will be imposed in respect of such Shares.

5.4.3 **Flexibility of Grants**

Participants who are employees of the Group or an Associated Company may be granted Awards under both the ST Engineering PSP 2020 and the ST Engineering RSP 2020. For example, an individual Participant who is a key senior management executive may be granted an Award under the ST Engineering PSP 2020 based on specified medium-term critical target objectives (for example, targets relating to market position and Company profitability and growth) over the next three years which vests at the end of the performance period. Concurrently, the individual could also be granted an Award under the ST Engineering RSP 2020 based on different performance targets (for example, ensuring that a particular project is successfully completed on time or that the Company meets certain specified corporate target(s)) and with a longer vesting period with the aim of retaining the individual.

5.5 **Listing of New Shares.** The SGX-ST has granted in-principle approval for the listing and quotation of the new Shares to be issued pursuant to the New Share Plans, subject to (*inter alia*) compliance with the SGX-ST's listing requirements and guidelines and independent Shareholders' approval being obtained for the adoption of the New Share Plans. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the New Share Plans, the new Shares, the Company and/or its subsidiaries.

5.6 **Summary of Rules.** The following are summaries of the principal rules of the ST Engineering PSP 2020 and the ST Engineering RSP 2020, and should be read in conjunction with paragraphs 5.7 to 5.11 below which describe certain other significant provisions of the New Share Plans.

5.6.1 **Summary of Rules of ST Engineering PSP 2020**

Eligibility

The following persons, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in the ST Engineering PSP 2020 at the absolute discretion of the Committee:

- (a) Group Employees who have attained the age of 21 years and hold such service grade as may be designated by the Committee from time to time; and
- (b) Associated Company Employees who have attained the age of 21 years and hold such service grade as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

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Non-Executive Directors will not be eligible to participate in the ST Engineering PSP 2020.

Awards

Awards represent the right of a Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance conditions are met.

Participants

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the ST Engineering PSP 2020 shall be determined at the absolute discretion of the Committee, which shall take into account such criteria as it considers fit, including (but not limited to) his service grade, job performance, years of service and potential for future development, his contribution to the success and development of the Group and the extent of effort and difficulty with which the performance condition(s) may be achieved within the performance period.

Details of Awards

The Committee shall decide, in relation to each Award:

- (a) the Award Date;
- (b) the number of Shares which are the subject of the Award;
- (c) the prescribed performance condition(s);
- (d) the performance period during which the prescribed performance condition(s) are to be satisfied;
- (e) the extent to which the Shares which are the subject of that Award shall be released on the prescribed performance condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (f) the vesting date;
- (g) the retention period in relation to any or all of the Shares comprised in the Award, if any; and
- (h) any other condition which the Committee may determine in relation to that Award.

Timing

The Committee has the discretion to grant Awards at any time in the year. An Award Letter confirming the Award and specifying (*inter alia*) the prescribed performance condition(s), the performance period during which the prescribed performance condition(s) are to be satisfied,

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the extent to which the Shares which are the subject of that Award will be released on satisfaction of the prescribed performance condition(s), the vesting date and the retention period (if any), will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

Events Prior to Vesting

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (a) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (b) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (c) the Participant ceasing to be in the employment of the Group or the relevant Associated Company, as the case may be, for any reason whatsoever (other than as specified in sub-paragraph (e) below);
- (d) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (e) the Participant ceasing to be in the employment of the Group or the relevant Associated Company, as the case may be, by reason of:
 - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii) redundancy;
 - (iii) retirement at or after the legal retirement age;
 - (iv) retirement before the legal retirement age with the consent of the Committee;
 - (v) the company by which he is employed ceasing to be a company within the Group or an Associated Company, as the case may be, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group or to an Associated Company, as the case may be;
 - (vi) his transfer to any entity, body or corporation at the direction of the Company or, as the case may be, the relevant Associated Company;
 - (vii) (where applicable) his transfer of employment from the Group to an Associated Company or *vice versa*; or

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- (viii) any other event approved by the Committee;
- (f) the death of the Participant;
- (g) any other event approved by the Committee; or
- (h) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in sub-paragraph (a) above or for reconstruction or amalgamation).

Upon the occurrence of any of the events specified in sub-paragraphs (a), (b) and (c) above, an Award then held by a Participant shall, as provided in the rules of the ST Engineering PSP 2020 and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

Upon the occurrence of any of the events specified in sub-paragraphs (d), (e), (f) and (g) above, the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to vest some or all of the Shares which are the subject of any Award or to preserve all or part of any Award until the end of the relevant performance period and subject to the provisions of the ST Engineering PSP 2020. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant, the proportion of the performance period which has elapsed and the extent to which the applicable performance conditions and targets have been satisfied.

Upon the occurrence of any of the events specified in sub-paragraph (h) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by the Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will have regard to the proportion of the performance period which has elapsed and the extent to which the applicable performance conditions and targets have been satisfied.

Operation of the ST Engineering PSP 2020

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of new Shares; and/or
- (b) the delivery of existing Shares (including treasury shares).

In determining whether to issue new Shares or to deliver existing Shares to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares (including treasury shares).

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The financial effects of the above methods are discussed in paragraph 5.12 below.

The Company has the flexibility, and if circumstances require, to approve the release of an Award, wholly or partly, in the form of cash rather than Shares.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, pursuant to the release of any Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

The Committee shall have the discretion to determine whether any performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Company, the Group or an Associated Company (as the case may be) to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend any performance condition if the Committee decides that a changed performance target would be a fairer measure of performance.

5.6.2 **Summary of Rules of ST Engineering RSP 2020**

Eligibility

The following persons, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in the ST Engineering RSP 2020 at the absolute discretion of the Committee:

- (a) Group Employees who have attained the age of 21 years and hold such service grade as may be designated by the Committee from time to time;
- (b) Associated Company Employees who have attained the age of 21 years and hold such service grade as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group; and
- (c) Non-Executive Directors.

Awards

Awards represent the right of a Participant to receive fully paid Shares, (where applicable) their equivalent cash value or combinations thereof, free of charge, provided that (where applicable) certain prescribed performance targets are met and (where applicable) upon expiry of the prescribed vesting periods.

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Participants

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the ST Engineering RSP 2020 shall be determined at the absolute discretion of the Committee. In the case of a Group Employee and/or an Associated Company Employee, the Committee shall take into account such criteria as it considers fit, including (but not limited to) his service grade, job performance, years of service and potential for future development, his contribution to the success and development of the Group and (in the case of a performance-related Award) the extent of effort and difficulty with which the performance condition(s) may be achieved within the performance period. Where an Award is to be granted to a Non-Executive Director as part of his Directors' remuneration in lieu of cash for a financial year, the Committee shall take into account such criteria as it considers fit, including (but not limited to) such Non-Executive Director's board and committee appointments and attendance, and his contribution to the success and development of the Group.

