

ANNUAL REPORT 2020



BUILDING GLOBAL SCALE AND SUCCESS

GROUP OVERVIEW

We draw on our strengths in technology and engineering to solve real-world problems and enable a more sustainable world.

ST Engineering is a global technology, defence and engineering group with a diverse portfolio of businesses across the aerospace, smart city, defence and public security segments.

Driven by technology and innovation, we create people-centric, multi-disciplinary, smart engineering solutions for our customers in the defence, government and commercial segments.

In 2018, we put in place a set of goals to help us achieve our aspiration of becoming a global technology, defence and engineering powerhouse.

Two years on, we remain focused on executing our strategy of strengthening our core businesses, as well as pursuing growth in smart city and international defence business. We continue to invest our resources to strengthen our key assets and capabilities: our people and culture; our global marketing and customer network; our cutting-edge technologies and many innovations; and our financial strengths.



Our responses to COVID-19

People and businesses around the world have been impacted by the COVID-19 pandemic. Our offices around the world continue to closely follow guidance from local health authorities, and we are constantly monitoring the evolving situation as we stand ready to adapt our efforts and responses.

Safeguarding the well-being of our employees, customers, suppliers and stakeholders is our top priority, and we will always place the health, safety and security of people first. These include implementing workplace practices like telecommuting, split team and staggered work and break hours, as well as other aspects of safe management such as safe distancing, enhanced work place disinfection and cleaning, and wearing of mask.

At the height of the virus outbreak in 2020, we pivoted from our usual work to swiftly deploy solutions, and provided technical and engineering expertise to support the global fight against COVID-19, with many of our solutions fielded in the community to help tackle pandemic challenges.

These efforts are great demonstrations of how we continue to apply technology and innovation to solve real-world problems to improve lives.

We also did our part to help our communities cope with the pandemic. In addition to monetary contributions through internal fundraising exercises, we donated surgical masks and hand sanitisers to those in need when these essential items were in acute shortage.

The COVID-19 pandemic has impacted the way we live, learn, work and play. In this new normal, we continue to be socially responsible by doing our part to mitigate spread of the virus.

Note: Some photos used in this Annual Report were taken before COVID-19, when masks and social distancing were not required.

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FINANCIAL HIGHLIGHTS

ORDER BOOK

\$15.4b

2019 | \$15.3b

EARNINGS PER SHARE

16.74¢

2019 | 18.53¢

OPERATING CASH FLOW

\$1,533m

2019 | \$590m

EVA

\$286.4m

2019 | \$317.0m

RETURN ON EQUITY

22.8%

2019 | 26.0%

DIVIDEND PER SHARE

15.0¢

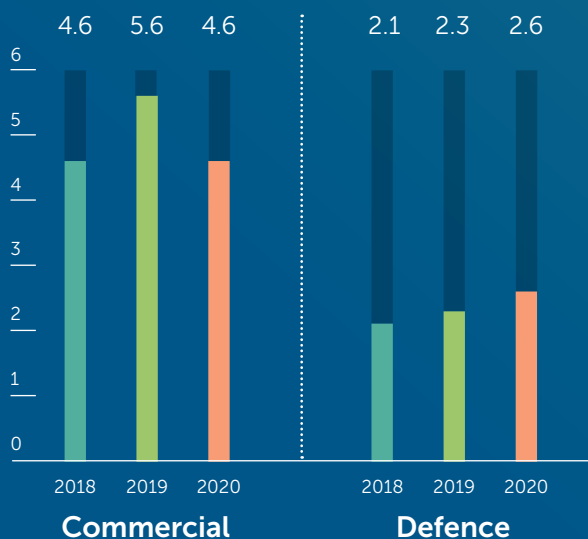
2019 | 15.0¢

TOTAL SHAREHOLDERS RETURN

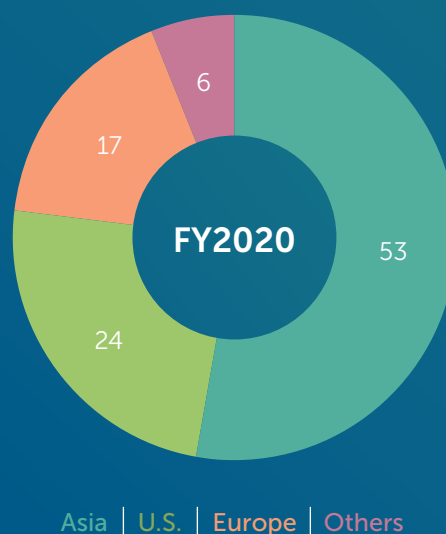
0.9%

2019 | 16.9%

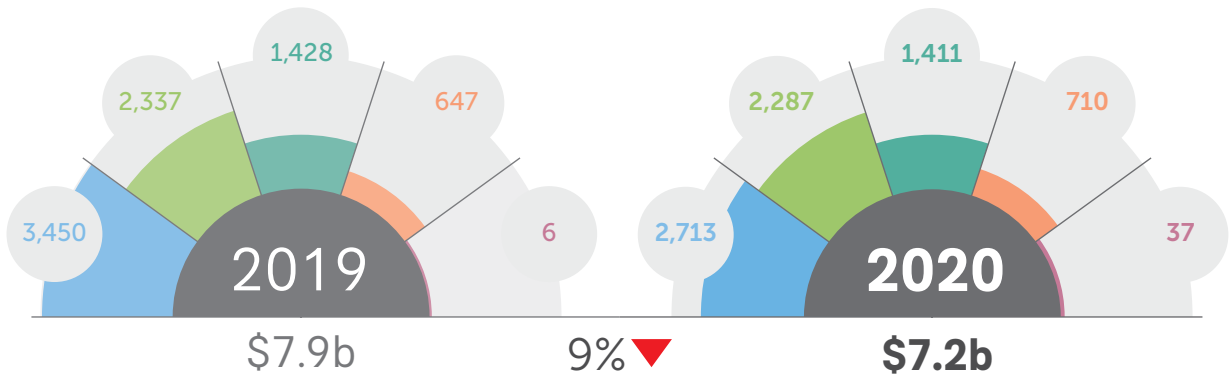
REVENUE BY TYPE (\$b)



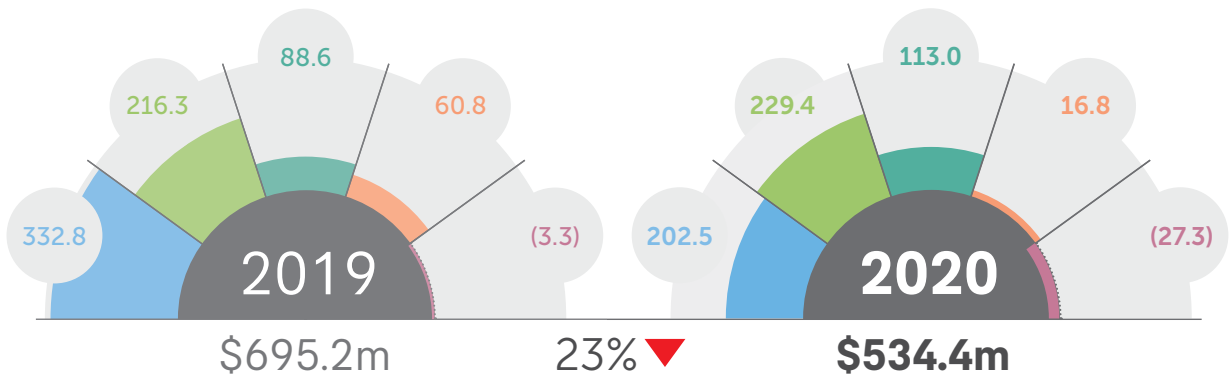
REVENUE BY LOCATION OF CUSTOMERS (%)



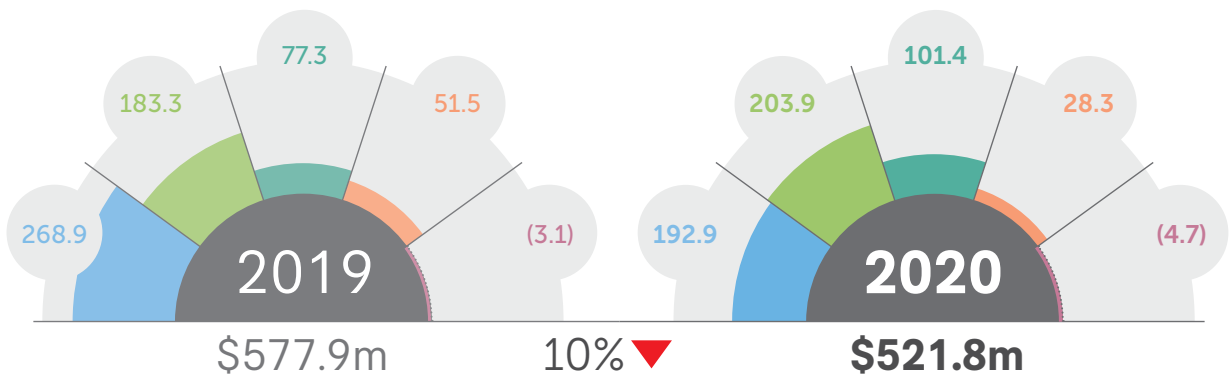
REVENUE (\$m)



PROFIT BEFORE TAX (\$m)



NET PROFIT (\$m)



LETTER TO SHAREHOLDERS

This past year has been challenging for the world, as the COVID-19 pandemic brought about unprecedented impact on global economies, supply chains, community health and livelihoods. At the time of writing, over 110 million people have been infected and the global death toll stood at about 2.6 million. On the bright side, more than 100 countries have begun their vaccination campaigns.

In response to the pandemic outbreak in early 2020, we took immediate steps in our workplaces to keep our employees and contractors safe. We implemented a slew of measures including telecommuting and split teams, and put in enhanced health and safety protocols. At the same time, we worked hard to keep our commitments to our customers as best as we could under the circumstances.

To mitigate the impact of the economic slowdown, we focused on increasing operational efficiencies and implementing cost reduction measures, which included deferring discretionary capital expenditure (capex) and tightening operating expenditure.



Pandemic impact mitigated by business portfolio diversity

The COVID-19 pandemic impacted each of the Group's four business sectors differently.

In the Aerospace sector, the aviation industry was badly affected as travel restrictions were imposed around the world. Consequently, demand for aircraft maintenance, repair and overhaul (MRO) services dipped and engine nacelle manufacturing volume dropped. The silver lining was our passenger-to-freighter (PTF) conversion business. The grounding of passenger aircraft meant that their bellyhold cargo capacity was largely removed, while a spike in e-commerce created strong demand for all-cargo freighters. These factors, coupled with the availability of older passenger aircraft (many of which had been retired), meant that our PTF business received many enquiries as well as new orders.

At the Electronics sector, our Satellite Communications business in the aviation and maritime segments were similarly hit by COVID-19 as passenger aircraft and cruise ships ground to a halt, resulting in lower demand for our solutions. Nevertheless, having fully integrated our acquired businesses in Europe and the U.S., we added the defence, broadcast and enterprise broadband segments, which are more resilient, to our customer base and this diversity helped to mitigate the slowdown. The enlarged Satellite Communications group was also better positioned to capture opportunities emerging from new non-geosynchronous orbit satellite constellations including Low Earth Orbit (LEO) and Medium Earth Orbit (MEO) satellites. The pace of digitalisation hastened by the pandemic also led to higher demand for other business areas such as cybersecurity and secured digital solutions.

(L)

Kwa Chong Seng

Chairman

Non-Executive Independent Director

(R)

Vincent Chong Sy Feng

Group President & CEO

Executive Director

In contrast to the impact on our commercial business, our defence business provided much needed stability. Our Land Systems sector rolled out the production of the Hunter Armoured Fighting Vehicles, while our Marine business in the U.S. commenced design work on the Polar Security Cutter vessel. Meanwhile, our Singapore yard was focused on building Fast Patrol Boats for the Singapore Police Coast Guard.

The diversity of our business portfolio has enabled us to weather the pandemic better than it would have been possible otherwise. In addition, savings derived from our cost reduction initiatives as well as government support we received from various countries helped to keep the Group's financial results on an even keel.

2020 financial results in line with updates

For financial year 2020, the Group reported revenue of \$7.2b, which was a 9% drop compared to the year before. This was in line with the guidance that we had provided in our quarterly updates. At \$534.4m, profit before tax (PBT) was 23% lower year-on-year (y-o-y) because of the impairment of intangible assets, and also losses recorded in several U.S. shipbuilding projects. The PBT drop was also impacted by lower Group revenue, though this was buffered by savings from our cost reduction initiatives and government support. Profit attributable to shareholders (Net Profit) was 10% lower y-o-y at \$521.8m. The drop was alleviated by non-taxability of a wage support scheme termed Job Support Scheme provided by Singapore government.

At the business sector level, the Aerospace sector delivered \$2.7b in revenue, down 21% y-o-y while Net Profit was \$192.9m, a 28% drop compared to the same period last year. This was mainly due to lower volume of MRO activities, asset impairments and absence of a favourable impact from end-of-programme reviews. The decline was offset by savings from cost reduction measures and government support. Excluding government support, the Aerospace sector would remain profitable in FY2020.

The Electronics sector posted revenue of \$2.3b, down 2% y-o-y mainly due to the rescheduling of projects

"We ended the year with an order book \$15.4b, slightly higher than the 2019 year-end order book despite the challenges we faced in 2020."

affected by COVID-19. However, Net Profit grew 11% y-o-y to \$203.9m, largely helped by savings from cost reduction measures and government support.

The Land Systems sector's revenue at \$1.4b came in 1% lower than the year before, due to lower specialty vehicles sales partially offset by stronger defence sales. Net Profit was 31% higher y-o-y at \$101.4m, helped by savings from cost reduction measures and government support, though this was partially offset by asset impairments.

Revenue for the Marine sector was 10% higher y-o-y at \$710m. This was driven mainly by higher contribution from U.S. Shipbuilding, which offset the decline in business from Singapore as yard activities were disrupted by COVID-19. However, Net Profit dropped 45% y-o-y to \$28.3m because U.S. operations incurred losses in the construction of some vessels that were contracted and priced low at the trough of the marine industry in 2018. The sector also incurred higher operating costs due to COVID-19 disruptions on operations and workforce.

Overall, the Aerospace sector contributed 38% to Group revenue, followed by the Electronics sector at 32%, Land Systems sector at 19% and Marine sector at 10%. About 53% of Group revenue was derived from customers in Asia, compared to 24% and 17% from customers in the U.S. and Europe respectively. Commercial and defence sales accounted for \$4.6b and \$2.6b respectively to Group revenue, with the latter providing revenue stability to the Group as it registered growth amid the COVID-19 pandemic. We announced about \$5.7b worth of new orders in 2020. Together with other unannounced contracts and after accounting for revenue delivery adjustments and COVID-19 related

LETTER TO SHAREHOLDERS

project cancellations of about \$1b, we ended the year with an order book of \$15.4b. This was slightly higher than 2019 year-end order book despite the challenges we faced in 2020. The expected delivery of \$5.3b from the order book in 2021 continues to provide a healthy revenue pipeline.

Capex in 2020 was \$196m, about 30% lower than the year before, as we reduced some discretionary capex. Nevertheless, we continue to invest in new growth areas like cybersecurity, data analytics and cloud computing so that we can be ready for the upturn and emerge stronger.

Our balance sheet remains very strong. We have access to diverse funding sources including a U.S. Commercial Paper programme and a Medium-Term Notes programme to support the Group's activities and growth. It is noteworthy to mention that the Group managed to secure the lowest bond coupon/yield achieved for a 5-year U.S. dollar bond issuance by a Singapore corporate amidst the COVID-19 credit crunch in 2020, and received reaffirmation on our AAA credit rating from Standard & Poor's and Moody's after our debt issuance. We ended the year with \$729m in cash and cash equivalents, compared to \$452m at the end of 2019.

In view of these results, the Board of Directors has recommended a final dividend of 10 cents per share for this financial year. Together with the interim dividend of 5 cents per share paid out in September 2020, the total dividend for 2020 will be 15 cents per share. This represents a dividend yield of 3.9%¹.

Our ability to weather a difficult 2020 and pivot to the demands of the new normal driven by COVID-19 demonstrates the Group's strong fundamentals and various mitigating factors, including our cost reduction initiatives and government support. Our results underscore the resilience of our diversified business across industries and geographies, the dedication of our people, our strengths in technology and innovation, and the breadth and depth of our engineering capabilities.

The detailed business developments and updates of our business sectors in 2020 are covered in the Operating Review and Outlook section on pages 38 to 61.

¹ Dividend yield is based on \$3.88, the average closing share price of the last trading days of 2019 and 2020.

Looking ahead, we feel that there are grounds for optimism. Thanks to the biggest and fastest vaccination campaign in history, we see a future where the impact of COVID-19 can be significantly blunted. This holds out the possibility of the economy bouncing back.

That said, there will be lower level of government support in 2021. However, with partial revenue recovery and savings generated by our cost reduction initiatives, we are confident of offsetting the impact of lower government support.

Reorganising for growth

While we might have spent much of 2020 wrestling with the immediate challenges posed by COVID-19, we did not lose sight of the bigger, long term picture. In November, we announced a major reorganisation of the Group. Since 1 January 2021, we have reorganised into two major clusters: Commercial as well as Defence & Public Security. This setup replaced the sector-centric structure of Aerospace, Electronics, Land Systems and Marine.

Despite the pandemic, we decided to proceed with the redesign of the Group's organisation structure so that we can be better positioned for growth when the economy recovers. We are fortunate to have a team of highly committed employees and resources to overcome both the immediate challenges posed by COVID-19, and in tandem, reorganise the Group to seize future opportunities.

Three key principles guided the redesign. The first is our aim to be a key participant on the global stage. The new organisation structure will help us achieve global scale and success. Secondly, we wanted to sharpen our customer focus, to enable us to build deeper and more strategic engagements with our customers. Finally, we wanted to deepen our engineering and technology core, and improve the ways in which we develop, empower and deploy our engineers.

To deliver on our strategic priorities, we also created a new leadership structure. The Group Executive Committee, comprising the Group President & Chief

Executive Officer, the Group Chief Financial Officer (CFO) and two Group Chief Operating Officers (COOs), replaces the Management Committee. The Group Executive Committee is supported by the Group Senior Business Council, comprising a team of senior leaders across the Group.

Lim Serh Ghee, who was appointed to the position of COO in October 2020, is responsible for driving cost efficiency as Group COO (Operations Excellence). He is concurrently the Chief Commercial Officer, overseeing the Commercial cluster. Meanwhile, Ravinder Singh has been appointed as Group COO (Technology & Innovation), with the mandate to deepen our technology and engineering core, as well as drive innovation across the Group. He will also head the Defence & Public Security cluster.

The creation of these Chief Operating Officer roles reinforces the Group's resolve to enhance our global competitiveness through excellence in operations, and our core strengths in technology and engineering that are built around a strong culture of innovation.

Building global scale and success

The Commercial cluster fuels the Group's international growth in Commercial Aerospace, Urban Solutions and Satellite Communications. These are known as Global Business Areas (or GBAs) to reflect the Group's aspirations to build global champions.

The Commercial Aerospace GBA continues to drive long-term growth through lines of business in Aerostructures and Systems, MRO and Aviation Asset Management.

The Urban Solutions GBA and the Satellite Communications GBA spearhead our Smart City growth. Collectively, they hold most of our smart city business lines. More importantly, domain expertise and technology which previously resided across four sectors are now part of an integrated unit. This gives us a comprehensive and integrated suite of smart city go-to-market solutions to help our customers transform cities into connected, resilient and sustainable spaces.

"Despite the pandemic, we decided to proceed with the redesign of the Group's organisation structure so that we can be better positioned for growth when the economy recovers."

The Defence & Public Security cluster integrates the Group's defence capabilities into one single cluster to drive stronger customer-centricity as it is better aligned to the integrated approach that defence customers are increasingly adopting for technology development and deployment. The cluster comprises the following Defence Business Areas: Digital Systems and Cyber, Land Systems, Marine and Defence Aerospace, that provide holistic solutions across air, land, and sea to meet our defence customers' needs. The Public Security part of the cluster, which was previously part of the Electronics sector, will continue to offer the Group's integrated safety and security solutions to public agencies around the world to manage intrusions, critical infrastructure, airspace and ports, among others.

The Defence & Public Security cluster today has a substantial overseas presence and the new organisation setup will help us to further expand our global footprint.

Deepening technology and engineering core

The core of our business lies in technology and engineering and they are at the heart of every new innovation. We set up a Group Engineering Centre to focus on translating near-term technologies into products and solutions. This Centre will work closely with our Group Technology Office to drive advanced technology and engineering applications for both defence and commercial businesses.

These two functions will augment business-specific engineering teams that will continue to be deployed

LETTER TO SHAREHOLDERS



at the business units, as well as accelerate the Group's digitalisation push and leverage our technology competencies to embed digital innovation into our products and solutions for added differentiation and a sharper competitive edge.

A multi-year journey

This reorganisation is the latest in a multi-year push to prepare the Group for the future. The seeds were planted a few years ago when we undertook organisational changes to progressively strengthen and better position the Group for sustainable long-term growth.

It started with the setting up of Shared Services by consolidating corporate functions across the Group to reduce our cost base, improve control and enhance service levels.

We then embarked on a Group-wide strategy review in 2017. This review resulted in us sharing a five-year plan (2018-2022 goals) and specific initiatives to strengthen

our core businesses and to develop our Smart City and International Defence businesses.

Among other initiatives, we rationalised our business portfolio, divested non-core businesses, harmonised our corporate brands into one ST Engineering master-brand, formed the Group Risk and Assurance function, and enhanced our leadership competency and talent development framework.

These efforts were complemented by increased investments in technology and innovation, be it in-house or through collaboration within the industry. We have made significant investments in areas aligned with our strategy, and where we can scale. Between 2018 and 2019, we made three acquisitions worth over \$1b.

Setting new five-year plan

Up till now, we have been executing the strategy that we shared at our 2018 Investor Day. While we experienced early success with our growth initiatives,

the pandemic has impacted global GDP growth as well as our mid-term goals.

We are cognisant that the process of retooling the Group is a long-term, continuous effort. Thus, even as we were managing the challenges posed by the pandemic, we knew that we had to continue to make necessary structural changes for sustainable growth. That is why we decided to move forward with the organisational redesign in spite of the crisis and the focus on business recovery. We knew that we had to do it because it would prepare us for the upturn, to position us to recover faster and emerge stronger.

In view of these factors, we will be reviewing and sharing our revised five-year plan at an Investor Day in the second half of 2021.

Sustainability remains an integral component of our strategy

Amid these changes, one constant is our commitment to sustainability. In fact, we have strengthened this commitment by placing sustainability within the ambit of the Group Strategy team, with the Group Executive Committee providing strategic guidance. This way, we can integrate our sustainability objectives into the Group's strategic plans.

Meanwhile, we will continue to take steps to embed material environmental, social and governance principles into our business and operations, give back to the communities where we live, and operate in a socially responsible and sustainable manner.

Details of our Sustainability and Corporate Governance reports are on pages 74 to 125.

Board renewal

In May, we welcomed Ng Bee Bee (May) as an independent Director. May brings with her a wealth of private sector experiences that will enrich our board deliberations, and we look forward to working with her.

Dr Beh Swan Gin retired as an independent Director in May. Dr Beh joined the Board in September 2014 and was a member of the Budget and Finance Committee, and from 2017, the Strategy & Finance Committee. We thank him for his invaluable contributions over the years.

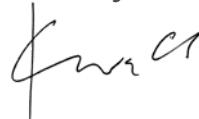
Our appreciation

In closing, we would like to thank our customers and business partners for their support and trust in us despite the difficult circumstances that prevailed in 2020.

We are also grateful to our employees around the world for their unwavering commitment and hard work. 2020 has been a challenging year for many of them because of the pandemic. Many had to make major adjustments to how and where they work. Despite these disruptions, they impressed us with their resilience and amazing team spirit! It is this spirit that will continue to propel the Group ahead.

Finally, to our shareholders, we thank you for your confidence in ST Engineering and we seek your continuous support as we move into our next phase of growth.

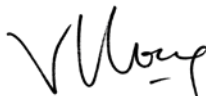
Sincerely,



Kwa Chong Seng

Chairman

Non-Executive Independent Director



Vincent Chong Sy Feng

Group President & CEO

Executive Non-Independent Director

15 March 2021

致股东的信

新冠疫情在2020年肆虐全球。疫情扩散蔓延对全球经济和供应链带来了前所未有的冲击，也严重影响了全世界人民的生活和生计。在撰写本报告时，超过1.1亿人已被感染，全球死亡人数约为260万。值得庆幸的是，已有至少100个国家开始接种新冠疫苗。

在2020年初，为了应对新冠疫情爆发，我们立即在工作场所采取相应措施，包括在家办公和分队作业，并加强了健康和安全管理来保障员工和承包商的安全。同时，在此艰难的情况下，我们仍竭尽所能，尽最大努力履行对客户的承诺。

为了减缓经济放缓、需求降低对集团造成的影响，我们专注于提高运营效率，采取降低成本的措施，其中包括推迟可自由支配的资本性支出和收紧运营支出。

通过我们多元化的业务组合，减轻了疫情带来的影响

新冠疫情对集团四个业务部门的影响各不相同。

新冠疫情引发各国实施旅游禁令与限制，严重打击了航空业，也降低了宇航业务的飞机维修服务需求和发动机短舱的制造量。但另一方面，我们的客改货业务却大放异彩。随着电商的不断兴起与发展，航空货运业务激增，但客机多停止运营，客机腹载货运量大大下降，导致全球对货机的需求大大提升。再加上很多适合客改货的老旧客机已经退役，我们的客改货业务收到很多垂询和新订单。

在电子业务方面，由于客机和游轮停航，我们在航空和海事领域的卫星通讯业务同样受到新冠疫情的影响。不过，在全面整合了我们欧洲和美国的卫星通讯业务后，我们更有能力和实力争取在近地球轨道及中地球轨道等全新的非地球同步轨道卫星的新商机。扩大的卫星通讯业务也能通过更多样化的客户群来部分抵消经济放缓的影响，例如更有韧性的国防、广播和企业宽带领域。疫情也加快了数码化转型的步伐，推高了对新兴领域如网络安全和安全数码服务的需求。

与我们商业业务受到的影响相反，我们的国防业务提供了迫切需求的稳定性。我们的陆路系统业务已开始生产Hunter装甲战车，而我们在美国的海事业务则开始为美国海军的破冰船进行设计工作。我们的新加坡船厂则在专注于为新加坡警察部队的海岸卫队建造快速巡逻艇。

"我们很庆幸拥有一支效率极高的工作团队和资源，既能克服新冠疫情带来的挑战，同时也能助集团争取追求全球卓越的愿景。"

我们业务组合的多样性让我们能够更好地应对疫情危机。此外，通过削减成本的措施所节省下来的费用，以及各国政府提供的补贴支持，更助本集团的财务业绩保持平稳。

2020年的业绩体现了我们业务的实力

在2020财年，集团报告的收入为72亿元，较上年下降9%。这符合我们在季度更新报告中提供的指引。税前利润比下降23%至5.34亿元，主要原因是无形资产减值，以及我们美国船厂的几个造船项目的亏损所致。尽管透过我们的成本削减措施所节省的费用和政府补贴有所缓冲，税前利润的下降仍受到集团收入下降的影响。由于新加坡政府的雇佣补贴计划不需要缴税，股东应占利润（净利润）同比下降10%至5.22亿元，跌幅亦有所解。

宇航业务收入同比下降21%至27亿元，净利润跌28%至1.93亿元。这主要是由于MRO业务量减少、资产减值，以及缺少上一年度项目收尾审查所产生的有利影响所致。削减成本措施带来的节余和政府补贴部分抵消了此跌幅。但即使剔除政府雇佣补贴，宇航2020财年仍然可以取得净利润。

电子业务的收入同比下跌2%至23亿元，主要是工程项目因受新冠疫情影响而重新安排。不过，净利润增长11%至2.04亿元，主要得益于削减成本措施所节省下来的费用和政府补贴。

陆路系统业务的收入比去年下降1%至14亿元，主要是因较强的国防业务部分抵消较低的道路建设业务销售。净利润同比增长31%至1.01亿元，得益于削减成本措施带来的节余和政府补贴，但也被资产减值所部分抵消。

虽然新加坡船厂活动因新冠疫情而受限制，但美国造船业务赢得更高收入促使海事业务收入同比增长10%至7.1亿元。净利润则同比下降45%至2.83百万元，主要因为美国的几个造船项目在2018年海事业务的低点所签订的合同价格偏低而陷于亏损。海事业务也因新冠疫情所引起的业务中断和人力安排而面对较高的运营成本。

总体而言，宇航业务收入占集团总收入的38%、电子业务占32%、陆路系统业务及海事业务分别占19%和10%。如以地域划分，来自亚洲的客户占集团总收入约53%，来自美国及欧洲客户的收入则分别占24%及17%。商业业务贡献约46亿元的收入，国防业务在新冠疫情期间仍稳定增长至26亿元。2020年签署的新合同总价值约57亿元。新订单加上未公布的其他合同，再除去因新冠疫情而受影响的约10亿元项目，集团2020年末总订单额至154亿元。尽管2020是一个充满挑战性的一年，我们仍取得比2019年年末略高的订单额。我们预期在2021年将比2020年交付约53亿元的收入，为明年的业务提供稳健的销售额。

由于我们减少了一些可支配的资本支出，2020年的资本支出比去年下降约30%至1.96亿元。不过，我们将继续投资新的增长领域，如网络安全、数据分析和云计算，为经济好转做充分准备，并在经济衰退的浪潮中鹤立鸡群。

集团的资产负债保持坚韧，并有利于多种资金来源，包括美国商业票据计划和中期票据计划，来支持本集团的活动和增长。2020年，标准普尔和穆迪重申了对本集团的AAA信用评级。截至2020年底，我们的现金和现金等价物为7.29亿元，2019年底则为4.52亿元。于此同时，当许多企业因疫情冲击，资金陷入困境，高息筹资；集团却在2020年度，争取利息的下滑，为中期票据订下创新低(1.5%)的利息，铺好未来几年发展道路的平台，充分化危为机。

鉴于这些结果，董事会建议派发每股10分的末期股息。加上2020年9月派发的每股5分的中期股息，2020年的总股息将为每股15分，代表3.9%的股息收益率¹。

¹ 股息收益率以2019年和2020年最后一个交易日的平均收盘价\$3.88为基准。

驾驭艰难大环境的能力和针对新冠疫情带来的新常态进行的调整证明了集团的强大实力，也得益于推行的一系列成本削减措施和政府的补贴计划。2020年的业绩体现了我们业务的实力，也彰显了我们跨行业、跨地域、多元化业务架构的韧性、我们全体员工的执行能力及奉献精神、我们科技创新能力以及我们工程技术的广度和深度。

要进一步了解我们各业务的发展，请参阅38页至61页的运营评鉴与展望。

面对未来，我们感到乐观。世界各国已纷纷开展疫苗接种帮助共同抗疫。这历史上规模最大、速度最快的疫苗接种及接种成效让我们渐渐看到终结疫情的曙光，而全球经济重回正轨有望指日可待。

虽然政府的2021年雇佣补贴将会比2020年来的低，我们有信心在部分收入回升的情况下，能以我们的成本削减措施带来的节余抵消政府支持减少后的影响。

为增长进行重组

集团虽在2020年忙于抗疫，但没有忽略我们想在全球范围内实现卓越获得成功的长远愿景。在11月，我们宣布了集团重组。从2021年1月1日开始，我们已重组为两个集群，即商业组合和国防与防卫业务组合。集团将不再按宇航、电子、陆路系统和海事划分架构。

虽然疫情严峻，为了在疫情结束后更好的定位，我们毅然决定对集团进行改组。我们很庆幸拥有一支效率极高的工作团队和资源，既能克服新冠疫情带来的挑战，同时也能助集团争取追求全球卓越的愿景。

设计新架构有三大核心原则：首先，新架构必须能让我们荣登全球舞台成为核心成员，以实现全球化规模及成功的愿景。第二是我们期望加深我们与客户和合作伙伴的战略关系，以满足不断变化的需求。最后，重组必须使我们能够深化我们在工程和科技领域的核心能力，并改进我们培养、部署和授权人才的方式。

致股东的信

为了实现我们的战略重点，我们也在领导架构方面做了相应的调整。由集团总裁兼首席执行官、集团首席财务总监和两名集团首席运营长所组成的集团执行理事会取代了之前的管理理事会。由横跨整个集团的高层领导人组成的集团高层业务委员会将协助执行理事会带领集团迈向下一个阶段的增长。

林思义目前是集团首席运营长（卓越运营）兼首席商业总裁。在负责推动成本效率的同时，林先生也会肩负监管商业组合的重任。Ravinder Singh被任命为集团首席运营长（科技与创新）兼国防与防卫总裁。他的首要任务是强化集团技术和工程核心并推动整个集团的创新精神。

设立首席运营长的职位，通过卓越的运营，以及在强大创新文化基础上建立的科技和工程核心优势，能够加强集团的全球竞争力。

建立全球规模和成就

我们的商业组合将推动集团在商业宇航、智慧城市和卫星通信领域的国际发展。这些领域总称为环球业务领域，以反映集团致力于打造全球佼佼者的愿景。商业宇航环球业务领域将继续推动集团在飞机结构和系统、维护、修理和大修以及航空相关资产管理方面的长期增长。智慧城市和卫星通信环球业务领域将在更多专项资源的支持下推动集团的智能城市业务增长。该集群整合了集团大多数的智能城市技术和能力，将之前集团四大领域中相关的技术和能力统一整合到一个单独的业务单位中。我们现在能提供更全面、更综合的解决方案，协助我们的客户打造互联互通、高效、可持续发展的智能城市。

国防与防卫业务组合将集团内部相关业务统一整合成一个单独的集群，由国防科技领域组成，即数码系统与网络安全，陆路系统，海事以及国防宇航。该集群的设计整合了国防科技开发与部署以及客户参与，将使我们能够为国防和公共安全领域的客户提供更好的服务，加大了我们在国际目标市场的机会。

此集群中的防卫部分原属于电子业务的一部分。它将继续为全球公共机构提供综合安全及防卫方案来更好的管理关键基础设施、空域和港口等。

国防与防卫业务集群目前在海外拥有大量的业务，新的组织架构能让我们进一步扩大全球业务范围。

"即使在我们应对疫情带来的挑战时，我们也很清楚我们必须继续为长期增长进行必要的结构改革。"

强化科技技术与工程核心

我们的业务核心主要在科技技术和工程，它们是我们开发每一项新创新的核心。为了加强这一核心，我们成立了一个集团工程科技推展中心，专注于将短期科技转化为产品和解决方案。

该中心将与我们的集团研究中心紧密合作，共同推动国防和商业业务的先进科技技术研发和工程应用。

这两个职能将强化特定业务及部署在业务部门的工程团队，并加速集团的数码化进程来为集团创造和捕捉价值。同时利用我们的数码技术能力将数码创新嵌入到我们的产品和解决方案中，以增加差异化和更鲜明竞争优势。

历时多年的征程

这次重组是为集团的未来所进行的多年征程的最新努力。我们早已在几年前为新科工程的长期可持续发展做准备。

这起始于建立共享服务中心的概念，我们把集团范围内共用的职能集中起来以便更有效的降低我们成本基础，加强控管和提高服务水平。

随后，我们在2017年开始了整个集团的战略评估并催生了我们的五年计划战略（2018-2022）以及强化核心业务、发展智慧城市和国际国防业务的具体举措。

我们也积极审核业务组合、出售非核心业务、将企业品牌统一、组建集团风险和保证职能、加强领导能力和人才发展框架。我们也持续在科技技术研发和创新方面的投资，更加强注入与我们战略相一致的领域，例如我们在2018年至2019年期间所收购的三家总价值超过10亿元的公司。

制定新的五年计划

虽然我们的五年计划战略有初步的好成绩，但疫情影响了全球 GDP 的增长以及我们的中期目标。

我们意识到，重整集团的过程是一个长期且必须持续的努力。因此，即使在我们应对疫情带来的挑战时，我们也很清楚我们必须继续为长期增长进行必要的结构改革。这就是为什么尽管面临危机，或是专注于业务复苏之际，我们仍决定继续进行组织结构的重新设计。这将让我们为将来的经济好转做足准备，让我们能够更快地复原，并变得更加强大。

鉴于这些因素，我们将在2021年下半年的“投资者日”会议上审查并发布修订后的五年计划。

可持续发展仍是我们战略中不可或缺的组成部分

在所有这些变化中，不变的是我们对可持续发展的承诺。事实上，我们已加强这一承诺，将可持续发展纳入集团战略策划团队的职责范围，并由执行理事会提供战略指导。这样一来，我们就可以将可持续发展目标融入集团的战略计划中。

同时，我们将继续采取步骤，将实质性的环境、社会和治理原则纳入我们的业务和运营中，履行企业社会责任、回馈社群，并以对社会负责和可持续的方式进行运营。

我们的可持续发展和治理报告的详情见第74页至125页。

董事会更新

我们在五月份迎来了黄美美女士以独立非执行董事的身份加入董事会。黄董事拥有卓越的私营企业经验，这将丰富我们董事会的商议内容。

马宣仁博士于四月退任独立非执行董事一职。马博士于2014年九月加入董事会，是预算和财务理事会的一员，并从2017年开始，成为战略和财务理事会的一员。我们感谢他多年来的宝贵贡献。