No performance-related Awards may be granted to Non-Executive Directors under the ST Engineering RSP 2020.

Details of Awards

The Committee shall decide, in relation to each Award:

- (a) the Award Date;
- (b) the number of Shares which are the subject of the Award;
- (c) in the case of a performance-related Award:
 - (i) the prescribed performance condition(s);
 - (ii) the performance period during which the prescribed performance condition(s) are to be satisfied; and
 - (iii) the extent to which the Shares which are the subject of that Award shall be released on the prescribed performance condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (d) the prescribed vesting period(s) (if any) and the vesting date(s);
- (e) the release schedule (if any) setting out the extent to which the Shares, which are the subject of that Award, shall be released at the end of each prescribed vesting period;
- (f) the retention period in relation to any or all of the Shares comprised in the Award, if any; and
- (g) any other condition which the Committee may determine in relation to that Award.

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Timing

The Committee has the discretion to grant Awards at any time in the year. An Award Letter confirming the Award and specifying (*inter alia*) the vesting period(s) (if any) and vesting date(s), the release schedule (if any), the retention period (if any) and, in relation to a performance-related Award, the prescribed performance condition(s), the performance period during which the prescribed performance condition(s) are to be satisfied and the extent to which the Shares which are the subject of that Award will be released on satisfaction of the prescribed performance condition(s), will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

Events Prior to Vesting

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (a) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (b) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (c) where the Participant is a Group Employee or an Associated Company Employee, upon such Participant ceasing to be in the employment of the Group or the relevant Associated Company, as the case may be, for any reason whatsoever (other than as specified in sub-paragraph (e) below);
- (d) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (e) the Participant, being a Group Employee or an Associated Company Employee, ceasing to be in the employment of the Group or the relevant Associated Company, as the case may be, by reason of:
 - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii) redundancy;
 - (iii) retirement at or after the legal retirement age;
 - (iv) retirement before the legal retirement age with the consent of the Committee;
 - (v) the company by which he is employed ceasing to be a company within the Group or an Associated Company, as the case may be, or the undertaking or part of the undertaking of such company being transferred otherwise than to

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another company within the Group or to an Associated Company, as the case may be;

- (vi) his transfer to any entity, body or corporation at the direction of the Company or, as the case may be, the relevant Associated Company;
 - (vii) (where applicable) his transfer of employment from the Group to an Associated Company or *vice versa*; or
 - (viii) any other event approved by the Committee;
- (f) the Participant, being a Non-Executive Director, ceasing to be a Non-Executive Director for any reason whatsoever;
- (g) the death of the Participant;
- (h) any other event approved by the Committee; or
- (i) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in sub-paragraph (a) above or for reconstruction or amalgamation).

Upon the occurrence of any of the events specified in sub-paragraphs (a), (b) and (c) above, an Award then held by a Participant shall, as provided in the rules of the ST Engineering RSP 2020 and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

Upon the occurrence of any of the events specified in sub-paragraphs (d), (e), (f), (g) and (h) above, the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to vest some or all of the Shares which are the subject of any Award or to preserve all or part of any Award until the end of the relevant performance period (if any) and/or each vesting period (if any) and subject to the provisions of the ST Engineering RSP 2020. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant, the proportion of the vesting periods which have elapsed and, in the case of performance-related Awards, the proportion of the performance period which has elapsed and the extent to which the applicable performance conditions and targets have been satisfied.

Upon the occurrence of any of the events specified in sub-paragraph (i) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by the Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will (if applicable) have regard to the proportion of the vesting periods which have elapsed and, in the case of a performance-related Award, the extent to which the applicable performance conditions and targets have been satisfied.

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Operation of the ST Engineering RSP 2020

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of new Shares; and/or
- (b) the delivery of existing Shares (including treasury shares).

In determining whether to issue new Shares or to deliver existing Shares to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares (including treasury shares).

The financial effects of the above methods are discussed in paragraph 5.12 below.

The Company has the flexibility, and if circumstances require, to approve the release of an Award (other than an Award granted to a Non-Executive Director as part of his Directors' remuneration in lieu of cash), wholly or partly, in the form of cash rather than Shares.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, pursuant to the release of any Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

The Committee shall have the discretion to determine whether any performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Company, the Group or an Associated Company (as the case may be) to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend any performance condition if the Committee decides that a changed performance target would be a fairer measure of performance.

- 5.7 **Malus and Clawback Rights.** The grant of each Award, each release of Shares and each payment in lieu of Shares which would otherwise have been released to the Participant under the New Share Plans is subject to, and conditional upon, the Company's malus and clawback rights provided in the New Share Plans.

Under these provisions, if certain exceptional circumstances occur in relation to a Participant, the Committee can cancel all or part of any Award to the extent not yet released, and exercise the right of clawback ("**Clawback Right**") in respect of Shares which were released ("**Released Shares**") within the clawback period ("**Clawback Period**"), which is 6 years prior to the date on which the Committee makes the determination to exercise the Clawback Right ("**Clawback Determination Date**").

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The exceptional circumstances are where:

- (a) the grant of a relevant Award was based (in whole or in part) on inaccurate financial statements (irrespective of when such inaccuracy was discovered and irrespective of who caused such inaccuracy, and whether such financial statements were audited or unaudited);
- (b) the Participant (or any subordinate over whom such Participant had, at the material time, oversight responsibilities) had, at any time, engaged in conduct that:
 - (i) directly or indirectly caused, resulted in and/or contributed to, or is likely (in the opinion of the Committee) to cause, result in and/or contribute to (whether directly or indirectly):
 - (1) any financial loss or reputational harm to the Group, any company within the Group or an Associated Company; and/or
 - (2) the need for a restatement of the financial results or financial statements (whether audited or unaudited) of the Group, any company within the Group or an Associated Company; and/or
 - (3) any adverse change in the risk profile or rating of the Group, any company within the Group or an Associated Company; and/or
 - (ii) is otherwise detrimental to the Group, any company within the Group or an Associated Company, and/or detrimental to the business conducted by the Group, any company within the Group or an Associated Company; or
- (c) the Participant had, at any time, engaged in any misconduct or committed any misfeasance, fraud or breach of trust or duty in relation to the Group, any company within the Group or an Associated Company.