衷心感谢

我们要感谢我们的客户和业务伙伴在2020年的艰难情况下对我们的支持和信任。


我们也要感谢身处世界各地的员工坚定不移的承诺和辛勤不懈的努力。我们许多的同事不得不在疫情的大环境下调整他们的工作方式和工作地点。他们坚韧不拔的团队精神让我们赞叹不已！这样的精神将继续推动集团，朝更美好的未来发展。

最后，对于我们的股东，我们感谢您对新科工程怀抱信心，期望我们在进入下一个发展阶段时，能继续得到您的支持。

此致，



柯宗盛
主席
非执行独立董事



钟思峰
集团总裁兼首席执行官
执行非独立董事

2021年3月15日

BOARD OF DIRECTORS



KWA CHONG SENG
CHAIRMAN
NON-EXECUTIVE
INDEPENDENT DIRECTOR

Date of first appointment as a Director: 1 September 2012
Date of last re-election as a Director: 15 May 2020

Date of appointment as Chairman:
25 April 2013

Academic & Professional Qualification

- Degree in Mechanical Engineering from the former University of Singapore
- Fellow of the Academy of Engineering Singapore

Other Directorships/Appointments – Present

- Defence Science & Technology Agency
- Public Service Commission, Singapore
- Singapore Exchange Limited*

Other Directorships/Appointments – Past 5 years

- APL (Bermuda) Ltd.
- APL Co. Pte Ltd
- APL Limited
- Automar (Bermuda) Ltd.
- CMA CGM Asia Pacific Limited[^]
(formerly known as Neptune Orient Lines Limited)
- CMA CGM Asia Pacific Liner Pte. Ltd.
(formerly known as NOL Liner (Pte.) Ltd)
- Delta Topco Limited
- Fullerton Fund Management Company Ltd.
- Olam International Limited
- SeaTown Holdings Pte. Ltd.
- Singapore Technologies Holdings Pte Ltd

* Listed company

[^] Delisted from SGX-ST in 2016



VINCENT CHONG SY FENG
GROUP PRESIDENT & CEO
EXECUTIVE &
NON-INDEPENDENT DIRECTOR

Date of first appointment as a Director: 1 October 2016
Date of last re-election as a Director: 18 April 2019

Date of next re-election as a Director:
22 April 2021

Academic & Professional Qualification

- Bachelor of Engineering (First Class Honours) (Mechanical Engineering) from the National University of Singapore
- Executive leadership programmes at the Thunderbird School of Global Management and the Columbia Business School
- Fellow of the Academy of Engineering Singapore

Other Directorships/Appointments – Present

- Emerging Stronger Taskforce (Member)
- Experia Events Pte. Ltd.
- International Advisory Panel for Advanced Manufacturing & Engineering, Ministry of Trade & Industry (Member)
- JTC Corporation (Board Member and Member of Development Committee)
- Jurong Port Pte Ltd (Director and Member of Management, Development & Compensation Committee)
- Mechanical Engineering Departmental Consultative Committee, NUS (Member)
- Singapore Airshow & Events Pte. Ltd.
- SPTel Pte. Ltd.
- ST Engineering Financial I Ltd.
- ST Engineering Financial II Pte. Ltd.
- ST Engineering IHQ Pte. Ltd.
- ST Engineering North America, Inc.
- ST Engineering RHQ Ltd.
- ST Engineering Treasury Pte. Ltd.

Other Directorships/Appointments – Past 5 years

- Committee on the Future Economy (Member)
- Singapore Quality Award Governing Council (Member)
- ST Engineering Aerospace Resources Pte. Ltd.
- ST Engineering Aerospace Ltd.
- ST Engineering Electronics Ltd.
- ST Engineering Land Systems Ltd.
- ST Engineering Management Services Pte. Ltd.
- ST Engineering Marine Ltd.
- Temasek Defence Systems Institute (TDSI) Management Board, NUS (Member)
- U EnTech Steering Committee (Member)
- Vision Technologies Marine, Inc.
- VT Systems International, LLC



JOSEPH LEONG WENG KEONG
NON-EXECUTIVE &
NON-INDEPENDENT DIRECTOR

Date of first appointment as a Director: 7 June 2019
Date of last re-election as a Director: 15 May 2020

Academic & Professional Qualification

- Bachelor of Arts (Engineering) from the University of Cambridge, UK
- Master of Arts from the University of Cambridge, UK
- Master of Business Administration from the Massachusetts Institute of Technology, USA

Other Directorships/Appointments – Present

- Civil Service College (Member)
- Defence Science & Technology Agency
- DSO National Laboratories
- Second Permanent Secretary (Communications and Information), Ministry of Communications and Information
- Second Permanent Secretary (Cybersecurity), Prime Minister's Office
- Singapore Technologies Holdings Pte Ltd

Other Directorships/Appointments – Past 5 years

Nil



LIM AH DOO
NON-EXECUTIVE &
INDEPENDENT DIRECTOR

Date of first appointment as a Director: 10 November 2015
Date of last re-election as a Director: 18 April 2019

Date of next re-election as a Director:
22 April 2021

Academic & Professional Qualification

- Honours degree in Engineering from the Queen Mary College, University of London
- Master in Business Administration from the Cranfield School of Management

Other Directorships/Appointments – Present

- GDS Holdings Limited*
- GP Industries Ltd*
- Olam International Limited*
- Singapore Technologies Telemedia Pte Ltd
- STT Communications Ltd
- STT Global Data Centres India Private Limited
- U Mobile Sdn Bhd
- Virtus HoldCo Limited

Other Directorships/Appointments – Past 5 years

- ARA-CWT Management (Cache) Limited
- Bracell Limited*
- SembCorp Marine Ltd*
- SM Investments Corporation*
- ST Engineering Marine Ltd.
- STT GDC Pte. Ltd.

* Listed company

BOARD OF DIRECTORS



LIM CHIN HU
NON-EXECUTIVE &
INDEPENDENT DIRECTOR

Date of first appointment as a Director: 16 July 2018
Date of last re-election as a Director: 18 April 2019

Academic & Professional Qualification

- Bachelor of Science from La Trobe University, Melbourne, Australia
- Diploma in Electrical & Electronics Engineering from Ngee Ann Polytechnic
- Fellow of the Singapore Institute of Directors

Other Directorships/Appointments – Present

- ALPS Pte. Ltd.
- Citibank Singapore Limited
- G-Able Thailand Ltd
- Heliconia Capital Management Pte. Ltd.
- Integrated Health Information Systems Pte. Ltd.
- Kulicke & Soffa Inc*
- Singapore Exchange Limited*
- Singapore Health Services Pte Ltd
- SPTel Pte. Ltd.

Other Directorships/Appointments – Past 5 years

- Changi General Hospital Pte Ltd
- Keppel DC REIT Management Pte. Ltd.
- Personal Data Protection Commission (Member)
- Telstra Corporation Limited*



LIM SIM SENG
NON-EXECUTIVE &
INDEPENDENT DIRECTOR

Date of first appointment as a Director: 15 May 2015
Date of last re-election as a Director: 18 April 2019

Date of next re-election as a Director:
22 April 2021

Academic & Professional Qualification

- Japanese Government Monbusho scholar
- Bachelor in Business Administration from Yokohama National University, Japan

Other Directorships/Appointments – Present

- Building and Construction Authority (Non-executive Board Member)
- DBS Securities (Japan) Company Limited
- DBS Vickers Securities Holdings Pte Ltd
- Federal Republic of Nigeria (High Commissioner)
- Nikko Asset Management Co., Ltd

Other Directorships/Appointments – Past 5 years

- Resona Merchant Bank Asia Limited (formerly known as ASEAN Finance Corporation Limited)
- Singapore Land Authority
- ST Engineering Aerospace Ltd.

* Listed company



NG BEE BEE (MAY)
NON-EXECUTIVE &
INDEPENDENT DIRECTOR

Date of first appointment as a Director: 1 June 2020
Date of last re-election as a Director: N.A.

Date of next re-election as a Director:
22 April 2021

Academic & Professional Qualification

- Bachelor of Arts (Honours) from the University of Western Ontario, Canada

Other Directorships/Appointments – Present

- Mercatus Co-operative Ltd*
- NTUC Enterprise Co-operative Limited
- Pan-United Corporation Ltd.* (CEO and Director)

Other Directorships/Appointments – Past 5 years

- Changshu Xinghua Port Co., Ltd.
- NTUC Choice Homes Co-operative Limited
- Singapore Changshu Development Company Pte Ltd
- Xinghua Port Holdings Ltd.
(formerly known as Xinghua Port Holdings Pte. Ltd.)



**LIEUTENANT-GENERAL
ONG SU KIAT MELVYN**
NON-EXECUTIVE &
NON-INDEPENDENT DIRECTOR

Date of first appointment as a Director: 8 June 2018
Date of last re-election as a Director: 18 April 2019

Date of next re-election as a Director:
22 April 2021

Academic & Professional Qualification

- Bachelor of Science (Economics) (Honours) from the London School of Economics and Political Science
- Master of Science (Development Studies) from the London School of Economics and Political Science

Other Directorships/Appointments – Present

- Defence Science & Technology Agency
- JTC Corporation (Board Member)

Other Directorships/Appointments – Past 5 years

- ST Engineering Land Systems Ltd.

* Listed company

BOARD OF DIRECTORS



QUEK GIM PEW
NON-EXECUTIVE &
NON-INDEPENDENT DIRECTOR

Date of first appointment as a Director: 15 August 2016
Date of last re-election as a Director: 15 May 2020



QUEK SEE TIAT
NON-EXECUTIVE &
INDEPENDENT DIRECTOR

Date of first appointment as a Director: 1 July 2013
Date of last re-election as a Director: 15 May 2020

Academic & Professional Qualification

- Bachelor of Engineering (First Class Honours) (Electrical Engineering) from the National University of Singapore
- Master of Science (Distinction) in Electrical Engineering from the Naval Postgraduate School, USA
- Fellow of the Academy of Engineering Singapore

Other Directorships/Appointments – Present

- Agency for Science, Technology & Research Board (Member)
- ATREC Pte. Ltd.
- Defence Science & Technology Agency (Member)
- DSO National Laboratories
- Governing Board for the Centre for Quantum Technologies
- Singapore Institute of Technology (SIT) Board of Trustees (Member)
- Singapore University of Technology and Design (SUTD) Board of Trustees (Member)
- SMRT Trains Ltd.
- Temasek Defence Systems Institute Management Board (NUS)

Other Directorships/Appointments – Past 5 years

- Industrial Advisory Committee School of EEE, NTU (Member)
- Nanyang Polytechnic (NYP) Board of Governors (Board Member)
- ST Engineering Satellite Systems Pte. Ltd.
- Temasek Laboratories@NTU Management Board
- Temasek Laboratories@NUS Management Board
- Temasek Laboratories@SUTD Management Board

Academic & Professional Qualification

- Bachelor of Science (Economics)(Honours) from the London School of Economics and Political Science
- Fellow of the Institute of Chartered Accountants in England and Wales

Other Directorships/Appointments – Present

- Accounting Standards Council Singapore (Chairman Designate)
- Centre for Liveable Cities Limited
- Council for Estate Agencies (President/Council Member)
- Monetary Authority of Singapore (Board Member)
- Pavilion Energy Pte. Ltd.
- Pavilion Energy Spain, S.A.U.
- Singapore Press Holdings Limited*
- Temasek Foundation Connects CLG Limited
- Temasek Foundation Ltd (Co-opted member of Audit and Risk Committee)

Other Directorships/Appointments – Past 5 years

- Building and Construction Authority (Board Member)
- CMA CGM Asia Pacific Limited^ (formerly known as Neptune Orient Lines Limited)
- Energy Market Authority (Board Member)

* Listed company

^ Delisted from SGX-ST in 2016



SONG SU-MIN
NON-EXECUTIVE &
INDEPENDENT DIRECTOR

Date of first appointment as a Director: 16 September 2018
Date of last re-election as a Director: 18 April 2019

Academic & Professional Qualification

- LLB (Honours) from the University of Kent at Canterbury

Other Directorships/Appointments – Present

Nil

Other Directorships/Appointments – Past 5 years

Nil



COLONEL XU YOUFENG
ALTERNATE DIRECTOR

Date of first appointment as an Alternate Director: 8 June 2018
Date of last re-election as an Alternate Director: N.A.

Academic & Professional Qualification

- Master of Science with Distinction in Optics and Photonics, (Science) from the Imperial College of Science, Technology & Medicine, University of London, UK

Other Directorships/Appointments – Present

Nil

Other Directorships/Appointments – Past 5 years

Nil

DIRECTORS SEEKING RE-ELECTION

at the AGM on Thursday, 22 April 2021

Information Required under Rule 720(6) of the SGX-ST Listing Manual

	VINCENT CHONG SY FENG	LIM AH DOO
Age	51	71
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Vincent has 20 years of global business and management experience. His leadership will continue to benefit ST Engineering and set the direction of growth for the ST Engineering Group.	Ah Doo has vast experience in finance, investment and management. His experience will continue to enhance board deliberations.
Whether appointment is executive, and if so, the area of responsibility	Executive Vincent oversees the business of the ST Engineering Group	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Group President & CEO Non-Independent Director Member of: - Research, Development and Technology Committee - Strategy & Finance Committee - Risk and Sustainability Committee	Independent Director Member of: - Audit Committee - Strategy & Finance Committee
Working experience and occupation(s) during the past 10 years	Group President & CEO, ST Engineering (2016 – current) President & CEO (Designate), ST Engineering (2015 – 2016) Dy CEO (Corporate Development), ST Engineering (2014 – 2015) President, Strategic Plans & Business Development, ST Aerospace (2014) Director, Asia Pacific Lubricants Sales, ExxonMobil Asia Pacific Pte Ltd (2013 – 2014) Downstream Senior Advisor, Corporate Strategic Planning, Exxon Mobil Corporation (2012 – 2013) Global Director, Marine Fuels, ExxonMobil Marine Limited (2009 – 2012)	Nil

LIM SIM SENG	LG ONG SU KIAT MELVYN	NG BEE BEE (MAY)
62	45	53
Singapore	Singapore	Singapore
Sim Seng has vast experience in banking and management. His experience will continue to enhance board deliberations.	Melvyn's defence background will continue to benefit ST Engineering in addressing the changing and challenging needs of the defence business.	May's leadership and background experience in management will provide an all-rounded perspective to board deliberations.
Non-Executive	Non-Executive	Non-Executive
Independent Director	Non-Independent Director	Independent Director
Member of: - Executive Resource and Compensation Committee - Nominating Committee - Strategy & Finance Committee	Member of Risk and Sustainability Committee	Member of Nominating Committee
Group Head of Consumer Banking Group & Wealth Management for DBS (2019 – current) Group Executive, Country Head, DBS Singapore (2010-2018)	SAF Officer (1994 – current)	CEO, Pan-United Corporation Ltd (PUC) (2011 – current) Executive Director, PUC (2004 – 2011)

DIRECTORS SEEKING RE-ELECTION

at the AGM on Thursday, 22 April 2021

Information Required under Rule 720(6) of the SGX-ST Listing Manual

Mr Vincent Chong Sy Feng, Mr Lim Ah Doo, Mr Lim Sim Seng, LG Ong Su Kiat Melvyn and Ms Ng Bee Bee (May), have each:

- Confirmed that he/she has no relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries.
- Confirmed that he/she has no conflict of interest (including any competing business).
- Provided an undertaking in the format set out in Appendix 7.7 under Rule 720(1) of the SGX-ST Listing Manual.
- Confirmed that all responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual to be "No" save for Mr Lim Ah Doo responded "Yes" to item (j)(i) as disclosed below:
 - **PT Indosat:** Mr Lim was non-executive independent Commissioner of PT Indosat Tbk (PT Indosat) from December 2002 to August 2008, and Chairman of the Audit Committee from June 2004 to June 2008. In November 2007, PT Indosat along with six other Indonesian telecommunications companies were investigated by Indonesia's anti-competition KKPU, on allegations of price fixing of charges for short text messages and breach of Anti-Monopoly Law of Indonesia. PT Indosat and eight other companies were also investigated by KKPU of concern of breaches of Article 27(a) of the Anti-Monopoly Law of Indonesia. There was no finding of breach of law by PT Indosat at the time Mr Lim left PT Indosat.
 - **Asian Agri:** Mr Lim was president of RGM International Pte Ltd (RGMI) from October 2003 to June 2007 and non-executive vice chairman of RGMI from June 2007 to November 2008. Mr Lim was also acting president of AAA Oils and Fats Pte Ltd (AAA) from June 2007 to November 2007 and non-executive deputy chairman of AAA from November 2007 to November 2008. RGMI provides strategy services and support to a global group of independent companies (the RGM Group) operating in the resources

development sector. Each business group within the RGM Group operates independently with its own holding company and directors responsible for the operation of that business group. Asian Agri is a member of the RGM Group and AAA is a member of Asian Agri. Certain Indonesian companies of Asian Agri operating in Indonesia were investigated by the tax authorities of Indonesia in November 2006 for alleged non-payment of certain tax. The tax authorities of Indonesia had not confirmed any findings of breach of law at the time when Mr Lim left the RGM Group in November 2008. Mr Lim was not a member of the board nor was he concerned with the management of the companies under investigation.

The other information required under Rule 720(6) of the SGX-ST Listing Manual are disclosed in the "Board of Directors" on pages 14 to 19.

The shareholding interest in the Company and its subsidiaries (if any) of each of these Directors are disclosed in the "Directors' Statement" on pages 128 and 132.

CORPORATE INFORMATION

Board of Directors

Kwa Chong Seng (Chairman)

Vincent Chong Sy Feng (Group President & CEO)

Joseph Leong Weng Keong

Lim Ah Doo

Lim Chin Hu

Lim Sim Seng

Ng Bee Bee (May)

Lieutenant-General Ong Su Kiat Melvyn

Quek Gim Pew

Quek See Tiat

Song Su-Min

Colonel Xu Youfeng
(Alternate Director to
Lieutenant-General Ong Su Kiat Melvyn)

Company Secretary/Joint Company Secretary

Low Meng Wai

Tan Wan Hoon

Registered Office

ST Engineering Hub
1 Ang Mo Kio Electronics Park Road
#07-01
Singapore 567710
Tel: (65) 6722 1818
www.stengg.com

Share Registrar

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

Auditors

PricewaterhouseCoopers LLP
7 Straits View
#12-00 Marina One East Tower
Singapore 018936
Lam Hock Choon (Partner-in-charge)
(Date of appointment: 15 May 2020)

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee (EXCO) which replaces the Management Committee effective 1 January 2021, is responsible for Group strategy and key decisions to deliver long-term growth. The EXCO is supported by the Group Senior Business Council comprising a team of senior leaders across the Group.



VINCENT CHONG SY FENG

Group President & CEO

Vincent Chong Sy Feng, 51, is the Group President & CEO of ST Engineering and a Director of the ST Engineering Board since 2016.

Before his current role, he was the President & CEO (Designate) from late 2015, and prior to that, the Group's Deputy CEO (Corporate Development) from late 2014. He joined ST Engineering in early 2014 as President of Strategic Plans and Business Development of the Aerospace sector.

Vincent brings to the Group 20 years of global business experience from ExxonMobil, where he spent half of that time being based in Hong Kong, Japan, U.K. and the U.S. He held a wide span of senior positions in global and regional business management, refinery process engineering, industrial and retail operations, product marketing and strategic planning.

Vincent is a board member of JTC Corporation and Jurong Port, and a member of the Ministry of Trade and Industry's International Advisory Panel for Advanced Manufacturing and Engineering. He serves on the Emerging Stronger Taskforce to review how Singapore can build new sources of dynamism and stay economically resilient in a post COVID-19 world.

Vincent graduated in 1994 with First Class Honours in Mechanical Engineering from the National University of Singapore. He attended executive leadership programmes at Thunderbird School of Global Management and Columbia Business School.

CEDRIC FOO CHEE KENG

Group Chief Financial Officer

Cedric Foo Chee Keng, 60, is the Group Chief Financial Officer of ST Engineering. Before joining ST Engineering in October 2016, Cedric was the Group Deputy President and Chief Financial Officer of Neptune Orient Lines Limited. Prior to that, Cedric served at Singapore Airlines as the Senior Vice President, Finance and Administration and subsequently, as the Senior Vice President for West Asia and Africa.

Cedric was also the Chairman for JTC Corporation from 2008 to 2012 and for Spring Singapore from 2003 to 2007.

Cedric graduated with a Bachelor of Science in Engineering (Naval Architecture and Marine Engineering) from the University of Michigan, Ann Arbor, USA and received his Master of Science (Ocean Systems Management) from the Massachusetts Institute of Technology, Cambridge, USA in 1985. He also attended executive programmes at Harvard and Kellogg Business Schools.





LIM SERH GHEE

Group Chief Operating Officer (Operations Excellence)
Chief Commercial Officer

Lim Serh Ghee, 61, holds concurrent appointments as the Group Chief Operating Officer (COO) (Operations Excellence), as well as the Chief Commercial Officer (CCO) of ST Engineering. Serh Ghee leads the development of continuous improvement projects to drive operational and cost efficiencies as the Group COO, and oversees integration of the Group's businesses to enhance its global competitiveness. As the CCO, he is responsible for advancing businesses in aerospace, urban solutions and satellite communications.

Serh Ghee began his career in the Aerospace sector as a mechanical engineer in 1984 and rose to become a Senior Vice President of the sector's in-house engineering and development centre in 1998. He was the Senior Vice President of the Engineering and Materials Services business segment in May 2002, Executive Vice President of the Aircraft Maintenance and Modification business segment between 2006 and 2010, the sector's COO as well as President, Defence Business from 2010 to 2014. Serh Ghee was the President of the Group's Aerospace sector before he assumed his concurrent appointments on 1 January 2021.

Serh Ghee graduated with a Second Class Upper Honours degree in Mechanical Engineering from the National University of Singapore. He was conferred with the Master of Science in Aerospace Engineering from the University of Michigan. He also attended the Programme for Management Development at Harvard Business School.

RAVINDER SINGH

Group Chief Operating Officer (Technology & Innovation)
President/Head, Defence & Public Security

Ravinder Singh, 56, holds concurrent appointments as the Group Chief Operating Officer (COO) (Technology & Innovation), and President/Head, Defence & Public Security at ST Engineering. Ravinder oversees the development of multi-domain technologies and business innovation across the Group as its COO. He also leads the Group's businesses across Digital Systems, Cyber, Land Systems, Marine and Defence Aerospace as President/Head of Defence & Public Security.

With over 30 years of technology and defence experience, Ravinder has held various management and leadership positions. He was President of the Group's Land Systems sector, then President, Defence Business of the Group and President of the Group's Electronics sector before he assumed his concurrent appointments on 1 January 2021. Prior to ST Engineering, Ravinder served as the Chief of Army, Singapore Armed Forces (SAF) and the Deputy Secretary (Technology), Ministry of Defence, Singapore. He was awarded the SAF Overseas Training Award (Academic) and was conferred the Public Administration Medal (Military), Silver and Gold.

Ravinder is the Deputy Chairman of National Environment Agency's Board, and a board member of the Agency for Science, Technology and Research (A*STAR). He is a member of the Services and Digital Economy Technology Roadmap Steering Committee, Infocomm Media Development Authority; the Committee on Autonomous Road Transport for Singapore, Ministry of Transport; and the Council of the Board for the Teaching and Testing of South Asian Languages, Ministry of Education.

Ravinder holds a Bachelor of Arts in Engineering Science (First Class Honours) and a Master of Arts in Engineering Science from University of Oxford. He was awarded the Singapore Armed Forces Postgraduate Scholarship and graduated from Massachusetts Institute of Technology with a Master of Science in Management. He attended the Advanced Management programme at Wharton Business School.



Q&A WITH VINCENT

Group President & Chief Executive Officer



"We are committed to our purpose-driven agenda of using technology and innovation to solve real-world problems and improve lives, and to continuously build ST Engineering into an organisation that is more agile, adaptable, responsive, innovative, collaborative and transparent."

Q/ You were appointed as the CEO in late 2016. How do you feel after four years in the position?

ST Engineering has many strengths, built and honed over decades. Those strengths presented opportunities for me as the new leader then to drive the Group towards becoming a global technology, defence and engineering powerhouse. We have made good progress in the last few years, making cumulative changes, and gaining a steady growth momentum until the COVID-19 pandemic hit us.

This pandemic was unprecedented, and arguably among the toughest crises that many business leaders had to manage in their careers, likewise for leaders at ST Engineering. It upended the plans we had laid out for 2020, and put to test our Business Continuity plans. If anything, it made me much more appreciative of the strong foundation that ST Engineering has built over several decades. In 2020, even as we had to manage and navigate many unexpected scenarios that were evolving at a fast pace, we did not lose sight of our long-term goal, which speaks volume of the energy, confidence and resilience of the people that make up ST Engineering.

The world today is not quite the same as it was when I took on this role. We are surrounded by more uncertainties, with rising nationalism and protectionism on the global scene, a wider drive for digital transformation enabled by technological advances, a greater need for the workforce to be better prepared for Industry 4.0, and an increasing push for sustainable solutions. Against this backdrop, we need to think harder about what it means to be truly global, what our roles are in the ecosystems we are part of, if we want to continue to thrive on value creation, and what we need to do more to build trust with our employees, customers and stakeholders.

What is certain, however, is our purpose-driven agenda of using technology and innovation to solve real-world problems and improve lives, and our commitment to continuously build ST Engineering into an organisation that is more agile, adaptable, responsive, innovative, collaborative and transparent. We are more ready now

than before, having set the stage for further excellence, and I am confident the newly reorganised ST Engineering is poised to achieve more global success.

Q/ What are your priorities as you operationalise the new organisation structure?

We took about a year to plan for this reorganisation. We pored through many design iterations of the new structure with leaders and managers across the Group, and sat through numerous deliberations and engagements with internal and external stakeholders before deciding on the one we implemented. This new organisation structure, designed to be sharper and more agile, is now better aligned to our growth strategy, and allows us to be highly attuned and responsive to our customers' needs in an evolving and competitive landscape.

Our utmost priority, in the transition to the new organisation structure, is ensuring that our employees, customers and partners remain positively engaged, which underscores our strong intent to be an even more agile and sharper organisation, for the benefit of our stakeholders. I have every confidence that we will do well in managing the change. We will also continue to invest in our technology and engineering core, overcome traditional ways of doing things where needed, and undertake continuous improvements, including adjusting our approach along the way. COVID-19 has taught us that to thrive, we need to diverge from how we traditionally operate, while maintaining our poise to create value, differentiate, and gain a competitive edge under new market conditions.

To stay relevant, we also have to score highly on customer responsiveness, to be faster and more effective in meeting the changing needs of our customers. We are now set up to do this better with more domain focused teams. I am certain that if we continue to motivate and engage our people, they will feel more empowered to take a more active role in driving the whole organisation forward.

Q/ What are the contributing factors that will make the new organisation structure successful? Is there a timeline to achieve this outcome?

This reorganisation is one further step in the continuum of our business, prompted by our desire to do better and achieve further global success. Hence, it is less about achieving a certain milestone or deliverable, but more about better supporting our growth strategy to drive towards our aspiration. There are numerous factors that will drive the success of this reorganisation, and I will highlight three key ones.

Firstly, our focus on customers. All aspects of our business must be connected to our customers and their expectations. This is a journey that the whole organisation needs to continue on. To serve our customers well, we need to continue to build breadth and depth of our competencies in domains and segments where we can have the most competitive advantage, and where we can scale and grow.

Secondly, we must elevate the very capabilities that have led us this far – exceptional technological and engineering capabilities that have blazed the trail and put ST Engineering on the world map. It is the very core of us being a technology, defence and engineering group that creates solutions to enable a sustainable world, and the linchpin of our success.

Lastly and importantly, our success hinges on our people. It is pivotal that we have a resilient and diligent workforce that can adapt to meet new demands, particularly in the current climate, and creatively manoeuvre through disruptions and crises. We must have a strong and steady talent pipeline to ensure continuity.

Ultimately, any changes or initiatives that we undertake will have to translate into value creation for our stakeholders. From our shareholders' perspectives, this means outstanding and sustainable financial performance and better shareholder returns across the business cycles.

Q&A WITH CEDRIC

Group Chief Financial Officer



"My team is focused on finance business partnering and digital technologies applications to build a robust financial infrastructure to better support our business operations."

Q/ What are your priorities as Group CFO in the newly reorganised structure?

One of the key objectives of the new organisation is to seek sustainable, long-term global growth in our identified business areas. To achieve this, the finance function must be equipped with the right resources (people and technology) and to "think and act global". Functions such as the risk management, treasury, insurance, tax and financial planning & analysis will take on a more global perspective.

Finance business partnering is also a priority area for our team. We will be focused on becoming invaluable partners to our business leads and adding value in areas for strategy formulation, creative financing solutions, tax planning, financial hedging and risk management.

As part of the Group's push for digitalisation, my team is focusing on applying digital technologies to build a robust financial infrastructure to support our business operations. These include automation, data visualisation, and data analytics to improve decision-making. Financial planning and analysis, and credit evaluation are two examples of how digitalisation can produce insights for timely and better business decisions.

Q/ How does this new organisation change your capital structure and portfolio management approaches?

To do well, companies must formulate strategies that are not just bold but executable. Effective execution is when sustainable competitive advantages are created. For companies to thrive, they would require effective risk management, competitive channels, conducive corporate culture, good capital management and access to effective funding, amongst others.

For the latter two factors, ST Engineering has ready access to short term funding through a U.S. Commercial Paper Programme which we established in 2019. We also have a Multicurrency Medium Term Note Programme (MTN) programme from which we issued US\$750m five-year bonds in April 2020 at a very competitive coupon rate of 1.5%. Against the backdrop of the COVID-19 pandemic, ST Engineering is still rated AAA by both Standard & Poor's and Moody's.

Our balance sheet has sufficient capacity to support growth either organically or through M&As where the target company provides a good strategic fit, adds value and presents high execution certainty.

Beyond managing working capital like payables, receivables and inventory turn times, portfolio management allows for capital to be allocated to identified and promising business lines. Those in unattractive sectors that are difficult to scale are candidates for divestment. We have, over the years and across countries, divested businesses that are non-core. Such portfolio management efforts must continue as the macro-economic, geopolitical and technological forces continue to shape the environment and prospects of the businesses that we operate in.

A notable capital recycling initiative in 2020 was the successful execution of an Aircraft Engine Asset-Backed Securitisation project. This project effectively raised US\$270m (about S\$370m) for TEAM, our JV company with Marubeni. Notwithstanding the securitisation, our Aerospace business retains the asset manager role and continues to create value for lessors through our innovative asset management solutions.

Q/ How do you measure the financial performance of the three new segments* of the new organisation?

Investors should first assess the Group's strategic vector and determine if it makes sense, whether the Company is tracking it, and if it does what it says it would do.

Also, investors should continue to look at the performance of the Group as a whole. Earnings Per Share, Return on Capital Employed and Economic Value Added remain relevant. In addition, investors should pay heed to our businesses in high-growth emerging areas like smart mobility, satellite communications and cloud-managed services. These areas would constitute a larger and meaningful part of the whole and command higher multiples when executed successfully.

We are of the view that Earnings before Interest and Tax (EBIT) is a key metric to measure the financial performance of business segments. Items such as interest and taxes are stewarded centrally at the Group level and are therefore excluded from the business segment performance metrics.

"Portfolio management efforts must continue as the macro-economic, geopolitical and technological forces continue to shape the environment and prospects of the businesses that we operate in."

* The three segments under the new financial reporting framework are:

1. Commercial Aerospace
2. Urban Solutions & Satellite Communications
3. Defence & Public Security

Q&A WITH SERH GHEE

**Group Chief Operating Officer (Operations Excellence)
Chief Commercial Officer**



"My utmost priority is to sort out any issues arising from organisational barriers quickly so that our services to customers continue to be well-executed."

Q/ What are your immediate priorities in your new role as Group COO (Operations Excellence), and as Chief Commercial Officer?

My immediate priorities are to ensure that operations continue smoothly under the new structure, and that we steer the organisation towards taking on further innovations and continuous improvements to bring about greater efficiency, operational excellence and value to our customers.

Since we have been running well all these years, we do not foresee the need for significant changes to our operations. However, we are paying close attention to the new interdependencies that have been created with the reorganisation, where units from different business clusters have to work together to accomplish certain work packages.

Although we had already identified potential issues and outlined rules of engagement to facilitate smooth collaborations during the planning stage of the reorganisation, it will be my utmost priority to sort out any issues arising from organisational barriers quickly so that our services to customers continue to be well-executed.

Since the new structure took effect at the start of the year, I have increasingly gained a good feel of the operational pulse of the whole organisation, in particular the Urban Solutions and Satellite Communications Global Business Areas (GBAs), which have high interdependencies within the Commercial cluster. This has allowed me to address issues with the relevant management teams so that we work out the appropriate action plans to ensure smooth operations.

In addition, as Chief Commercial Officer, I will be sharing my experience from helping the Aerospace business in the last six years with the Urban Solutions and Satellite Communications GBAs, and help them cross-sell their products and services to any Aerospace customers and business partners who may need their services.

Q/ How will ST Engineering pursue operational excellence in these challenging times?

We will continue to push for greater innovation in our products and services offerings, as well as more improvements in our operational processes. No processes will be too small to improve upon.

If there are practices that could hinder our work in any way or prevent us from delivering maximum value to meet our customers' needs, we will look into improving them. Such a commitment requires constant efforts by all parties involved in operations to work as a team in identifying and preserving best practices. At the same time, we need to keep an open mind, and be receptive towards adopting new practices that can help us to be more efficient in delivering better products and services.

We pursue operational excellence in challenging times, and in good times. While the prevalent climate may seemingly make operational excellence an important priority, keeping our operations lean and efficient at all times is analogous to constantly maintaining one's health and fitness level so that we can have the stamina and strength to cope with any sickness or infection. Operational excellence is hence a never-ending journey, which requires an organisation to have unwavering drive and self-motivation, as opposed to reacting only to external conditions.

I believe what we have achieved thus far has been made possible by the drive and passion of our people. We will therefore continue to work towards motivating our employees and instilling in them, the culture of operational excellence. This applies not only to frontline staff involved in designing products or solving technical problems, but also to our backend staff supporting business operations.

In addition, we will equip our employees with the necessary tools, such as Continuous Improvement techniques and toolkits, to propagate a harmonised framework of achieving operational excellence in a systematic way. These toolkits will also allow employees to better communicate among themselves, define problems, develop solutions and measure outcomes

consistently. Among the many measurements of operational excellence, safety will be one that we will place great emphasis on as we work towards a target of zero workplace accidents.

Q/ The aviation industry is going through tough times. Is this the worst you've experienced? In your role as Chief Commercial Officer, how will you guide the commercial aerospace business?

Compared to the September 11 attack in 2001 which had also caused a steep decline in air traffic, the COVID-19 pandemic cuts much deeper. Hopefully with progressive vaccine rollouts, recovery for the aviation industry will not take as long as it had with September 11.

At the onset of the pandemic, our immediate action was to safeguard the health of our workforce by implementing safe management measures at our various worksites. To mitigate impact from a drastic drop in work volume resulting from plunging air travel activities, we significantly cut back discretionary spending and rightsized our capacity in accordance with demand. To rally our employees behind these efforts, the management maintained open and constant staff communications, and took the lead in taking a pay cut. All these were done as we stepped up on serving our customers with value-added ideas.

Looking ahead, in 2021, we see hopes of a recovery in the aviation industry. The Commercial Aerospace team comprises highly experienced and disciplined people who have been doing all the right things even before the pandemic struck. For instance, the team turned the crisis into opportunities with the offering of value-added ideas such as cabin disinfection and safety solutions to support airline customers during the pandemic. I am confident that the team will be able to continue in their excellent work. What I will do is to cheer them on and remove unproductive processes from their work. I will also help them increase their bandwidth in pursuing growth initiatives by leveraging my industry relationships and experience.

Q&A WITH RAVINDER

**Group Chief Operating Officer (Technology & Innovation)
President/Head, Defence & Public Security**



"Innovation stems from understanding a customer's challenges, and having the knowledge, resources and tenacity to solve them."

Q/ As Group COO (Technology & Innovation), how do you plan to instill and inspire innovation across the Group?

Across the group, we are driven to deliver innovative solutions for our customers. Innovation stems from understanding a customer's challenges, and having the knowledge, resources and tenacity to solve them.

So we inspire innovation by firstly, increasing customer-centricity across the Group, building deeper and more strategic engagements with customers and partners in technology ecosystems. Actively participating and collaborating at the ecosystem level also gives us access to the latest technological developments.

It is also my desire to foster more cross-domain collaborations internally, to increase knowledge-sharing and the cross-pollination of ideas. Hence, in the new organisational structure, many of our businesses will have greater access to advanced technology and engineering resources through the new Group Engineering Centre (GEC). The GEC and our Group Technology Office will accelerate the Group's digitalisation push to embed digital innovation into our products and solutions.

At the GEC, we will build engineering competencies through continuous learning and innovation. Being experts in their respective fields, our engineers are constantly challenged with engineering problems that spur them to innovate and to find new solutions.