The Committee has the sole and absolute discretion to determine the amount which the Participant is required to return to the Company, subject to a limit being the aggregate of the following:

- (aa) in respect of such of the Released Shares in relation to which the Participant received cash in lieu, the aggregate payments received by such Participant (in lieu of such Released Share which would otherwise have been released to the Participant under the relevant New Share Plan) prior to the Clawback Determination Date; and
- (bb) in respect of all other Released Shares, the aggregate of the amounts recorded in the Company's records as the monetary benefit received by the Participant by virtue of the release of such Released Shares to him.

The Clawback Right is in addition to, and without prejudice to, any right or remedy that the Company has vis-à-vis a Participant (whether under the New Share Plans, contract, tort or any other theory of law).

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- 5.8 **Size and Duration.** The total number of Shares which may be delivered pursuant to Awards granted under the New Share Plans on any date, when added to the total number of new Shares allotted and issued and/or to be allotted and issued, and issued Shares (including treasury shares) delivered and/or to be delivered, pursuant to Awards granted under the New Share Plans, shall not exceed 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of the relevant Award.

In contrast, the Previous Share Plans provided for a maximum limit of 8% of the Company's issued shares (excluding treasury shares) on the date preceding the date of the relevant Award. The Company is of the view that the reduced maximum limit of 5% will provide for sufficient Shares to support the use of Awards in the Company's overall long-term incentive and compensation strategy while balancing Shareholders' concerns against dilution. The 5% limit will provide the Company with adequate means and flexibility to grant Awards as incentive tools in a meaningful and effective manner to encourage staff retention and to align Participants' interests more closely with those of Shareholders.

The Directors currently do not intend, in any given year, to grant Awards under the New Share Plans which would comprise more than 0.5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time (the "**Yearly Limit**"). However, if the Yearly Limit is not fully utilised in any given year, the balance of the unutilised Yearly Limit may be used to make grants of Awards in subsequent years.

The New Share Plans shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the New Share Plans are adopted by the Company in general meeting, provided always that the New Share Plans may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the New Share Plans, Awards made to Participants prior to such expiry or termination will continue to remain valid.

- 5.9 **Adjustments and Modifications.** The following describes the adjustment events under, and provisions relating to modifications of, the New Share Plans.

5.9.1 ***Adjustment Events***

If a variation in the ordinary share capital of the Company (whether by way of a bonus or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place or if the Company shall make a capital distribution or a declaration of a special dividend (whether in cash or in specie), then the Committee may, in its sole discretion, determine whether:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the New Share Plans,

shall be adjusted and if so, the manner in which such adjustments should be made.

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Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or upon the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants, or the cancellation of issued Shares purchased or acquired by the Company by way of a Market Purchase of such Shares undertaken by the Company on the SGX-ST during the period when a Share Purchase Mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a bonus issue) must be confirmed in writing by the auditor of the Company (acting only as an expert and not as an arbitrator) to be in its opinion, fair and reasonable. Further, any adjustment must be made in such a way that a Participant will not receive a benefit that a holder of Shares does not receive.

5.9.2 **Modifications**

Each of the New Share Plans may be modified and/or altered at any time and from time to time by a resolution of the Committee, subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However:

- (a) in relation to the ST Engineering PSP 2020, no modification or alteration shall adversely affect the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were released to them upon the performance condition(s) for their Awards being satisfied in full, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release of all outstanding Awards upon the performance condition(s) for all outstanding Awards being satisfied in full; and
- (b) in relation to the ST Engineering RSP 2020:
 - (i) in the case of a performance-related Award, no modification or alteration shall adversely affect the rights attached to any such Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who have been granted performance-related Awards and who, if such Awards were released to them upon the performance condition(s) for such Awards being satisfied in full, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release of all such outstanding Awards upon the performance condition(s) for all such outstanding Awards being satisfied in full; and
 - (ii) in the case of an Award other than a performance-related Award, no modification or alteration shall adversely affect the rights attached to any such Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who have been granted Awards

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other than performance-related Awards and who, if their Awards were released to them on the applicable vesting dates relating to their Awards, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested upon release of all outstanding Awards upon the expiry of all the vesting periods (if any) applicable to all such outstanding Awards.

No alteration shall be made to rules of the New Share Plans which relate to matters contained in Rules 844 to 849 and Rules 853 to 854 of the Listing Manual to the advantage of Participants except with the prior approval of Shareholders in general meeting.

5.10 **Disclosures in Annual Reports.** The Company will make such disclosures or appropriate negative statements (as applicable) in its annual report for so long as the New Share Plans continue in operation as from time to time required by the Listing Manual including the following (where applicable):

- (a) the names of the members of the Committee administering the New Share Plans;
- (b) in respect of the following Participants of the New Share Plans:
 - (i) Directors of the Company; and
 - (ii) Participants (other than those in sub-paragraph (i) above) who have received Shares pursuant to the release of Awards granted under the New Share Plans which, in aggregate, represent 5% or more of the total number of Shares available under the New Share Plans collectively,

the following information:

- (aa) the name of the Participant; and
- (bb) the following particulars relating to Shares delivered pursuant to Awards released under the New Share Plans:
 - (i) the number of new Shares issued to such Participant during the financial year under review; and
 - (ii) the number of existing Shares transferred to such Participant during the financial year under review; and
- (c) in relation to the New Share Plans, the following particulars:
 - (i) the aggregate number of Shares comprised in Awards granted under the New Share Plans since the commencement of the New Share Plans to the end of the financial year under review;
 - (ii) the aggregate number of Shares comprised in Awards which have been released under the New Share Plans during the financial year under review and in respect

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thereof, the proportion of:

- (1) new Shares issued; and
- (2) existing Shares transferred and, where existing Shares were purchased for delivery, the range of prices at which such Shares have been purchased,

upon the release of Awards granted under the New Share Plans; and

- (iii) the aggregate number of Shares comprised in Awards granted under the New Share Plans which have not been released, as at the end of the financial year under review.

5.11 **Role and Composition of the Committee.** The ERCC will be designated as the Committee responsible for the administration of the New Share Plans. The ERCC currently comprises Mr Kwa Chong Seng, Mr Lim Chin Hu and Mr Lim Sim Seng, all of whom are non-executive and independent Directors of the Company.

In compliance with the requirements of the Listing Manual, a Participant of the New Share Plans who is a member of the ERCC shall not be involved in its deliberations in respect of Awards to be granted to or held by that member of the ERCC.

5.12 **Financial Effects.** Singapore Financial Reporting Standards (International) 2, Share-based payment (“**SFRS(I) 2**”), prescribes the accounting treatment for share-based payment transactions. Participants may receive Shares or their equivalent cash value, or combinations thereof. In the event that the Participants receive Shares, the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the profit and loss account over the period between the grant date and the vesting date of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to reserve account.