Lastly, to inspire innovation, we aim to include design thinking as a foundation module for all engineers Group-wide as part of their structured training roadmap. We will also increase our focus on experiential training for our engineers. They will have opportunities to embark on their research, study for their Masters or PhD programmes as part of their training roadmap to deepen domain knowledge, as well as to interact with their peers to explore and discover new innovative trends in their area.

Q/ How will this new organisational design help to achieve your goal for international defence business growth?

With our established track record and the fundamentals of our business unchanged, we designed the Defence & Public Security cluster to sharpen our focus on air, land, sea and cyber defence and security as well as to advance excellence in three areas.

Firstly, with the new structure, we will introduce an integrated approach for defence technology development and deployment within the cluster. We will deepen collaboration across the Defence Business Areas and devote more resources towards R&D to build up our integrated capabilities and solutions for strategic customers.

Secondly, with Digital Systems and Cyber, we will incorporate advanced digital technologies into our defence and security solutions to help defence and public security customers accelerate digital transformation. There is an increasing demand for cyber defence, in particular C5ISR* readiness, as major defence agencies prepare warfighters for the future. By bolstering our C4ISR systems with cyber (the new 'C'), we will be C5ISR-ready and will be able to deliver cyber-secure solutions for all our platforms and systems.

Finally, to grow our international business we will increase our focus on solutions for public security and critical information infrastructure (CII) segments which include cross-domain solutions that are applicable to airports, ports, utilities, healthcare and financial industries. These include emergency response systems, surveillance systems and key infrastructure protection solutions to safeguard citizens and critical infrastructure. Our cybersecurity business will continue to focus on addressing the full attack continuum, helping governments and enterprises mitigate risk, and enabling CII customers to strengthen both IT and operational technology cybersecurity.

* C5ISR refers to command, control, computers, communications, cyber defence (C5), intelligence, surveillance, and reconnaissance (ISR).

To be successful, we will continue to:

- 1) focus on our core markets, ensuring that we deliver robust and high quality solutions;
- 2) invest in niche and strategic defence capabilities and leverage digital technologies for military and public security applications;
- 3) form strategic partnerships in our export markets;
- 4) keep abreast of technology trends.

Q/ What are some key trends that will shape the defence and public security segments in the near future?

Digital technologies including data science, artificial intelligence, cloud and Internet of Things have transformed global businesses and created new products, markets and growth opportunities. These technologies will also have an impact on defence and public security capabilities. C5ISR is a potential growth area and we will translate proven and applicable technologies for our defence customers.

In the growing public safety and security market, efforts to safeguard data, systems and critical infrastructure against existing and new threats are on the rise. We are well positioned to tailor our suite of defence and public security offerings to meet current and future requirements.

TECHNOLOGY AND INNOVATION

Innovation is central to our value creation model. From creating sustainable innovations that push the boundaries of R&D to disruptive technologies, we are constantly redefining, reinventing and innovating new pathways to growth.

We collaborate with the global technology ecosystem including industry leaders, Institutes of Higher Learning, and research and government agencies, harnessing collective genius to co-innovate game-changing solutions and drive new possibilities that shape a better tomorrow.



Singapore's First Integrated Waste Management Facility (IWMF)

Together with our consortium partners, we are designing and building Singapore's first integrated waste management facility to meet Singapore's solid waste management needs. The IWMF is co-located with the Tuas Water Reclamation Plant and collectively known as Tuas Nexus, for a more sustainable Singapore by optimising land use and maximising energy and resource recovery.



Cabin Cargo Box

We worked on a mobile cabin cargo box design to enable passenger aircraft operators to maximise cargo volume per flight without the hassle of modification by latching these boxes onto existing tracks meant for seats.



World's First Expandable Aircraft Lavatory

We worked with Tryb4uFly under the U.K. charity Queen Elizabeth's Foundation for Disabled People to design an expandable aircraft lavatory with wheelchair users in mind. It offers users 40% more space than a conventional aircraft lavatory, without reducing galley space or seating capacity.



Smart Maritime Autonomous Vessel

With the support of the ship owner, classification society and port authority, we converted a manned tugboat into one of the first autonomous tugs in Singapore. Integrated with our in-house NERVA Ship Management and Sensemaking System, real-time, centralised control and monitoring of shipboard systems are realised.

Singapore's First Barrier-Free Smart Car Park

Together with Nanyang Technological University in Singapore (NTU), we launched a barrier-free smart car park system powered by video recognition, data analytics and mobile payment technologies. The ticketless smart car park system will be installed at all 59 car parks across NTU's campuses by end-2021.



Asia's First Cloud Firmware Endpoint Security Solution

We partnered with Janus Technologies, one of our portfolio companies, to develop BIOS-SHIELD™. By embedding this firmware in a device, users can concurrently access secured and unsecured networks safely. The solution also possesses a unique capability of detecting and removing malware from the infected network with a simple system reboot.



TECHNOLOGY AND INNOVATION

We bring technology and innovation together to create impactful and sustainable solutions that transform the way we live, work, learn and play. During the year, we adapted and deployed our engineering solutions to help our customers respond better and quicker to the challenges posed by the COVID-19 pandemic.

Contactless Security Gantry

Enhanced with the ability to identify people wearing masks, the Smart Flow AI Facial Recognition unit can be integrated with a fever scanner to enable automatic temperature checks as part of access control within buildings or facilities.



Command, Control & Communications Systems

We helped hospitals collect, analyse and respond to real-time data to improve efficiency and optimise capacity.



Decontamination Containers

To overcome the potential shortage of critical personal protective equipment (PPE), we collaborated with Temasek Foundation and converted used containers into vaporised hydrogen peroxide decontamination chambers, to effectively decontaminate PPEs such as N95 masks in an enclosed environment so that they can be reused safely.



Autonomous Mobile Robots

We deployed the TUG autonomous mobile robots to perform delivery tasks and surveillance at Community Care Facilities in Singapore.





Cabin Interior Solutions

We launched a patented disinfectant solution that is proven to kill 99.99% of the SARS-CoV-2 virus, as well as developed seat separators for safe distancing onboard aircraft.

Surgical Masks and Mask Filters

We built a sustainable supply of high-quality mask filters and medical-grade surgical masks, in support of Singapore's efforts to enhance its supply chain resilience for personal protective equipment amidst the COVID-19 pandemic.



Mobile Swab Station

We converted the Singapore Armed Forces' Cross Country Ambulance into a Mobile Swab Station in three weeks to facilitate on-site swab operations, eliminating the need to transport potential COVID-19 patients to a separate medical facility.



Smart Wearables for Health Surveillance

The AGIL Smart Band serves as a health tracker, safe distancing and contact tracing device combined in one. Using Bluetooth Low Energy, the Smart Band triggers a vibration when the bands are in close proximity, alerting users to maintain a safe distance from one another.



Infrared Fever Screening System (IFSS)

We deployed more than 400 IFSS units at airports, hospitals, hotels and commercial buildings across the globe, to enable non-intrusive screening of large groups of people with high accuracy in fever detection.

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AEROSPACE

The world economy entered a challenging period in 2020 due to the COVID-19 pandemic and the global aviation industry was one of the biggest casualties. Globally, airlines suffered from a plunge in air travel demand following widespread travel bans to curb virus transmission.

Along with the global aviation sector, our aerospace business took a hit. Our Maintenance, Repair and Overhaul (MRO) and Original Equipment (OE) manufacturing businesses experienced lower demand, supply chain disruptions and efficiency declined due to travel bans, safe distancing and lockdowns.

Although the pandemic caused passenger traffic volumes to plummet, air cargo was a silver lining as e-commerce continued to be robust. The phasing out

of grounded passenger aircraft by airlines also created ample feedstock for freighter conversions; and we saw heightened interest in our Passenger-to-Freighter (PTF) conversion solutions.

Amid the uncertainties, we focused our efforts on capturing new opportunities and readying ourselves for a recovery in the market. We continued to drive innovation – from smart MRO to unmanned solutions – and pursued collaborations with industry partners to develop new and improved solutions across MRO and aviation products to better support our customers.

At the same time, we continued to strengthen our workforce by investing in skills upgrade and talent development programmes so that we are well prepared to catch and ride the recovery wave.

Aircraft Maintenance & Modification

During the year, we continued to build on our value proposition, focused on quality and on-time redeliveries to customers. These efforts paid off in the form of several multi-year contract wins for airframe MRO. Contracts included a multi-year heavy maintenance contract to support a Chinese cargo airline's Boeing 767 fleet, a three-year heavy maintenance contract for Alaska Airlines' A320 fleet and a five-year heavy maintenance contract to support an international air cargo carrier's multiple fleet types.

Setting our sights on future needs and longer-term demands for airframe maintenance, we intend to stay the course in our expansion plans for our airframe MRO facility

WHAT WE ACHIEVED IN 2020

Boosted our conversion track record with the redelivery of the world's first A321P2F

Executed first engine securitisation transaction to free up capital for future investments including engine leasing

Expanded unmanned capabilities with new solutions, contracts and partnerships

in Pensacola, Florida, to better serve the markets in North America.

In Asia-Pacific, we operationalised our third hangar in China in early 2020. The new hangar, which has 400,000 labour hours capacity at steady state, has two widebody bays, one of which is fully equipped with full painting capability.

We remained focused on growing our MRO footprint in key growth regions through collaborations with potential airline partners. In this aspect, we strengthened our partnership with Vietnam Airlines, our component MRO (JV) partner, by entering into an agreement to explore establishing an airframe MRO JV in Vietnam.

Component/Engine Repairs & Overhaul

To expand our service offerings and capabilities in engine MRO, we signed an agreement with CFM International to perform MRO work on the LEAP-1B engine, the exclusive engine for the Boeing 737 MAX. We are monitoring the pandemic situation closely and will calibrate the pace of LEAP-1B setup to match Boeing 737

MAX return to service. Further to LEAP-1B, MRO capability setup for A320neo's LEAP-1A engine is also in our pipeline, which will greatly expand our suite of offerings in CFM engines to better support the global fleet.

For component MRO, we entered into a 10-year agreement with Honeywell Aerospace that will see us appointed as the only licensed MRO service provider based in the Asia-Pacific for Honeywell components installed on the LEAP-series engines. These component MRO services will play a complementary role to our MRO solutions for the LEAP-1A and LEAP-1B engine.

In terms of new orders, we signed a heavy maintenance contract for up to 40 CFM56-7B engines with an Asian air carrier as well as multi-year engine and component MRO contracts with South Korea's T'way Air for its Boeing 737 fleet. We also secured engine and component MRO contracts from a Southeast Asian airline for its entire fleet of Boeing 737 and Bombardier Q400. Among these are 25 Boeing 737 Max planes that the airline plans to add to its growing fleet. We also secured

a three-year landing gear overhaul agreement from another Southeast Asian airline.

In nacelle MRO, we secured a five-year contract to support Qantas' Boeing 737-800 and A330 fleet, and another five-year contract from LOT Polish Airlines to support their Boeing 787 fleet.

Engineering & Materials Services

Our strong engineering capabilities place us in good stead to power through an economic downturn. Our design and engineering expertise differentiates us from pure MRO service providers and diversifies the solutions and offerings we can provide to customers. This stood out especially when we were able to quickly help airlines design and certify passenger aircraft that were temporarily modified to increase cargo carrying space, as well as to address the operators' needs to disinfect their cabin interiors for safe travel in the most efficient manner possible.

Engine Nacelle Solutions

Due to the drop in production rates by aircraft OEMs, our nacelle manufacturing output dipped correspondingly. Production of our biggest nacelle programme, the A320neo, fell by about a third to match Airbus' aircraft production volume. Notwithstanding the current slowdown, we expect the total order book for nacelles to remain strong in the longer term.

As part of our long-term growth plans, our nacelle manufacturing subsidiary in the U.S., Middle River Aerostructure Systems (MRAS) added CFM56-7B and V2500 engine nacelle MRO to its offerings to grow its aftermarket services and allow it



Newly opened hangar at our Guangzhou facility

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AEROSPACE

to provide more integrated nacelle solutions to customers. With more engine nacelle types such as the GEnx engine for Boeing 787 in the pipeline, MRAS will continue to grow its aftermarket business and add more nacelle servicing solutions in the near future.

Passenger-to-Freighter Conversion

Although the slowdown in world trade weighed down on air freight volumes, the air cargo industry was still in a good position to capture growing specialised cargo segments such as pharmaceuticals, perishables and e-commerce.

To capture opportunities in the resilient air freight market and address the shortfall in air cargo capacity as a result of grounded passenger aircraft, we leveraged our PTF and aircraft modification expertise to work closely with aircraft OEMs, airlines and air freight operators to come up with a slew of solutions to meet their needs.

During the year, we added the world's first completed A321 converted freighter, or A321P2F to our track record. Through Elbe Flugzeugwerke (EFW), our Germany-based JV company with Airbus, we attained the Supplemental Type Certification (STC) from the European Union Aviation Safety Agency (EASA) for

our A321P2F in February, before redelivering the "head of version" to Vallair in mid-2020.

The heightened interest in our A321P2F solution that followed our debut redelivery translated into greater interest from the market, adding to the two A321P2F units that aircraft leasing and management company, BBAM ordered from us earlier in the year. In anticipation of greater demand for our A321P2F conversion programme, we are working to more than double our capacity for conversions annually by setting up conversion lines in China, Germany and the U.S., starting with China by inducting our first A321 for conversion at our airframe facility in Guangzhou in November.

Our A330P2F programme similarly gained further traction during the year. We secured a number of new orders from operators and lessors, which included two units from CDB Aviation.

Apart from converting retired passenger aircraft into freighters, we also helped to turn passenger aircraft into temporary cargo planes by removing seats to introduce

cargo carrying capacity to the passenger cabin. We applied our experience in cabin modification, engineering and certification to obtain an STC from the Civil Aviation Authority of Singapore (CAAS) for such a modification, which helped Scoot, a Singapore-based carrier, launch its first cargo plane in August.

To further help airlines attain maximum cargo volume and ease cargo loading/unloading, we worked on a cabin cargo box solution, with each box designed to latch safely and securely into predefined positions in existing tracks meant for passenger seats. The box, which can be wheeled around, is small enough to fit through normal aircraft doors on both narrowbody and widebody aircraft.

Cabin Interiors and Manufacturing

At the Singapore Airshow 2020, we launched a new line of lavatories for both commercial narrowbody and widebody aircraft, which included the world's first expandable aircraft lavatory that



"Head of version" A321P2F preparing for its test flight



National para-powerlifter Kalai Vanen testing the expandable aircraft lavatory at the Singapore Airshow 2020

is designed to create greater accessibility and convenience for passengers with reduced mobility. This innovation is able to increase the lavatory's footprint by 40% without requiring a reduction in galley space or existing seating capacity.

When it comes to manufacturing cabin interior and aircraft parts in a cost-efficient and just-in-time manner, we continued to leverage our certification and engineering expertise to advance the use of additive manufacturing to produce cabin parts. We made gains in this area when we successfully achieved EASA's STC for additive manufactured housing assemblies in converted freighters. The milestone, made possible through close collaboration with industry partners and researchers, reflects a higher level of maturity in the application of two processes, polymer laser sintering and direct metal laser sintering, to manufacture aircraft components. This allows us to increase our digital inventory and offer a wider range of additive manufactured parts to customers.

In light of how the pandemic has turned the spotlight on aircraft cabin conditions, we applied our design and certification expertise to develop a suite of solutions to meet the need for increased personal hygiene and social distancing measures during air travel. Among these solutions are Plasma ResoShield®, a patented water-based anti-microbial coating certified safe for application in cabin interiors, and seat separators that can be easily installed without requiring the removal of seats, to allow for safe distancing and segregation between adjacent passengers.

Unmanned Solutions

Our DroNet solution scaled new heights as it was deployed in new and exciting applications that ranged from public security to food delivery, paving the way for wider use of drone technologies.

As part of our effort to innovate and deliver transformative and operationally-ready solutions for homeland security, we worked

with HTX (Home Team Science and Technology Agency), a statutory board under the Ministry of Home Affairs in Singapore to trial drones that can travel long distances beyond an operator's visual line of sight with the view of saving lives, protecting properties, as well as enhancing public safety and security. The trials took place in the industrial areas in Tuas, Singapore.

We took a big step towards the future of food delivery by drones when we entered into an agreement with delivery platform, foodpanda, to trial the use of drones for last-mile food delivery. In August, we carried out a demonstration using our drone solution to deliver food from a pier to crew members onboard a vessel some three kilometers offshore. Following that success, we moved on to the next phase of the collaboration to trial drone operations with longer flight durations.

During the year, we also continued to collaborate with industry partners to make significant advancements to our DroNet solution by teaming up with Wilhelmsen Ships Service to develop and test drone solutions for shore-to-ship parcel deliveries in Singapore.

Aviation Asset Management

Our joint venture with Marubeni for engine leasing, Total Engine Asset Management (TEAM), executed the sale of a portfolio of aircraft engines during the year using an asset backed securitisation structure. The sale represents a major milestone for our engine leasing business, allowing us to recycle our capital while retaining TEAM's asset manager role to create value for lessors through our innovative asset management solutions.

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Through Keystone Holdings, a joint venture with Sojitz Corporation, we clinched an agreement with Qantas for the conversion and leasing of an A321P2F. The aircraft, to be converted at our facility in Singapore and scheduled to be delivered in end-2021, was on lease for passenger service to Qantas Group at the point of signing. The conversion and leasing of a freighter that meets an operator's specifications leverages the synergy the Group has in innovative asset management and freighter conversions, reflecting our ability to provide integrated, bespoke solutions.

OUTLOOK

As we enter into 2021, the aviation industry continues to face significant uncertainties in the pace and timing of recovery in passenger traffic. Industry analysts believe that passenger traffic volumes will only return to pre-COVID levels in 2024 or beyond.

Unless major travel restrictions are lifted, the low level of aircraft in service will continue to have repercussions across the aviation ecosystem as experienced in 2020. Investment appetite for new aircraft is likely to remain subdued, although narrowbody aircraft types are still attractive investments from a long-term perspective. With airlines turning to the sale of aircraft assets as a way to manage their non-operational fleet, the freighter conversion market can take advantage of the rise in feedstock availability to meet the resilient growth in demand for dedicated freighters.

As for the MRO sector, we expect further consolidation within the industry. Airlines may also outsource MRO services more in order to focus on their core business. These airlines would want to work with trusted service providers that can provide integrated and quality maintenance support as they adapt their operations to the evolving situation. Given the breadth and depth of our MRO services, as well as our broad customer base, we are ready to seize opportunities that may arise.

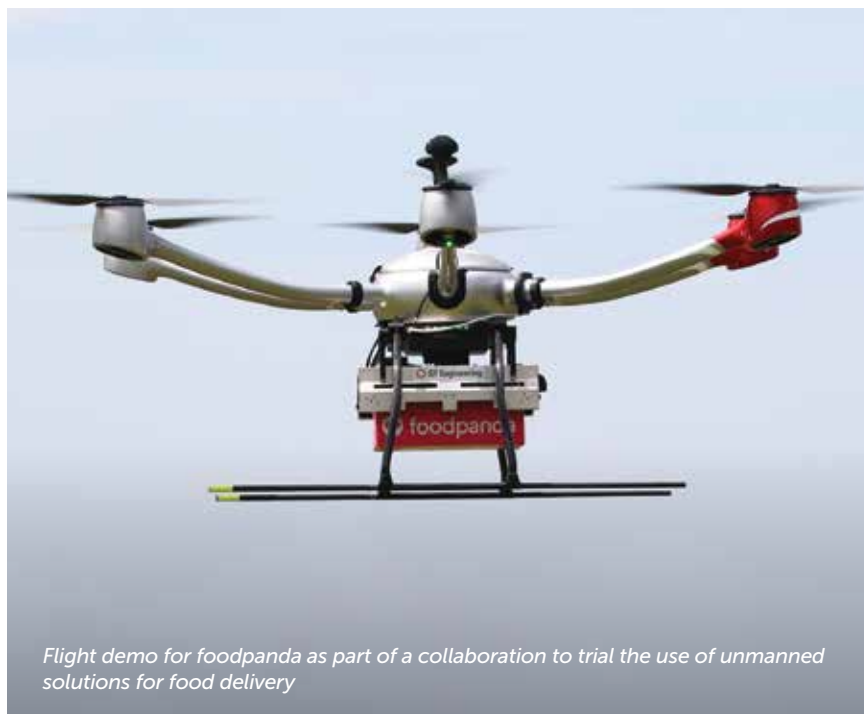
Rationalisation and New Growth Areas

In 2020, we exited a number of businesses including VIP aircraft completions, aircraft seats as well as pilot training. These were businesses assessed to lack sustained viability or deemed not a good fit with our growth strategy. We will maintain a continuous review of our businesses to align our portfolio with strategic goals so that we can better direct efforts and resources to our strategic growth areas.

And as part of our investment into long-term growth, we will also maintain a lookout for opportunities to acquire new strategic capabilities and form strategic partnerships with major airlines, gain better access to key markets, and establish new distribution channels or new customer segments.

Accelerating Smart Technology Applications

Going forward, our MRO operations will be increasingly automated and paperless. Although our drive towards robotics and digitisation started a few years ago, the pandemic has given a fresh impetus to our Smart MRO initiatives so that we can be



Flight demo for foodpanda as part of a collaboration to trial the use of unmanned solutions for food delivery



Technician checking on an engine nacelle, which is a key growth business for the Group

more nimble and productive when the market recovers.

Our smart solutions are either developed in partnership with vendor-partners or in-house innovations that leverage our expertise in unmanned systems and engineering. One of these innovations is DroScan, which allows us to use drones to carry out General Visual Inspection during aircraft maintenance. We are the first in Singapore to receive authorisation from CAAS to employ unmanned solutions for such a purpose, and we intend to use it not only for our own MRO operations, but to also support our customers.

The application of smart technologies does not stop at our MRO operations; we aim to deploy robotics extensively in our OE manufacturing and freighter conversion operations as well.

For instance, we are automating the floor grid drilling process of freighter conversion, a manual job that typically takes over 45 days, to improve efficiency. We will continue to explore how to automate low-mix, high-volume production systems so that we can do more with less, and return greater value to our customers.

Maintaining Customer Focus

Customer focus remains a top priority in everything we do. We are a close partner of our customers, and are ready to support them as best as we can to confront the challenges that the aviation industry is facing.

As the industry strives to get back on its feet, we continue to support our customers in all their maintenance needs to keep their fleet operation-ready so that they

can respond quickly to changes in the market. We will also work closely with longstanding customers who may be facing a cashflow constraint situation to ensure that their maintenance needs are taken care of at all times.

Strengthening Capabilities in OEM and MRO

Using the strengths we possess as an integrated aviation solutions provider, we are able to bring unique and bespoke solutions to the market that no pure OEM or MRO provider can. For instance, we can provide a solution that involves both converting and leasing a freighter that meets an operator's specifications by leveraging the expertise that we have in both aircraft leasing and freighter conversions. We will continue to build on our diversified yet complementary aviation capabilities so that we can develop more innovative solutions to meet our customers' evolving needs.

With the addition of a portfolio in the design and manufacturing of nacelles, we have grown significantly as an OEM. Apart from serving as a growth and revenue driver, the OE manufacturing business plays a complementary and synergistic role to our MRO capabilities, which we continue to build upon. This can be seen in our expansion of MRAS' aftermarket capabilities in nacelles, which allows us to grow into a nacelle centre of excellence that OEMs and operators can leverage for integrated solutions and services. Looking ahead, we will continue to grow our OEM and MRO capabilities, and strive to be a world-leading OE manufacturing and MRO solutions provider.

OPERATING REVIEW & OUTLOOK

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2020 was a year marked by unprecedented challenges and headwinds for many sectors of the global economy. Despite the challenges, we continued to perform well across our business areas, advancing our vision of shaping and transforming global smart cities through technology and innovation.

While disruptive on many fronts, the pandemic has created new opportunities and accelerated digitalisation on a global scale. With the shift towards digital connectivity and remote work, we saw increased demand and opportunities in cybersecurity, secured digital solutions, data centre management, cloud solutions as well as command and control solutions.

Pivoting with speed and agility, we leveraged our technologies and deep engineering expertise

to adapt our smart city solutions to help Singapore and countries in the region in the fight against COVID-19. Our solutions were deployed in areas such as surveillance and monitoring, access control, mass fever screening, command, control and communications systems and public safety and health.

Amid business disruptions, we employed creative means to maintain customer engagement and service to ensure their business continuity. The commitment to serve, coupled with our strong track record and reputation, contributed significantly to the continued growth of our core businesses even during this challenging time.

As we continued advancing our smart city track record, we maintained our focus on R&D and embarked on strategic

collaborations with industry and academia to remain at the forefront of technology.

Our partnerships with Montran Corporation and Polyverse Corporation enhanced our capabilities in new domains, enabling us to offer critical digital financial services and advanced secure operating system solutions for mission-critical platforms.

We also invested in CloudSphere through our Corporate Venture Capital fund, accelerating and scaling our capabilities in Professional and Managed Services in public clouds to provide greater value to our customers.

Satellite Communications and Earth Observation

As a leading satellite communications manufacturer and solutions provider, we provide

WHAT WE ACHIEVED IN 2020

Launched GEOEARTH, a one-stop cloud-based geospatial analytics platform that provides immediate access to satellite imagery data and analytics

Launched Singapore's first barrier-free Smart Car Park at the Nanyang Technological University, Singapore

Successfully integrated Newtec and Glowlink with U.S.-based iDirect to form an enlarged Satcom group

superior, leading-edge ground infrastructure solutions to power connectivity.

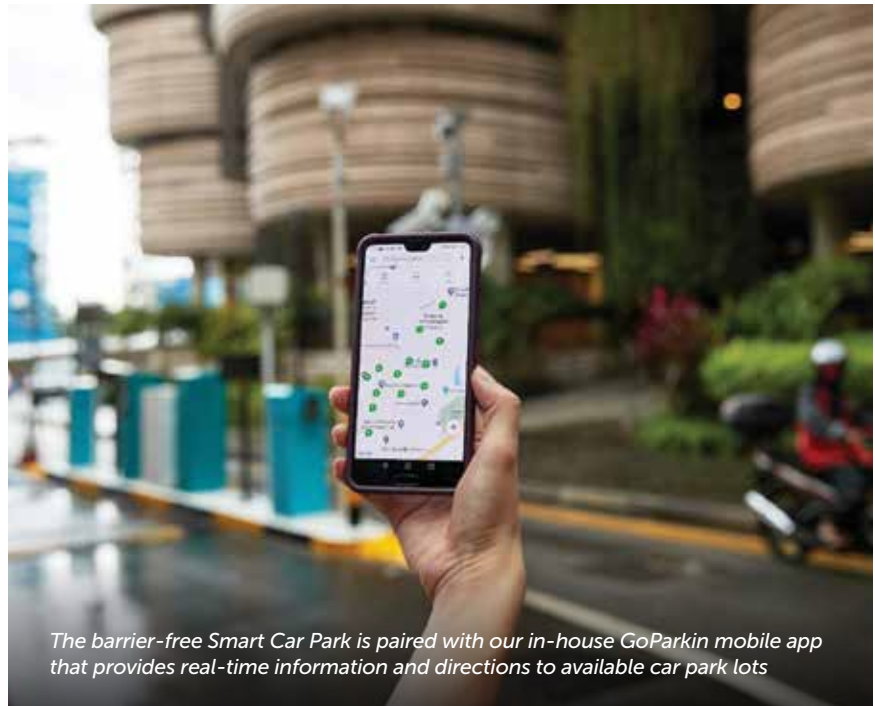
Though the COVID-19 pandemic has impacted the aviation, maritime, and oil and gas sectors, our satellite communications business continued its momentum in advancing seamless connectivity.

In the maritime market, we made our foray into the superyacht sector through a partnership with Isotropic Networks, leveraging our iDirect technology. Our solutions were also deployed by Speedcast to meet the rising demand for connectivity onboard cruise ships, as well as by Paratus to provide high-speed connectivity to mining ships in West Africa.

We provided our solutions to VIVACOM and Telefónica Business Solutions to enhance their broadcast offerings and network coverage in emerging markets, and our solutions played a key role in a joint effort with our partners to provide rural communities and remote sites in Peru with empowering connectivity.

Additionally, our industry-leading satcom architecture was chosen to power O3b mPOWER, SES' next-generation Medium Earth Orbit (MEO) communications system.

We continued to push the envelope in seamless connectivity, driving the industry forward through our innovations. We participated in a successful demonstration of high throughput low power VSAT return capabilities on the AMOS-17 satellite, and achieved the world's first live MF-TDMA demonstration on Telesat's Low Earth Orbit (LEO) satellite. Our solutions also enabled the successful integration of a commercially available 5G core



The barrier-free Smart Car Park is paired with our in-house GoParkin mobile app that provides real-time information and directions to available car park lots

network into a live satellite network in the SaT5G project, marking a major industry milestone.

We unveiled our next-generation MxDMA MRC technology which set a new benchmark for network performance and efficiency, while our iDirect MDM5010 modem broke speed records as the industry's fastest VSAT modem. We also launched a new IoT Platform-as-a-Service solution to enable cost-effective, satellite-based connectivity for the industrial IoT market.

Our geospatial solutions continued to facilitate applications such as homeland security, humanitarian aid and disaster relief, maritime safety and security, as well as land resource management for governments and organisations in the region. We launched GEOEARTH, a one-stop cloud-based geospatial analytics platform that provides immediate access to satellite imagery data and analytics to help businesses derive new insights and accelerate decision-making.

Mobility

As the only Asian company with a full suite of in-house developed smart rail electronics solutions, we have successfully built a strong track record of over 100 projects in 48 cities across Asia, the Middle East and the U.S. We continued to grow our track record with several key wins in Singapore and the region, including contracts for an Integrated Supervisory Control System and Communications Region Line. At the same time, we continued to expand our rail electronics footprint in markets such as China, India and Thailand.

As urbanisation continues to drive demand for new transportation management solutions to alleviate congestion, we launched Singapore's first barrier-free Smart Car Park at the Nanyang Technological University, Singapore to make parking more convenient while delivering significant operational and maintenance cost savings.

OPERATING REVIEW & OUTLOOK

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Internet of Things (IoT)

Leveraging our expertise in info-communications, software technologies and cybersecurity as well as our strong network of partners, we helped our customers embrace predictive analytics and automate decision-making to derive the benefits of IoT.

Collaborating with the Urban Redevelopment Authority of Singapore, we contributed our expertise in modelling, visualisation and sensemaking to co-develop and commercialise an Urban Planning Solution to support city planning and management. Our smart lighting solution was installed at various public housing estates and car parks in Singapore, improving energy efficiency and lighting experience for residents. We also deployed our Wireless Automatic Test System for Emergency Lights to enhance emergency preparedness

and to optimise energy efficiency and maintenance for buildings.

Overseas, our street light control and water advanced metering infrastructure solutions were deployed in various cities, helping to optimise consumption of utilities and maintenance.

Training and Simulation

Building on nearly 40 years of experience in developing cutting-edge simulation systems, we continued to push the limits of simulation technology to provide faster and more realistic training applications to elevate training performance and efficiency.

In Singapore, we secured contracts to deliver a 360° virtual simulation dome and emergency vehicle driving simulators to enhance training for the Singapore Civil Defence Force. Together with SkillsFuture Singapore, we launched Skilleto, our Software-as-a-Service Training Management Platform for the Training and Adult Education sector.

Elsewhere, we secured contracts to design and install a high-end driver-in-the-loop simulator display solution for automotive research

and development in the U.K., and to install a VR Cave to support multi-disciplinary experiential learning needs for the University of Huddersfield. In France, we equipped the University of Corsica with a next-generation immersive room, which featured a two-sided L-shaped Cave Automatic Virtual Environment to support modelling and simulation research projects for space operations. Together with partners CM Labs and KRS Solutions, we delivered six Vortex Edge Max simulators for German construction, education and training specialist, Bau Bildung Sachsen.

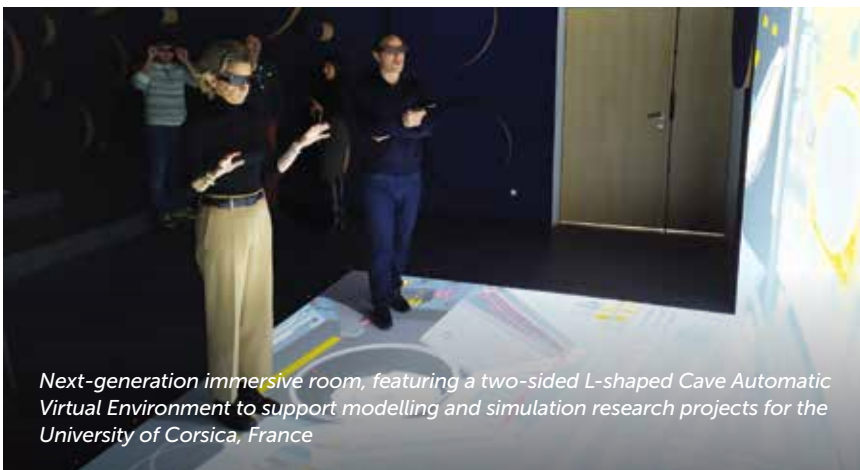
The latest release of MAK ONE, our whole-world synthetic environment simulation platform, also incorporated updates and performance improvements, enabling our customers to provide faster and more realistic training applications.

Cybersecurity

As a leader in offering trusted, indigenous and future-ready cybersecurity solutions, we have established a full suite of capabilities that encompasses the entire cybersecurity landscape.

The COVID-19 pandemic brought new cybersecurity issues and challenges to the fore. Our teams were actively engaged in setting up security operations centres, and providing enhanced security monitoring services and support to help government agencies, critical infrastructure owners and large organisations build their cybersecurity posture and enhance their cyber resilience.

At the same time, we continued to enhance and future-proof our cybersecurity products and



Next-generation immersive room, featuring a two-sided L-shaped Cave Automatic Virtual Environment to support modelling and simulation research projects for the University of Corsica, France

offerings through collaborations with established partners. With Janus Technologies, we developed BIOS-SHIELD™, Asia's first firmware solution with a cloud-based management portal that provides highly secure endpoint management and control. We also joined forces with the National University of Singapore to develop superior network encryption solutions that leverage quantum cryptography technology to heighten cybersecurity defence.

Our cybersecurity products continued to meet international standards for security evaluation. Awarded by the Cyber Security Agency of Singapore, our Data Diode model 328X was certified under the Common Criteria and our NetCrypt Family Series was certified under the National IT Evaluation Scheme.

Defence, Public Safety and Security

As the global security landscape continues to face increasingly complex and unpredictable threats to critical infrastructure, air space and waters, it remains imperative for public safety agencies to be equipped to stay ahead of potential attacks.

We continued to deliver robust and secure solutions to aid public safety agencies in securing key installations, critical infrastructures and strategic assets, optimising their workflows and resources for better communications response time and outcomes. We were appointed to develop an aviation management and maintenance system for a leading airport authority in Asia, and deployed our next-generation Perimeter Intrusion Detection System for our first airport project in the U.S.



Autonomast, an all-in-one modular system that provides smart and safe navigation functionalities for unmanned surface vessels

and a global pharmaceutical facility based in Singapore.

In the maritime sector, we implemented a first-of-its-kind Container Lashing Warning System to enable remote on-condition monitoring of cargo-securing on shipping vessels, and made our first foray into the Japanese market with a collaboration with a Japanese ship owner to accelerate autonomous technology for ocean-going vessels. In Singapore, we incorporated the Autonomast into autonomous vessels to enhance maritime security capabilities, and secured a contract with PUB, Singapore's national water agency, to enhance its Intelligent Water Management System.

In defence, we developed an Artificial Intelligence (AI)-based sensemaking system that interprets time-sensitive events to enhance emergency response processes. We also secured a contract to operate live instrumented training systems for the upcoming SAFTI City in Singapore, to enhance the realism of urban warfare training.

OUTLOOK

Satellite Communications and Earth Observation

While 2020 was a challenging year for the satellite communications sector, industry analysts expect the industry to recover in 2021 and return to growth in 2022. The outlook is bright with exciting new investments and technological advances in both the space and ground segments, due to new mega, multi-orbit constellations that promise thousands of terabits of high-speed capacity across the globe. New Very High Throughput Satellites (VHTS) and High Throughput Satellites (HTS) offer flexible and dynamic payloads that can deliver on-demand bandwidth with the ability to control resources, ensuring that capacity meets ever-growing demand for connectivity.

There are new opportunities to align with 5G and MEF standards, enabling full orchestration and interoperability, and creating true seamless hybrid networks that

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will fuel new applications such as data analytics and AI. We expect to leverage advances in virtualisation and cloud-based solutions to enable massive scale and, in time, enable new Anything-as-a-Service (XaaS) business models.

Through our leadership position, we continue to drive the industry forward, partnering with service providers and operators to mix capabilities from HTS/GEO, LEO and MEO satellites to set new benchmarks in seamless connectivity.

The global earth observation industry continues to evolve rapidly. With the commercial availability of high resolution satellite imagery, this is set to drive the emergence of new user demands and business opportunities.

Mobility

The rail electronics industry is faced with the need to enhance efficiency and support complex rail operations to enhance commuter experience. At the same time, rail operators are challenged by ageing infrastructure and systems that affect the overall availability and reliability of rail services.