The amount charged to the profit and loss account would be the same whether the Company settles the Awards using new Shares or existing Shares. The amount of the charge to the profit and loss account also depends on whether or not the performance target attached to an Award is a “market condition”, that is, a condition which is related to the market price of the Shares. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Shares granted at the grant date, and no adjustments to amounts charged to the profit and loss account is made if the market condition is not met. On the other hand, if the performance target is not a market condition, the probability of the target being met is not taken into account in estimating the fair value of the Shares granted at the grant date. Instead, it is subsequently considered at each accounting date in assessing whether the Awards would vest. Thus, where the vesting conditions do not include a market condition, there would be no charge to the profit and loss account if the Awards do not ultimately vest.

The following sets out the financial effects of the New Share Plans.

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5.12.1 **Share Capital**

The New Share Plans will result in an increase in the Company's issued ordinary share capital only if new Shares are issued to Participants. The number of new Shares issued will depend on, *inter alia*, the size of the Awards granted under the New Share Plans. In any case, the New Share Plans provide that the total number of new Shares to be issued and existing Shares delivered under the New Share Plans will be subject to the maximum limit of 5% of the issued Shares (excluding treasury shares and subsidiary holdings) preceding the date of grant of the relevant Award. If, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants on vesting, the New Share Plans will have no impact on the Company's issued ordinary share capital.

5.12.2 **NTA**

As described below in the paragraph on EPS, the New Share Plans are likely to result in a charge to the Company's profit and loss account over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with SFRS(I) 2. If new Shares are issued under the New Share Plans, there would be no effect on the NTA. However, if instead of issuing new Shares to Participants, existing Shares are purchased from the market and delivered to Participants or the Company pays the equivalent cash value, the NTA would decrease by the cost of the existing Shares delivered or the cash payment, respectively.

Nonetheless, it should be noted that, other than in the case of Awards granted to Non-Executive Directors under the ST Engineering RSP 2020 as described in paragraph 5.4.2 above, the delivery of Shares to Participants under the New Share Plans will generally be contingent upon the Participants meeting prescribed performance targets and/or service conditions.

5.12.3 **EPS**

The New Share Plans are likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with the accounting method as stated in paragraph 5.12 above.

Nonetheless, it should again be noted that, other than in the case of Awards granted to Non-Executive Directors under the ST Engineering RSP 2020 as described in paragraph 5.4.2 above, the delivery of Shares to Participants of the New Share Plans will generally be contingent upon the Participants meeting prescribed performance targets and/or service conditions.

5.12.4 **Dilutive Impact**

It is expected that the dilutive impact of the New Share Plans on the NTA per Share and EPS will not be significant.

The Previous Share Plans provided for a maximum limit of 8% of the Company's issued Shares (excluding treasury shares) on the date preceding the date of the relevant Award.

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Accordingly, there will be no significant dilution of Shareholders' shareholding percentages as a result of the introduction of the New Share Plans, as the New Share Plans provide for a reduced maximum limit of 5% of the Company's issued Shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of the relevant Award.

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6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

6.1 **Directors' Interests.** The interests of the Directors in the Shares, as extracted from the Register of Directors' Shareholdings, as at the Latest Practicable Date are set out below:

Director	Direct Interest	%(¹)	Deemed Interest	%(¹)	Number of Shares comprised in outstanding Share Awards granted by the Company
Kwa Chong Seng	1,084,700	0.03	–	–	–
Vincent Chong Sy Feng	2,296,793	0.07	–	–	2,942,802 ⁽³⁾
Dr Beh Swan Gin	–	–	–	–	–
Joseph Leong Weng Keong	–	–	–	–	–
Lim Ah Doo	72,400	nm ⁽²⁾	–	–	–
Lim Chin Hu	44,400	nm ⁽²⁾	–	–	–
Lim Sim Seng	48,400	nm ⁽²⁾	–	–	–
LG Ong Su Kiat Melvyn	–	–	–	–	–
Quek Gim Pew	–	–	–	–	–
Quek See Tiat	57,900	nm ⁽²⁾	–	–	–
Song Su-Min	2,000	nm ⁽²⁾	–	–	–
COL Xu Youfeng	–	–	–	–	–

Notes:

- (1) The percentage of issued Shares is calculated based on the number of issued Shares of the Company (excluding any Shares held in treasury) as at the Latest Practicable Date.
- (2) Not meaningful.
- (3) Of the 2,942,802 Shares:
 - (a) up to 2,454,702 Shares are comprised in conditional awards of performance shares, subject to a minimum threshold performance over a three-year period for any performance shares to be released. The actual number of performance shares to be released is capped at 170% of the conditional award, pursuant to the ST Engineering PSP 2010.
 - (b) 275,392 Shares are unvested restricted shares to be released according to the stipulated vesting periods pursuant to the ST Engineering RSP 2010. The restricted shares will vest annually, subject to the recipient's continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.
 - (c) 212,708 Shares are comprised in a conditional award of restricted shares, subject to a performance target set over a one-year performance period from 1 January 2020 to 31 December 2020. If the performance target is attained, the restricted shares comprised in the conditional award will be released according to the stipulated vesting periods pursuant to the ST Engineering RSP 2010. The restricted shares will vest annually, subject to the recipient's continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

LETTER TO SHAREHOLDERS

- 6.2 **Substantial Shareholder's Interests.** The interests of the substantial Shareholder in the Shares, as extracted from the Register of Substantial Shareholders, as at the Latest Practicable Date, are set out below:

Substantial Shareholder	Direct Interest	Number of Shares		% ⁽¹⁾
		% ⁽¹⁾	Deemed Interest	
Temasek	1,554,764,574	49.81	72,567,275 ⁽²⁾	2.32

Notes:

- (1) The percentage of issued Shares is calculated based on the number of issued Shares of the Company (excluding Shares held in treasury) as at the Latest Practicable Date.
- (2) Includes deemed interests held through subsidiaries and associated companies.

7. DIRECTORS' RECOMMENDATIONS

- 7.1 **The Proposed Change of Auditor.** The Directors are of the opinion that the proposed appointment of PwC LLP as Auditor of the Company in place of the retiring Auditor, KPMG LLP, is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 8, being the Ordinary Resolution relating to the proposed appointment of PwC LLP as Auditor of the Company in place of the retiring Auditor, KPMG LLP, to be proposed at the 2020 AGM.
- 7.2 **The Proposed Renewal of the Shareholders Mandate.** All the Directors are interested persons (as described in paragraph 4.1 of Appendix 2 to this Letter). Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Ordinary Resolution No. 10, being the Ordinary Resolution relating to the proposed renewal of the Shareholders Mandate to be proposed at the 2020 AGM.
- 7.3 **The Proposed Renewal of the Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 11, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2020 AGM.
- 7.4 **The Proposed Adoption of the New Share Plans.** The Directors are of the opinion that the proposed adoption of the New Share Plans is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 12, being the Ordinary Resolution relating to the proposed adoption of the ST Engineering PSP 2020, and Ordinary Resolution No. 13, being the Ordinary Resolution relating to the proposed adoption of the ST Engineering RSP 2020, to be proposed at the 2020 AGM.

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8. ABSTENTION FROM VOTING

- 8.1 **The Proposed Renewal of the Shareholders Mandate.** Temasek and each of the Directors will abstain from voting, and each has undertaken to ensure that its/his associates will abstain from voting, on Ordinary Resolution No. 10, being the Ordinary Resolution relating to the proposed renewal of the Shareholders Mandate at the 2020 AGM. The Company will disregard any votes cast by Temasek and each of the Directors, and their respective associates, in respect of their holdings of Shares (if any) on Ordinary Resolution No. 10. The Chairman of the 2020 AGM will accept appointment as proxy for any other Shareholder to vote in respect of Ordinary Resolution No. 10, where such Shareholder has given specific instructions in a validly completed and submitted Proxy Form as to voting, or abstentions from voting, in respect of Ordinary Resolution No. 10.
- 8.2 **The Proposed Adoption of the New Share Plans.** Any Shareholder who is eligible to participate in the New Share Plans must abstain from voting his Shares on Ordinary Resolution Nos. 12 and 13 relating to the proposed adoption of the New Share Plans, and the Company will disregard any votes cast by such Shareholder in respect of his Shares on Ordinary Resolution Nos. 12 and 13. The Chairman of the 2020 AGM will accept appointment as proxy for any other Shareholder to vote in respect of Ordinary Resolution Nos. 12 and 13, where such Shareholder has given specific instructions in a validly completed and submitted Proxy Form as to voting, or abstentions from voting, in respect of Ordinary Resolution Nos. 12 and 13.

9. INSPECTION OF DOCUMENTS

The proposed rules of the New Share Plans are available for inspection on the Company's website at the URL <https://www.stengg.com/en/investor-relations/23rd-annual-general-meeting/> from the date of this Letter up to the date of the 2020 AGM.

The Annual Report 2019 (and updated shareholding statistics as at 1 April 2020) and the 2019 Letter may also be accessed on the Company's website as follows:

- (a) the Annual Report 2019 (and updated shareholding statistics as at 1 April 2020) may be accessed at the URL <https://www.stengg.com/en/investor-relations/annual-reports/>; and
- (b) the 2019 Letter may be accessed at the URL <https://www.stengg.com/en/investor-relations/annual-general-meetings/>.

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10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposals, and the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

Yours faithfully

Kwa Chong Seng
Chairman
Singapore Technologies Engineering Ltd

APPENDIX 1

NOTICE OF NOMINATION

23 April 2020

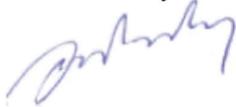
The Board of Directors
Singapore Technologies Engineering Ltd
1 Ang Mo Kio Electronics Park Road #07-01
ST Engineering Hub
Singapore 567710

Dear Sirs

NOTICE OF NOMINATION

Pursuant to Section 205(11) of the Companies Act, Chapter 50, I, Fan Keen Leong, in my capacity as a member of Singapore Technologies Engineering Ltd (the "**Company**"), hereby give notice of my nomination of PricewaterhouseCoopers LLP of 7 Straits View, Marina One, Singapore 018936 for appointment as Auditor of the Company in place of the retiring Auditor, KPMG LLP of 16 Raffles Quay #22-00, Hong Leong Building, Singapore 048581 at the forthcoming Annual General Meeting of the Company to be held on 15 May 2020 or at any adjournment thereof.

Yours faithfully



Fan Keen Leong (Member)

THE SHAREHOLDERS MANDATE

1. Chapter 9 of the Listing Manual

- 1.1 Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company’s interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for that transaction.
- 1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9, immediate announcement and shareholders’ approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company’s latest audited consolidated net tangible assets (“**NTA**”)) are reached or exceeded. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or which exceeds:
- (a) 5% of the listed company’s latest audited consolidated NTA; or
 - (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 1.3 In light of the decline in the consolidated NTA of Singapore Technologies Engineering Ltd (“**ST Engineering**”) and its subsidiaries (the “**ST Engineering Group**”) due to acquisitions involving intangible assets, ST Engineering had written to, and on 12 March 2020 obtained confirmation from, the SGX-ST that it has no objection to ST Engineering’s use of the average of its daily end-of-day market capitalisation for the month of December of the immediately preceding financial year as an alternative reference point (in lieu of using the latest audited consolidated NTA) to determine the materiality of ST Engineering’s interested person transactions under Rules 905 and 906 of the Listing Manual, for the financial year ending 31 December 2020. The average of ST Engineering’s daily end-of-day market capitalisation for the month of December 2019 was S\$12,419,015,472, 5% of which is S\$620,950,774.
- 1.4 Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company’s interested persons.

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1.5 Under the Listing Manual:

- (a) an “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;
- (b) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder. The SGX-ST may also deem any person or entity to be an interested person if the person or entity has entered into, or proposes to enter into (i) a transaction with an entity at risk, and (ii) an agreement or arrangement with an interested person in connection with that transaction;
- (c) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder means an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, means its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9; and
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

2. Rationale for the Shareholders Mandate

- 2.1 It is envisaged that in the ordinary course of their businesses, transactions between companies in the EAR Group (as defined below) and ST Engineering’s interested persons are likely to occur from time to time. Such transactions would include, but are not limited to, the provision of goods, facilities and services in the ordinary course of business of the EAR Group to ST Engineering’s interested persons or the obtaining of goods, facilities and services from them.

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2.2 In view of the time-sensitive nature of commercial transactions, the renewal of the Shareholders Mandate pursuant to Chapter 9 of the Listing Manual will enable:

- (a) ST Engineering;
- (b) subsidiaries of ST Engineering (excluding other subsidiaries listed on the SGX-ST or an approved exchange); and
- (c) associated companies of ST Engineering (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the ST Engineering Group, or the ST Engineering Group and interested person(s) of ST Engineering has or have control,

(together, the “**EAR Group**”), or any of them, in the ordinary course of their businesses, to enter into the categories of transactions (“**Interested Person Transactions**”) set out in paragraph 5 below with the specified classes of ST Engineering’s interested persons (the “**Interested Persons**”) set out in paragraph 4.1 below, provided such Interested Person Transactions are made on normal commercial terms.