This has created a growing demand for data-centric asset management and operations management platforms that leverage advanced data analytics and business intelligence to improve rail services and maintenance. With our extensive experience in building enterprise asset management and integrated control systems, coupled with our deep domain knowledge in developing and integrating complex rail systems, we remain at the forefront of enabling technologies that help rail regulators and operators tackle current and future mobility challenges.

Reducing traffic congestion and enhancing commuter experience

continue to drive demand for intelligent transport management systems. With the global shift towards smart city initiatives and the gradual adoption of high-speed 5G network, there is an increasing demand to leverage AI, machine learning, connected IoT and big data analytics to optimise real-time monitoring and provide valuable insights for optimal traffic management. With our track record in delivering intelligent transport management solutions, we are well-positioned to help cities accelerate digital transformation in the mobility landscape.

Defence, Public Safety and Security

Globalisation and technology have transformed the criminal landscape, lowering barriers for crime syndicates and terrorist groups. As threats to critical infrastructure, air space and waters are set to rise with increasing complexity and unpredictability, proactive security and crisis management as well as effective multi-agency coordination for rapid emergency response remain paramount.

The intertwining of physical and information technology security has intensified the need for governments, security agencies and critical facility owners to adopt a holistic approach in their defence, deterrence, detection and response strategies. To keep pace with the ever-challenging security landscape, public safety infrastructures need to be modernised and equipped to support integrated security plans.

We continue to drive pre-emptive, actionable outcomes to reinforce the security posture for our customers across the



The Smart Metro Control Centre is a centralised management system that supports city-wide multi-modal transport networks for enhanced service quality and commuter experience

domains of air, land and sea. Drawing from the expertise of our multidisciplinary teams and our in-depth technical know-how, we incorporate the latest technologies in analytics, machine learning, AI and biometrics into our suite of products and solutions to help security forces seize leading positions on the physical and digital battlefields.

Internet of Things

Continued demand for smart city solutions, fuelled by rapid urbanisation, enhanced connectivity infrastructure and growing digitalisation, are set to drive the growth of the IoT market in both devices and software.

To support smart city adoption, we leverage new technologies to simplify complexities and streamline IoT deployment. Modular and scalable in design, our IoT solutions drive smart city planning and management and address the diverse needs of customers across different verticals.

We operate in a competitive market with conditions that are constantly evolving. To grow globally competitive lines of business, we continue to leverage partnerships to scale and differentiate ourselves, focusing on developing best-in-class products that deliver high performance and reliability.

Training and Simulation

Advances in simulation and immersive technologies continue to shape the learning environments of the future. With cost-effectiveness and scalability as key benefits, organisations are increasingly adopting simulation solutions to achieve better training performance, and to support

experimentation and collaborative R&D.

The increase in operational tempos, combined with limited physical space and availability for training, has also prompted the need to employ innovative solutions that leverage AI tools, extended reality and advanced training analytics to provide a wider range of realistic scenarios that drive better end-user experiences and results.

The COVID-19 pandemic has driven demand for virtual learning and simulated training solutions. Having deployed more than 100 training simulators worldwide, we are in a good position to tap on this growing demand to drive enhanced experiential learning and performance.

Cybersecurity

One outcome of the global pandemic has been increased remote working requirements, which have catalysed demand for secure connections and protection of critical information infrastructures. Additionally, cybersecurity incidents have intensified with increasing sophistication, expanding beyond IT networks. This has created an increased focus in Operational Technology (OT) that is at the core of essential services.

To counter the evolving nature of cyber threats, governments and enterprises around the world are projected to ramp up their focus on protecting IT and OT infrastructure and data while continuing to build their indigenous cybersecurity capabilities and talent pool. This presents major opportunities for our cybersecurity and training business. With our track record in a range of cybersecurity solutions

for government and commercial customers globally, we are well-positioned to leverage these growth opportunities to help our customers protect and secure their environments.

Smart Digital Building

Even as energy efficiency, productivity and sustainability continue to be priorities for cities and building owners, complying with pandemic resilience measures and space usage optimisation will be new critical considerations in the post-pandemic world. An increased emphasis on occupant wellness and contactless experiences will push businesses to embrace technologies that drive innovation and greater efficiencies in these areas.

Technologies in IoT, AI, data analytics and cloud computing will continue to be key in making available real-time, actionable insights and enabling data-based decision-making to create a built environment that is more efficient, sustainable and safer. We continue to explore and incorporate new technologies into our suite of smart building solutions to improve the environment and positively impact the way people work, live and play.

OPERATING REVIEW & OUTLOOK

LAND SYSTEMS

In 2020, the COVID-19 pandemic disrupted global economies, redefined the way we conduct business and thrust robotics and digital technologies into the forefront as key enablers of the Future of Work.

In April, our business continuity plans were swiftly set in motion when the Singapore government announced a set of heightened safe distancing measures, which significantly reduced movements and interactions in public and private places, to limit and curb the transmission of COVID-19.

However, as a provider of essential services, our operations continued and we were able to maintain the production rate of our current programmes.

As the COVID-19 situation evolved through the year, we continued to

engage our customers actively - even as international travel came to a halt and many defence exhibitions and events were cancelled - and closely tracked their procurement plans for opportunities for our range of munitions, weapons and platforms solutions.

Defence Business

Despite the challenging operating environment, our defence business remained stable. We were awarded a new contract for additional units of Hunter Armoured Fighting Vehicle (AFV) for Singapore's Ministry of Defence.

Working closely with the Centre of Excellence for Soldier Performance, the Defence Science and Technology Agency, DSO National Laboratories and partners, we designed a Load Bearing System (LBS) comprising the Enhanced

Vest, Body Armour Carrier and LBS belt to fit the anthropometric profiles of our soldiers and also allow for customisation according to mission profiles. The enhanced vest is made from a strong and lightweight proprietary material and offers soldiers better comfort with improved heat dissipation of up to 30%.

Since January 2020, Singaporean full-time national servicemen in combat units have been issued with the enhanced Load Bearing Vest which is ergonomic and has multiple points of adjustments for a better fit.

We also won contracts for weapons and munitions from customers from Asia, the Middle East and the U.S. We were able to deliver on current contracts although there were some export delays due to travel restrictions.

WHAT WE ACHIEVED IN 2020

Secured contract for additional units of Hunter Armoured Fighting Vehicles for Singapore's Ministry of Defence. Also sealed contracts for weapons and munitions from customers from Asia and the Middle East and the U.S.

Robotics business expanded its footprint in the healthcare segment both locally and overseas

Set up Integrated Engineering Hub to leverage cross-disciplinary know-how and specialisations across 12 different clusters, from tracked and wheeled products to data analytics and software engineering

Tapping the growing demand for guided munitions, we teamed up with Israel Aerospace Industries Ltd (IAI) to set up Proteus Advanced Systems Pte. Ltd., a 50:50 joint venture company (JV) in Singapore. The JV leverages the strengths and track records of its parent companies to market advanced naval missile systems, including a next-generation anti-ship missile system.

We also delivered a fleet of next-generation Fast Response Cars to Home Team Science and Technology Agency (HTX). A collaborative effort between ST Engineering, HTX and the Singapore Police Force, the Fast Response Car boasts ergonomic front seats for easy access, RFID sensors and a 360° view that can be livestreamed to the Police Operations Command Centre. The melding of technology and functional design enables SPF officers to carry out their duties effectively and safely.

At the Singapore Airshow 2020, we put up a strong display of our



The Hunter AFV project team was recognised for the vehicle's engineering feats at the IES Prestigious Engineering Achievement Awards 2020

latest defence technologies and capabilities in the areas of mobility, urban warfare as well as soldiers, weapons and unmanned systems.

A highlight of the year was winning the IES Prestigious Engineering Achievement Awards 2020, in recognition of the Hunter AFV and its engineering achievements. We received this award from the Institution of Engineers Singapore (IES) at its annual IES National Engineers Day.

Robotics and Autonomous Vehicles

As part of our Group-wide response to Singapore's fight against COVID-19, our robotics solutions were quickly configured and deployed at Community Care Facilities (CCFs) and the Singapore Armed Forces' COVID Management Centres to perform patrolling, delivery and disinfecting duties. At the peak of these operations, as many as 40 TUG autonomous mobile robots were deployed at the CCF at Changi Exhibition Centre, delivering 800,000 meals daily to residents.

These robots played an important role by providing immediate staffing relief and safe material handling in a non-traditional hospital environment, while minimising the risk of infectious exposure for the working teams.

On the business front, the pandemic situation resulted in many businesses recognising the importance of having a robust business continuity plan, as well as widespread awareness of social distancing. This, in turn, led to increased interest from customers, particularly essential service providers like healthcare



The next-generation Fast Response Car combines technology and functional design to allow officers to carry out their duties effectively and safely

OPERATING REVIEW & OUTLOOK

LAND SYSTEMS

services and production facilities, to explore the use of robots at their workplaces to automate selected processes and comply with safe distancing measures.

Our robotics business continued to expand its footprint in the healthcare segment both locally and overseas. In July, we signed an agreement with Kwong Wai Shiu Hospital, the biggest nursing home in Singapore, to deploy our TUGs for meal delivery to its residents. We also worked to deploy 10 TUGs at the Jingzhou ZhongXin Hospital (荆州市中心医院荆北新院) in Jingzhou, China. With wireless integration to the building systems, the TUGs are being deployed to deliver medicine at the hospital.

Following the successful on-demand autonomous shuttle service trial on Sentosa island in 2019, we began preparation to pilot two autonomous bus services in Jurong Island and Singapore Science Park 2. This is a collaborative effort led by the Alliance for Action on Robotics that was convened by the Emerging Stronger Taskforce to respond to the major shifts in the global economy.

In Tel Aviv, Israel, our autonomous shuttle was used by the Bar-Ilan University Smart Cities Center in trials to transport medical equipment and patients diagnosed with COVID-19.

We successfully delivered the first batch of Automated Direct Current Chargers to the Port of Singapore Authority (PSA). These have been undergoing interoperability tests at the new Tuas Megaport since September. The PSA Automated Guided Vehicle project is also progressing well and is currently undergoing fabrication works.

Commercial Business and Specialty Vehicles

The production of the three-door double-deck bus remained on track despite disruptions to our supply chain during Singapore's circuit breaker in April and May, and the first bus was delivered in the fourth quarter of 2020. We also completed the delivery of 20 electric buses, as well as 111 Euro 6 two-door double-deck buses.

We continued our work with our local Rail Public Transport Operators (PTOs) - SMRT and SBS Transit - and expanded our services in Electronic Card (e-Card) repairs which included repair work of e-Cards for SMRT's Bukit-Panjang Light Rail Transit (LRT).

Our efforts to expand our rail MRO services overseas also bore fruit when we entered a partnership with a train OEM to offer our e-Card repair services to overseas users in the region. We also signed agreements with rail MRO partners from Australia and Malaysia.



The Group's latest defence technologies and capabilities were on display at the Singapore Airshow 2020



Up to 40 TUG autonomous mobile robots were deployed at the Community Care Facility at Changi Exhibition Centre

We are also pursuing opportunities with other train OEMs to establish in-country support, which will not only enable them to achieve faster repair turn around time which would translate to higher rail availability rates for rail PTOs, but also minimise potential disruptions due to pandemics or other crises.

Our U.S. businesses in the Road Construction Equipment and Truck segments were affected by reduced demand as a result of the COVID-19 pandemic.

With the food services and restaurants industry severely impacted, our Truck Body business, Hackney pivoted to new areas such as dry freight to meet the demand from increasing e-commerce transactions. It also added a last mile refrigerated van kit to its product offerings in response to the increased demand for grocery home deliveries.

Strengthening our Engineering Core

Even during the pandemic, we remain focused on developing our

engineering capabilities and talents, building on the foundation of knowledge and skills accumulated over more than five decades.

We set up an Integrated Engineering Hub (IEH) to be a conduit of knowledge sharing across different teams of engineers. The IEH aggregates the combined expertise and specialisations of 12 different clusters, from tracked and wheeled products to data analytics and software engineering. Leveraging this cross-disciplinary know-how, our engineers now have a broader scope and more training options when it comes to advancing and acquiring new skills, as well as access to the latest technologies. This will, in turn, translate into improved product development and innovation for our customers.

To further encourage knowledge sharing, we conducted monthly technology sharing sessions and encouraged our engineers to share and impart their experiences and learnings related to their respective areas of expertise. The topics ranged from design thinking to

tracked vehicle vibration and noise to cybersecurity. We have since extended these sessions to our industry partners, including NTUC Learning Hub, UST Global and Beckhoff Automation, for two-way sharing.

We have also digitally transformed our MRO capabilities through digitisation, automation and real-time monitoring of operations. Our new Integrated MRO Operations Centre (IMOC) combines data fusion and analytics to enhance situational awareness, enabling better informed decisions.

With integrated connectivity and enhanced ability to predict data insights, we are now better equipped to plan and execute MRO services with greater success certainty for our customers.

OUTLOOK

As countries focus on fighting the pandemic and getting their economies back on track, defence expenditure is likely to remain flat or diverted, with possible delays

OPERATING REVIEW & OUTLOOK

LAND SYSTEMS

in major procurement plans. Nevertheless, we continue to work towards growing our presence in key markets through establishing strong partnerships and expanding our portfolio of flagship solutions and platforms.

With applications spanning both defence and commercial domains, demand for robotics and automation solutions is set to remain strong. In defence, manned-unmanned teaming (MUMT) is a fast-growing area in the realisation of the digital battlefield. As a capability, MUMT integrates a range of robotics, autonomous and automation technologies to enable effective

force augmentation through seamless man-machine interaction. As a concept of military operations of the future, MUMT harnesses these technologies to gain an overmatch advantage over adversaries, and at the same time, improves the survivability, lethality and intelligence of armed forces.

In addition to perennial issues like productivity, an ageing workforce and higher labour costs, companies and healthcare providers are looking for effective ways to address current pandemic challenges including keeping service providers safe, minimising contact, and contingency planning for similar future disruptions. Customers are also expected to resume some of their investments on projects which were delayed in 2020 due to business and supply chain disruptions.

For the manufacturing segment, we see increasing demand for integrated automation solutions across the value chain. As the interoperability of robotic

systems becomes an important requirement for end users, we will continue to work with local technology agencies to ensure that our robotic solutions are compatible, and can interact with multiple robot fleets from different manufacturers as well as other information technology and operational technology (IT/OT) devices.

Another area for business growth is in the realm of augmented reality and mixed reality (AR/MR). From public and healthcare institutions to militaries and security forces to commercial organisations, there is increasing interests and demand as advancements in technology afford more immersive experiences for a wide range of applications.

Besides being the only Microsoft HoloLens Mixed Reality Partner in Singapore, our Kinetics Training Solutions unit was appointed the only Authorised Device Reseller for HoloLens 2 when it was launched during the year. This is a nod to



Our augmented reality and mixed reality capabilities are used for training modules and courseware by customers in the healthcare, transport and government sectors



We continue our digital transformation journey to increase productivity and achieve higher quality standards

our full capabilities to develop MR applications.

Our suite of solutions and hardware includes MR guided workflow for training, operations and inspections; Microsoft Remote Assist; portable MR team based simulation training, holographic design visualisers and other customised applications. We have also partnered PTC Inc., a global software solutions company listed on the NASDAQ, to scale up AR/MR in the region.

In 2021, we will see the continued delivery of the three-door double-deck city buses. In addition to

trailing electric bus operations, we also expect to support Singapore's Land Transport Authority in testing the conversion of mid-life diesel buses to all-electric systems.

One of the key challenges during COVID-19 was managing the disruptions in production and supply chains, particularly when suppliers are based overseas. To mitigate future disruptions, we will put in place proactive measures to identify alternative sources, suppliers and materials as well as establish a strong local supplier base.

We will continue on our digital transformation journey to

improve operational efficiency and optimise resource allocation in our production lines and MRO services. The use of technology, such as AR and robotics in our processes has helped us increase productivity and achieve better and more consistent quality. Our customers also benefited from the use of real-time data monitoring for more accurate predictive maintenance, as well as improved fleet availability due to faster turnaround time for depot repairs.

OPERATING REVIEW & OUTLOOK

MARINE

Along with the general economy, the global shipping and maritime industry was buffeted by the COVID-19 pandemic in 2020. Container ships, oil tankers and offshore supply vessels were forced to operate in a limited fashion as the industry took measures to ensure business continuity and limit disruptions to supply chain.

We were not immune, especially after Singapore implemented a two-month circuit breaker in April and May to curb the spread of the virus. Measures were introduced to limit the movement of people while the workplaces of non-essential businesses had to shut. As we are classified as a provider of essential services, our yards were able to continue operations.

Our workforce was, however, greatly impacted as virus clusters

broke out in dormitories housing our migrant workers. These places were locked down to contain further spread of the virus, which disrupted our operations as our workers were in quarantine. Our yard operations were only able to pick up the pace in June, after workers were gradually allowed to return to work.

As a result of the pandemic, transportation around the world grounded to a halt, causing fuel demand to plunge and oil prices to plummet to an all-time low. Oil and gas companies and related industries implemented cost-cutting measures to either reduce or defer their capital expenditures. These affected our shipbuilding and environmental engineering projects as many oil majors chose to defer their capital expenditures until oil prices stabilised.

Despite these challenges that resulted in some project delays, we remained focused on delivering our existing projects. We were also in close, regular communications with our customers to keep them updated of our progress in project delivery.

Steadfast Focus

In 2020, we remained focused on pursuing opportunities in the defence segments in Singapore and the U.S., which were less impacted by COVID-19. Besides achieving key milestones in our ongoing shipbuilding projects, we continued to build on our position as a total naval solutions provider. We continued to build our core capabilities and capitalised on opportunities in the specialised vessels segments like Diving Support Vessels, Fishing Trawlers, and Floating Power Plants; and other

WHAT WE ACHIEVED IN 2020

Expanded product offerings to include renewables by developing designs of green and sustainable vessels

Secured a contract to design and build a Materials Recovery Facility for Singapore's largest Integrated Waste Management Facility

Remained resilient and focused on delivering existing contracts



Awarded the U.S. Navy's contract to construct the fourth APL(S) Class berthing barge

high speed aluminium boats which aligns with our build experience and expertise, to weather the ongoing storm.

Throughout the year, our Singapore and U.S. yards made good progress in shiprepair and rig repair, in the areas of project execution and development of business opportunities. We also made inroads in our environmental engineering business as we continued to grow our process engineering capabilities, while leveraging our proven track record.

Sustainability is an integral part of how we do business. Addressing the challenges faced by our customers, we have continually innovated to develop green solutions that support their sustainability strategies. Besides leveraging our capabilities to support our customers in retrofitting and installing of ballast water treatment systems,

hybrid propulsion, dual-fuelled LNG electric propulsion, we are also pivoting to the renewables segment by developing designs of green and sustainable vessels, such as Service Operation Vessels and Fast Crew Boats, to address the operational needs of today's offshore renewables industry.