2.3 The Shareholders Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for ST Engineering to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders’ prior approval for the entry by the relevant company in the EAR Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives.

3. The Shareholders Mandate

3.1 The Shareholders Mandate covers the wide range of activities, including the following principal activities, undertaken by the ST Engineering Group:

- (a) those relating to the sale, purchase, leasing, repair, modification, refurbishment, maintenance, training and technical services, servicing and/or overhaul of aircraft, aircraft engines, structures, equipment, parts and components; trading and providing warehouse services for aircraft equipment, parts and components; development, marketing and maintenance of advance simulation and training systems; the provision of engineering, marketing, engineering support, flight and flight training services; the provision of jet fuel services; design, manufacture and sale of investment castings, mold toolings, precision formings and aircraft components and structures; and target towing services and investment holding (“**Aerospace Related Activities**”);
- (b) those relating to the provision or the obtaining of products, solutions, spares, materials, electronics, equipment, facilities and services in relation to, or for the purposes of, satellite systems and communications, transportation systems, advanced electronics, telecommunications businesses, and information & communications technologies (ICT)

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businesses; the provision or the obtaining of imagery, simulation, education, training and edutainment products, solutions, content and services; the provision of equipment, systems, infrastructure, facilities and software as a licensor or lessor, or as hosted or managed services; the provision of engineering, technical, repair and maintenance, facility management, managed and shared services; and the leasing and rental (as lessee) of equipment, facilities and motor vehicles ("**Electronics Related Activities**");

- (c) those relating to the research and development, design, systems integration, manufacturing, assembly, testing, sale, trading, distribution, leasing, rental, training of users, after-sales support, maintenance, repair, overhaul, preservation, upgrading, disposal, know-how transfer of and/or provision of engineering consultancy for military vehicles, weapons, weapon systems, munitions and pyrotechnics, robotics systems and their sub-systems, construction equipment, and specialty vehicles and their sub-systems and accessories; the inspection of vehicles, the representation, marketing, sale and after-sales support of commercial vehicles, engines and related products; and defence and security related products; the provision of contract manufacturing services and industrial support services; the provision of integrated logistics managed services and integrated facilities engineering services ("**Land Systems Related Activities**") and
 - (d) those relating to the construction, maintenance, repair, overhaul, upgrading and sale of naval and commercial vessels, design and fabrication of engineering equipment, construction and repair of offshore platforms, the provision of engineering consultancy and technical services, and the provision of products and/or services in respect of environmental engineering business ("**Marine Related Activities**").
- 3.2 The Shareholders Mandate also includes certain other activities undertaken by the EAR Group, apart from those listed in paragraph 3.1 above ("**Other Activities**") which are necessary for the day-to-day operations of the EAR Group, such as the obtaining or purchase of utilities, the leasing of premises and the obtaining of property maintenance services.
- 3.3 The Shareholders Mandate does not cover an Interested Person Transaction which has a value of below S\$100,000 as the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual would not apply to such an Interested Person Transaction. The Shareholders Mandate would, however, cover Interested Person Transactions with values below S\$100,000 entered into during the same financial year and which are aggregated by the SGX-ST under Chapter 9 of the Listing Manual and treated as if they were one Interested Person Transaction which has a value of S\$100,000 or more.
- 3.4 Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the Shareholders Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.
- 3.5 The renewal of the Shareholders Mandate will take effect from the date of the passing of the Ordinary Resolution relating thereto to be proposed at the Annual General Meeting to be held on 15 May 2020 until the next Annual General Meeting of the Company. Thereafter, approval from Shareholders for a subsequent renewal of the Shareholders Mandate will be sought at each subsequent Annual General Meeting of the Company.

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4. Classes of Interested Persons

4.1 The Shareholders Mandate applies to the Interested Person Transactions (as described in paragraph 5 below) which are carried out with the following classes of Interested Persons:

- (a) Temasek Holdings (Private) Limited and its associates (the “**Temasek Group**”); and
- (b) Directors, Chief Executive Officer(s) and controlling shareholders of the Company (other than the controlling shareholder described in sub-paragraph (a) above) and their respective associates.

4.2 Transactions with Interested Persons which do not fall within the ambit of the Shareholders Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

5. Interested Person Transactions

The Interested Person Transactions with the Interested Persons (as described in paragraph 4.1 above) which are covered by the Shareholders Mandate and the benefits to be derived therefrom are set out below:

(a) **General Transactions**

This category relates to General Transactions by the EAR Group relating to the provision to, or the obtaining from, Interested Persons of facilities, products and services in the normal course of the business of the EAR Group or which are necessary for the day-to-day operations of the EAR Group (but not in respect of the purchase or sale of assets, undertakings or businesses) comprising the following:

(i) *Aerospace Related Activities*

The products and services under this sub-category are:

- (1) the sale, purchase, repair, modification, refurbishment, maintenance, servicing and/or overhaul of aircraft and aircraft engines, structures, equipment, parts and components;
- (2) the trading of, and provision of warehouse services for, aircraft equipment, parts and components;
- (3) the development, marketing and maintenance of advance simulation and training systems;
- (4) the provision of engineering, marketing, engineering and technical support, flight and flight training services;

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- (5) the leasing and rental (as lessor and lessee) of aircraft, aircraft engines, structures, equipment, parts and components;
- (6) the obtaining of repair, maintenance, training and technical services in respect of aircraft and aircraft engines, structures, equipment, parts and components;
- (7) the provision of jet fuel services;
- (8) the design, manufacture and sale of investment castings, mold toolings, precision formings and aircraft components and structures;
- (9) the provision of target towing services; and
- (10) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (1) to (9) above.

The transactions set out in sub-paragraphs (1) to (9) arise in the normal course of business of the EAR Group, while the transactions set out in sub-paragraph (10) will be those which are necessary for the day-to-day operations of the EAR Group.

(ii) *Electronics Related Activities*

The facilities, products and services under this sub-category are:

- (1) the provision or the obtaining of products, solutions, spares, materials, electronics, equipment, facilities and services in relation to, or for the purposes of, satellite systems and communications, transportation systems, advanced electronics, telecommunications businesses, and information & communications technologies (ICT) businesses;
- (2) the provision or the obtaining of imagery, simulation, education, training and edutainment products, solutions, content and services;
- (3) the provision of equipment, systems, infrastructure, facilities and software as a licensor or lessor, or as hosted or managed services;
- (4) the provision of engineering, technical, repair and maintenance, facility management, managed and shared services;
- (5) the leasing and rental (as lessee) of equipment, facilities and motor vehicles; and
- (6) the provision or the obtaining of such other facilities, products and/or services which are incidental to or in connection with the provision or obtaining of facilities, products and/or services in sub-paragraphs (1) to (5) above.

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The transactions set out in sub-paragraphs (1) to (5) arise in the normal course of business of the EAR Group, while the transactions set out in sub-paragraph (6) will be those which are necessary for the day-to-day operations of the EAR Group.

(iii) Land Systems Related Activities

The products and services under this sub-category are:

- (1) the research and development, design, systems integration, manufacturing, assembly, testing, marketing, sale, trading, distribution, training of users, after-sales support, maintenance, repair, overhaul, preservation, upgrading, disposal, know-how transfer of and/or provision of engineering consultancy for:
 - (a) military vehicles and their sub-systems;
 - (b) weapons systems and their accessories;
 - (c) munitions and pyrotechnics;
 - (d) robotics systems and their sub-systems; and
 - (e) construction equipment, specialty vehicles and their sub-systems;
- (2) the leasing, rental, management of dealers and after-sales network of construction equipment, specialty vehicles and their sub-systems;
- (3) the inspection, evaluation and damage assessment of vehicles and motorcycles, and the provision of consultancy, testing, inspection, calibration, certification and related services for various industries;
- (4) the provision of contract manufacturing and industrial support services;
- (5) the representation, import, assembly, marketing, sale, provision of technical services, field services, repair and maintenance services of commercial vehicles, engines and related products;
- (6) the representation, marketing and after-sales support of defence and security related products;
- (7) the provision of integrated logistics managed services in areas of supply chain warehousing, freight services and specialised/project logistics;
- (8) the provision of integrated facilities engineering services in areas of facilities managing agent services, facilities maintenance services and other facilities-based mechanical and electrical engineering services; and
- (9) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (1) to (8) above.

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The transactions set out in sub-paragraphs (1) to (8) arise in the normal course of business of the EAR Group, while the transactions set out in sub-paragraph (9) will be those which are necessary for the day-to-day operations of the EAR Group.

(iv) Marine Related Activities

The products and services under this sub-category are:

- (1) the sale of ships, spares and engineering equipment;
- (2) the provision of shipbuilding, ship repair, engineering and technical services;
- (3) the construction, sale and repair of offshore platforms;
- (4) the obtaining of repair, maintenance and technical services in respect of ships, offshore platforms, spares and engineering equipment;
- (5) the provision or obtaining of products and/or services in respect of environmental business; and
- (6) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (1) to (5) above.

The transactions set out in sub-paragraphs (1) to (5) arise in the normal course of business of the EAR Group, while the transactions set out in sub-paragraph (6) will be those which are necessary for the day-to-day operations of the EAR Group.

(v) Other Activities

The products and services under this sub-category are:

- (1) the obtaining or the purchase of electronic and engineering equipment, security systems, computer maintenance and systems, components and equipment, software licences and information technology services, material handling systems, freight services, utilities and insurances;
- (2) the leasing of premises and the obtaining of property maintenance services;
- (3) the obtaining of fund management services, printing, publication and retail and distribution of products and services;
- (4) the provision of engineering products and solutions;
- (5) the provision of shared services; and

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- (6) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (1) to (5) above.

The transactions set out in sub-paragraphs (1) to (5) arise in the normal course of business of the EAR Group, while the transactions set out in sub-paragraph (6) will be those which are necessary for the day-to-day operations of the EAR Group.

The EAR Group will benefit from having access to competitive quotes from the different companies in the different industries within the Temasek Group in addition to obtaining quotes from, or transacting with, non-Interested Persons.

(b) **Treasury Transactions**

Treasury Transactions comprise (i) the placement of funds with any company within the Temasek Group on a short-term basis (up to a maximum of 12 months), (ii) the borrowing of funds from any company within the Temasek Group on a short-term basis, (iii) the entry into with any company within the Temasek Group of forex, swap and option transactions for hedging purposes and (iv) the subscription of debt securities or preference shares issued by Interested Persons and the issue of debt securities or preference shares to any Interested Person or the buying from, or the selling to, any Interested Person of debt securities or preference shares.

The EAR Group can benefit from competitive rates or quotes in an expedient manner on the placements of funds with, borrowings from, the entry into forex, swap and option transactions with any company within the Temasek Group, and the subscription of debt securities or preference shares issued by Interested Persons or the issue of debt securities or preference shares to, or the buying from, or the selling to, Interested Persons of debt securities or preference shares.

6. Review Procedures for Interested Person Transactions

- 6.1 The EAR Group has established the following procedures to ensure that Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms:

(a) **General Transactions**

Review Procedures

In general, there are procedures established by the EAR Group to ensure that General Transactions with Interested Persons are undertaken on an arm's length basis and on normal commercial terms consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been implemented.

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(i) Provision of facilities or services or the sale of products

The review procedures are:

- (1) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the facility, service or product providers, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and
- (2) where the prevailing market rates or prices are not available due to the nature of the facility or service to be provided or the product to be sold, the EAR Group's pricing for such facilities or services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such facilities, services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.

(ii) Obtaining of facilities or services or the purchasing of products

The review procedures are:

- (1) all contracts entered into or transactions with Interested Persons are to be carried out by obtaining quotations (wherever possible or available) from at least two other unrelated third party suppliers for similar quantities and/or quality of facilities, services or products, prior to the entry into of the contract or transaction with the Interested Person, as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of facilities, services or products. In determining whether the price and terms offered by the Interested Person are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will also be taken into account; and
- (2) in the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar facilities, products or services, or if the product is a proprietary item), the senior management staff of the relevant company in the EAR Group (with no interest, direct or indirect in the transaction), will determine whether the price

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and terms offered by the Interested Person are fair and reasonable.

Threshold Limits

In addition to the review procedures, the EAR Group will monitor the General Transactions entered into by the EAR Group by categorising the transactions as follows:

- (i) a Category 1 General Transaction is one where the value thereof is in excess of S\$50,000,000; and
- (ii) a Category 2 General Transaction is one where the value is below or equal to S\$50,000,000.

Category 1 General Transactions must be approved by the Audit Committee prior to their entry. Category 2 General Transactions need not have the prior approval of the Audit Committee but must be approved prior to their entry in accordance with internal management review procedures which have been established to ensure that they are undertaken on an arm's length basis (the "**Management Review Procedures**"), and shall also be reviewed on a quarterly basis by the Audit Committee.

(b) **Treasury Transactions**

Placements

In relation to the placement with any company within the Temasek Group by the EAR Group of its funds, ST Engineering will require that quotations shall be obtained from the relevant company within the Temasek Group and at least two of the principal bankers of the EAR Group for rates for deposits with such bankers of an equivalent amount, and for the equivalent period, of the funds to be placed by the EAR Group. The EAR Group will only place its funds with the relevant company within the Temasek Group, provided that the interest rate quoted is not less than the highest of the rates quoted by such principal bankers.

Borrowings

In relation to the borrowing of funds from any company within the Temasek Group by the EAR Group, ST Engineering will require that quotations shall be obtained from the relevant company within the Temasek Group and at least two of the principal bankers of the EAR Group for rates for loans from such bankers of an equivalent amount, and for the equivalent period, of the funds to be borrowed. The EAR Group will only borrow funds from the relevant company within the Temasek Group, provided that the interest rate quoted is not more than the lowest of the rates quoted by such principal bankers.

Forex, Swaps and Options

In relation to forex, swap and option transactions with any company within the Temasek Group by the EAR Group, ST Engineering will require that rate quotations shall be obtained from the relevant company within the Temasek Group and at least two of the principal bankers of the

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EAR Group. The EAR Group will only enter into such forex, swap or option transactions with the relevant company within the Temasek Group provided that such rates quoted are no less favourable than the rates quoted by such bankers.

Debt Securities and Preference Shares

In relation to the subscription of debt securities and preference shares issued by, or purchase of debt securities or preference shares from, Interested Persons, the EAR Group will only enter into the subscription or purchase of such debt securities or preference shares issued provided that the price(s) at which the EAR Group subscribes for or purchases such debt securities or preference shares will not be higher than the price(s) at which such debt securities or preference shares are subscribed for or purchased by third parties.

In relation to the issue or sale to Interested Persons of debt securities or preference shares, the EAR Group will only issue or sell such debt securities or preference shares to Interested Persons provided that the price(s) at which the EAR Group issues or sells such debt securities or preference shares will not be lower than the price(s) at which such debt securities or preference shares are issued or sold to third parties. The EAR Group will also comply with all applicable laws and regulations in connection with the issue or sale of such debt securities or preference shares to Interested Persons.

For the purposes of the Shareholders Mandate, the preference shares to be subscribed or purchased from Interested Persons, or to be issued or sold to Interested Persons, will not carry any voting rights, except that they shall carry the right to attend any general meeting and in a poll thereat to at least one vote in respect of each such share held:

- (i) during such period as the preferential dividend or any part thereof remains in arrear and unpaid, such period starting from a date not more than 12 months, or such lesser period as the constitution may provide, after the due date of the dividend;
- (ii) upon any resolution which varies the rights attached to such shares; or
- (iii) upon any resolution for the winding up of the Company.

In addition, the EAR Group will monitor the Treasury Transactions entered into by the EAR Group as follows:

Placements and Debt Securities and Preference Shares

Where the aggregate value of funds placed with, and debt securities or preference shares subscribed which are issued by, or purchased from, and debt securities or preference shares issued or sold to, the same Interested Person (as such term is construed under Chapter 9 of the Listing Manual) shall at any time exceed:

- (i) in the case of any company or companies within the Temasek Group, the equivalent of 100% of the consolidated shareholders' funds of ST Engineering (based on its latest audited financial statements); and

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- (ii) in the case of other Interested Persons, the equivalent of 25% of the consolidated shareholders' funds of ST Engineering (based on its latest audited financial statements),

each subsequent placement of funds with, or subscription or purchase of debt securities or preference shares issued by, or the issue or sale of debt securities or preference shares to, the same Interested Person shall require the prior approval of the Audit Committee.

Placements of funds with, and subscription of debt securities issued by or purchased from, or the issue or sale of debt securities to, the same Interested Person which do not in the aggregate exceed the respective limits set out above will not require the prior approval of the Audit Committee but must be approved prior to their entry in accordance with the Management Review Procedures, and shall also be reviewed on a quarterly basis by the Audit Committee.

Forex, Swaps and Options

Where the aggregate of the principal amount of all forex, swap and option transactions entered into with the same Interested Person exceeds at any one time the equivalent of 100% of the consolidated shareholders' funds of ST Engineering (based on its latest audited financial statements), each subsequent forex, swap and option transaction entered into with the same Interested Person shall require the prior approval of the Audit Committee.

Entry into of forex, swap and option transactions with the same Interested Person where the principal amounts thereof do not in the aggregate exceed the limit set out above will not require the prior approval of the Audit Committee but must be approved prior to their entry in accordance with the Management Review Procedures, and shall also be reviewed on a quarterly basis by the Audit Committee.

- 6.2 If a member of the Audit Committee or any person designated under the Management Review Procedures to approve Interested Person Transactions, as the case may be, has an interest in an Interested Person Transaction, he shall abstain from participating in the approval process in relation to that Interested Person Transaction, and the approval of that Interested Person Transaction shall be undertaken by the other members of the Audit Committee or, as the case may be, such other person as may be designated by the Audit Committee from time to time for such purpose.
- 6.3 A register will be maintained by ST Engineering to record all Interested Person Transactions (and the basis including the quotations obtained to support such basis, on which they are entered into) which are entered into pursuant to the Shareholders Mandate. The annual internal audit plan of ST Engineering shall incorporate a review of all Interested Person Transactions entered into pursuant to the Shareholders Mandate.
- 6.4 The internal auditors of ST Engineering shall, on a quarterly basis, report to the Audit Committee on Interested Person Transactions, and the basis of such transactions, entered into by the EAR Group.

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7. Benefit to Shareholders

- 7.1 The renewal of the Shareholders Mandate on an annual basis would eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential Interested Person Transactions with a specific class of Interested Persons arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the EAR Group.
- 7.2 The Shareholders Mandate is intended to facilitate transactions in the normal course of business of the EAR Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out at arm's length and on the EAR Group's normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.
- 7.3 ST Engineering will announce the aggregate value of transactions conducted with Interested Persons pursuant to the Shareholders Mandate for the financial periods which ST Engineering is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

Disclosure will also be made in the annual report of ST Engineering of the aggregate value of Interested Person Transactions conducted pursuant to the Shareholders Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a shareholders mandate is in force.

8. Audit Committee's Statements

- 8.1 The Audit Committee (currently comprising Mr Quek See Tiat, Mr Lim Ah Doo and Ms Song Su-Min) has reviewed the terms of the Shareholders Mandate, as proposed to be renewed, and is satisfied that the review procedures for Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee (with internal audit assistance) in relation thereto, are sufficient to ensure that Interested Person Transactions will be made with the relevant class of Interested Persons in accordance with the EAR Group's normal commercial terms, and are hence not prejudicial to the interests of the Company and its minority shareholders.
- 8.2 If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the Interested Person Transactions will be on the EAR Group's normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, ST Engineering will revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.