Shipbuilding

On the naval front, we won a 12-month industrial study contract to perform trade-off studies and analyses for the auxiliary general ocean surveillance ship (T-AGOS(X)) programme from the U.S. Navy. This new class series will ultimately replace the existing fleet of four T-AGOS 19 and one T-AGOS 23 small waterplane area twin-hull ships, which are reaching the end of their service lives.

During the year, the U.S. Navy exercised the option for the fourth Auxiliary Personnel Lighter-Small

(APL(S)) Class berthing barge. We expect to deliver the first three berthing barges in 2021. Construction of the fourth berthing barge is expected to be completed end-2021. If the U.S. Navy exercises its remaining options for two additional units, the total contract value would be in excess of US\$244m.

We also delivered America's first offshore Liquefied Natural Gas Articulated Tug and Barge (LNG ATB Tug) unit to marine transportation company Q-LNG Transport. The LNG ATB Tug will supply LNG to marine customers along the Southern East Coast of the U.S., and support growing cruise line demand for LNG marine fuel.

Progress on the Polar Security Cutter contract, awarded by the U.S. Coast Guard in 2019, remained on track. Our U.S. yard has brought in new technologies such as robotic welding machines and plasma cutters for the construction of this highly specialised vessel, to upgrade our steel cutting capacity and expertise to the next level. Our entire build position, translation and launch process was overhauled to handle the weight of the Polar Security Cutter as we work towards the first delivery in 2025.

To meet the demands of this newbuild programme, our U.S. yard will double its workforce and train them to be future-ready. We launched an apprenticeship programme with the Mississippi Gulf Coast Community College in September that was approved by the U.S. Department of Labor. This apprenticeship programme will build a pipeline of skilled shipbuilders and also create jobs in Mississippi, benefitting the shipbuilding industry as a whole.

OPERATING REVIEW & OUTLOOK

MARINE

In Singapore, we handed over the first pair of Fast Patrol Boats to the Police Coast Guard in the last quarter of 2020 and we look forward to making more deliveries in 2021. This latest series of Fast Patrol Boats is the newest addition to the Police Coast Guard's existing fleet to strengthen its coast protection capabilities.

On the commercial front, the Floating Power Plant, *Estrella del Mar III*, which was awarded jointly with Siemens, will be delivered in 2021 to the Dominican Republic. Upon completion, *Estrella del Mar III* will provide affordable, clean and green energy to the Dominican people.

Ship and Rig Repair

The commercial ship and rig repair market remains highly competitive with pricing and scheduling as key considerations during the award of a tender. When oil prices hit their trough in March, oil majors scaled down their capital expenditures for exploration, and rig owners consequently reduced their demand for services and their maintenance spend.

However, our continued engagements with potential customers paid off as we secured several ship and rig repair and conversion projects. We have

a pipeline of ship and rig repair projects in niche areas such as complex repairs and the refurbishment of dredgers, conversion of offshore supply vessels into seismic support vessels, and the retrofitting of scrubbers and ballast water treatment systems.

Environmental Engineering

Our environmental engineering capabilities position us well to contribute to a more sustainable world, aligning with the Group's focus. In the area of solid waste management, we are a part of a consortium with Keppel Seghers and China Harbour that clinched an engineering, procurement and construction contract worth about \$1.5b for the development of a Waste-To-Energy facility and a Materials Recovery Facility for Singapore's new Tuas Nexus

Integrated Waste Management Facility (IWMF). Our 21% share of works involves the construction of the Materials Recovery Facility, power-island and the balance of plant. When fully operational in 2024, the facility will be an integral part of Singapore's National Environment Agency's long-term plan for the country to become a Zero Waste Nation.

In the areas of water and wastewater management, we expect the Jurong Island Desalination Plant to be operational from mid-2021. As Singapore's fifth desalination plant, it is expected to produce 30 million gallons of water daily. After overcoming major disruptions in the supply of materials and manpower, the plant will be moving to the testing and commissioning phase in 1Q2021.



The Fast Patrol Boat is the latest addition to Singapore Police Coast Guard's existing fleet in strengthening its coastal protection capabilities



Artist impression of Singapore's first Integrated Waste Management Facility

Innovations of Tomorrow

It is all hands on deck when it comes to smart technologies and innovations to enhance operational efficiencies. AquaNerva is our in-house smart water solution that provides data analytics and machine learning algorithms to perform condition monitoring, predictive diagnostics and prognostics. It enables the monitoring of equipment to allow real-time predictions and analysis.

We also successfully completed the sea trials of the Smart Maritime Autonomous Vessel (SMAV) within 15 months from project commencement. SMAV is a fully autonomous tug that was converted from a manned harbour tug owned and operated by PACC Offshore Services Holdings.

The trial, the first-of-its-kind, was conducted in Singapore waters in various scenarios with varying

speeds up to 8 knots, while the vessel was in autonomous waypoint navigation mode.

The autonomous tug incorporates key features such as collision detection and collision avoidance; remote centralised control and health monitoring of onboard systems; and forward-looking maintenance capabilities such as condition-based maintenance, predictive diagnostics, and prognostics on critical shipboard systems. The SMAV is on to its next phase of development, focusing on demonstrating our NERVA Sensemaking System for predictive diagnostics and maintenance of critical shipboard systems. This is projected to be completed in 2021.

To explore opportunities in the offshore wind industry, we collaborated with NautiCraft to look at ways to incorporate its patented marine suspension technology into our vessels. We

completed a preliminary design of a 20m crew transfer vessel (CTV) that vastly improves the operating window of a CTV in-service installing and maintaining offshore wind turbines, and we look forward to similar collaborations that benefit the industry.

Safety as a Priority

In recognition of our commitment in ensuring our employees' safety, our U.S. yard received the 2019 Safety Award from American Equity Underwriters (AEU), making us one of 25 companies among 1,400 members of the AEU to receive this award. In Singapore, we were awarded the Good Safety Record Award by the Republic of Singapore Navy. We strongly believe in fostering a safety culture and these accolades are evidence of the work that we do to ensure that our employees return home to their loved ones, safe and sound, every day.

OPERATING REVIEW & OUTLOOK

MARINE

OUTLOOK

The outlook for the marine industry continues to be subdued due to slow global economic growth, rising trade tensions and geopolitical risks. The industry continues to be plagued with excess capacity and intense competition.

The call for decarbonisation remains and the industry continues to push for the use of green fuels such as LNG and fuel cells to meet International Maritime Organisation (IMO)'s stricter regulations. We are in a favourable position to break

new business frontiers and ride on the momentum of greener fuels, in the areas of shipbuilding, repair and retrofitting.

Shipbuilding

Our core remains the defence segment and we continue to pursue opportunities in countries like Kuwait, Oman, Saudi Arabia, the United Arab Emirates, Singapore, as well as the U.S. In pursuing this growth, we remain open to collaborating with partners to deliver local content. We have also been agile and responsive to the growing demand for unmanned capabilities and have developed a range of unmanned surface vessels for coastal security and surveillance to meet the increasing need for autonomous craft for both military and paramilitary applications.

On the commercial front, the trend is for major shipbuilders to seek opportunities in renewables

given the push for decarbonisation. Besides interests in offshore renewables vessels, floating power plants also meet the constant demand for power generation in a green and sustainable way. Given our strong track record, bolstered by our design expertise and engineering capabilities, we continue to pursue opportunities in these niche segments.

In the area of specialised vessels, there is a renewed interest in offshore installation vessels to meet the demands of operators with specific requirements for diving support vessels. Leveraging our past successes and track record to achieve wins in specialised vessels, we remain focused to capitalise on opportunities in this segment.

Ship and Rig Repair

Our ability to repair and convert offshore supply vessels and seismic support vessels reliably within a short period of time will allow us to leverage the floating production system market for further growth. We see opportunities for the conversion of specialised vessels such as floating power plants, floating gas platform units, service operation vessels and stone dumpers as market demand increases.

As one of the largest repairers of dredgers in Southeast Asia, we are confident we can ride on the spike in demand for dredging and reclamation activities in the region when the global economy recovers. Singapore continues to be a preferred place for dredger owners for repairs and upgrades.

In the U.S., our strategic location, excellent infrastructure and competent workforce put us in



The Service Operation Vessel is designed based on our innovative eco-hull for low fuel consumption and enhanced seakeeping characteristics



Ocean BlackLion drillship from Diamond Offshore and Valaris Reliance drillship from Valaris undergoing works in our U.S. facility

a good position to ride on the gradually recovering rig activities in the area. We will actively pursue opportunities in the area of upgrading of drilling systems and installation of ballast water treatment system to meet the IMO's new regulations.

Environmental Engineering

Globally, the ageing infrastructure of solid waste treatment facilities present opportunities. We are seeing an increase in demand for potable water in key industrial areas, cities and new economic zones in China, Thailand and Vietnam.

As these are mega infrastructure projects, we will continue to look for like-minded strategic partners to collaborate on implementing smart technologies and expanding our market outreach. Our recent

wins in Singapore place us in a strong position to bag more local and international contracts in the future.

Charting Future Growth in 2021

The pandemic has caused a ripple effect across various industries, leading to economic and labour market disruptions. Notwithstanding that, we will continue to innovate and enhance our product offerings, diversify our revenue streams into the specialised vessel segment, and leverage smart technologies to improve operational efficiencies.

Come 2021, the digitalisation of our shipyard operations is expected to be completed. Smart technologies such as digital twin simulation, seamless data exchange, and smart ship systems that include

3D modelling-based concept design and robotics automation will transform the way we do business. In addition, construction of our new smart yard in Tuas, Singapore, is well underway and we will continue to integrate the digital thread into our people, operations, products and solutions.

Backed by our solid track record, sound financial standing and strong capabilities, we are confident that we will weather this crisis and emerge better-positioned for the future.

FINANCIAL REVIEW

FY2020 FINANCIAL RESULTS IN LINE WITH EXPECTATIONS

The Group’s FY2020 financial results were in line with our guidance at our quarterly Market Updates. We managed to keep balanced keel amid COVID-19 because of the Group’s underlying strengths and various mitigating factors including our cost reduction initiatives and government support.

In FY2020, the Group generated revenue of \$7.2b, 9% lower than the year before. Profit before tax was \$534.4m, a reduction of 23% year-on-year (y-o-y), and Profit attributable to shareholders (Net Profit) was 10% lower y-o-y at \$521.8m.

Economic Value Added decreased by 10% y-o-y to \$286.4m.

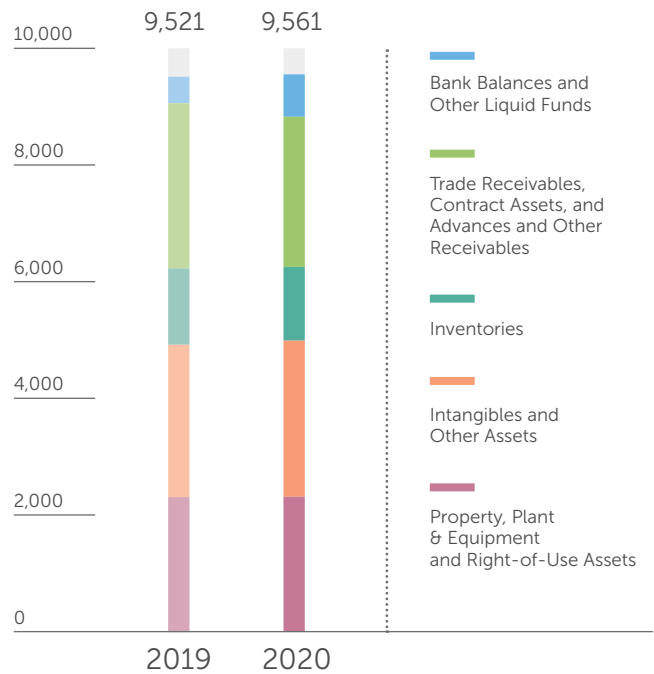
The Group ended the year with a strong order book of \$15.4b, of which \$5.3b is expected to be delivered in 2021.

The Board has recommended to pay shareholders a final dividend of 10.0 cents per share. Together with the interim dividend of 5.0 cents per share paid in September 2020, shareholders will receive total dividend of 15.0 cents per share for FY2020.

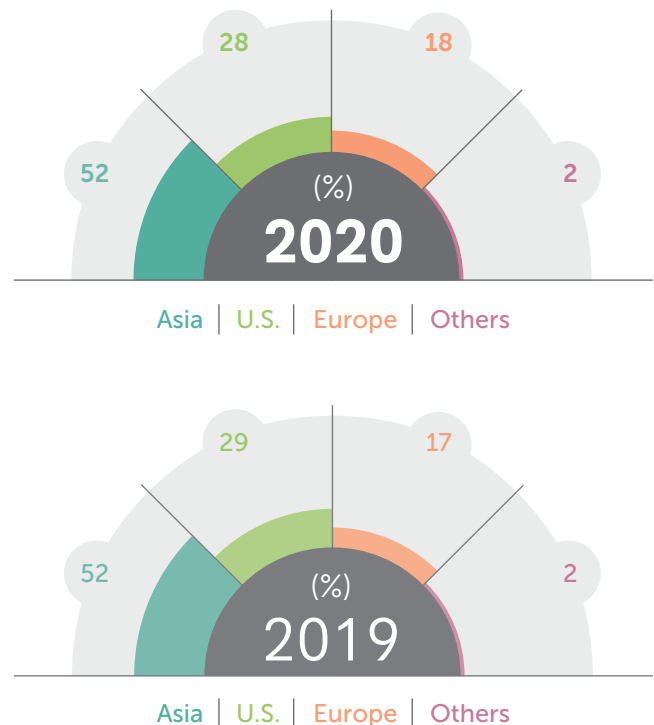
FINANCIAL POSITION

As at 31 December 2020, the Group’s total asset of \$9,561m were comparable to prior year.

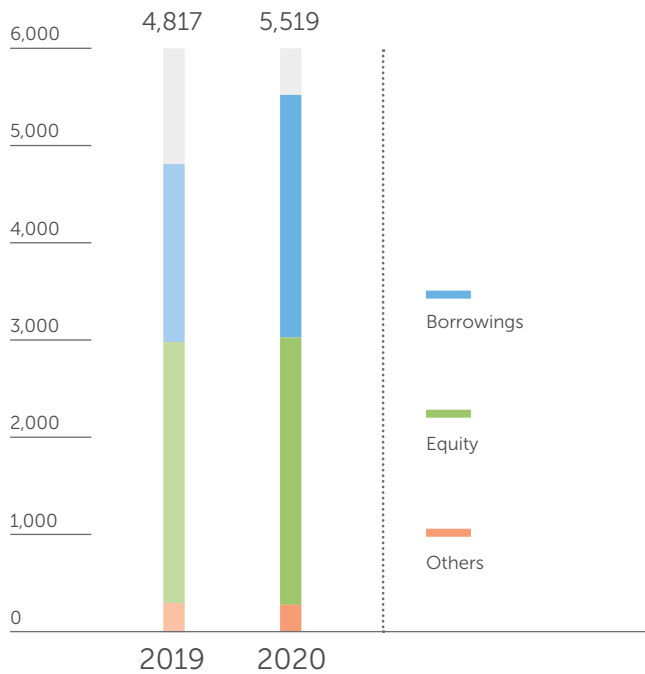
TOTAL ASSET DEPLOYMENT (\$m)



TOTAL ASSET BY GEOGRAPHY



CAPITAL EMPLOYED (\$m)

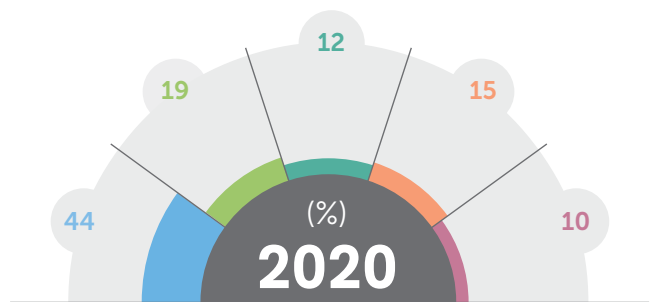


The average capital employed in FY2020 was \$5,519m, an increase of \$702m from \$4,817m in FY2019. The higher average capital employed was attributable mainly to the full year effect of increased borrowings to fund acquisitions made in FY2019.

Capital Expenditure

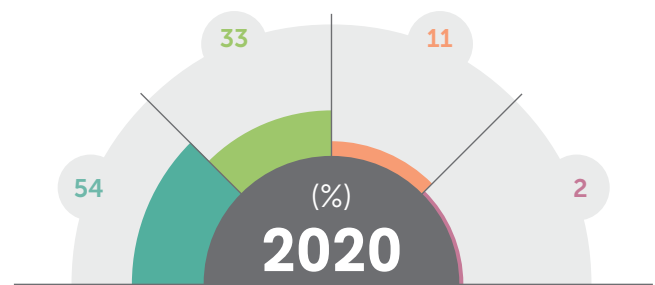
In FY2020, the Group invested \$196m (2019: \$295m) in capital expenditure, attributable to Aerospace (\$87m), Electronics (\$36m), Land Systems (\$24m), Marine (\$30m) sectors and Others (\$19m). The Group continued to invest in capacity and capability buildup to support customer programmes during the year while reducing discretionary capital expenditure as part of the Group’s cost reduction initiatives.

CAPITAL EXPENDITURE BY SECTOR

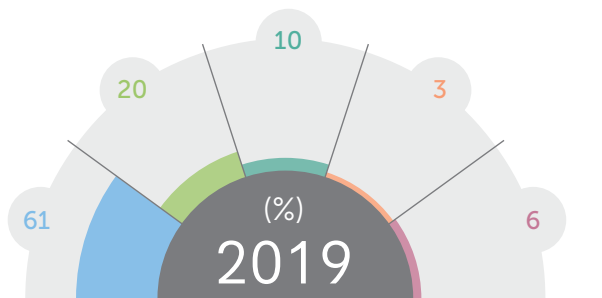


Aerospace | Electronics | Land Systems | Marine | Others

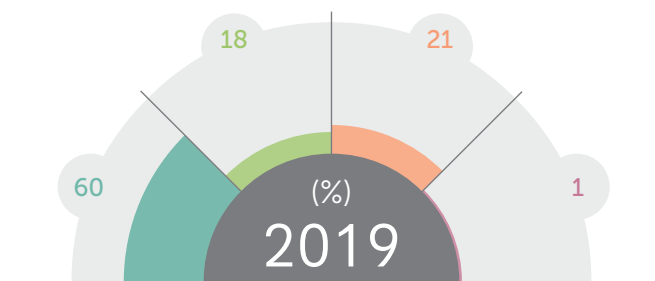
CAPITAL EXPENDITURE BY GEOGRAPHY



Asia | U.S. | Europe | Others



Aerospace | Electronics | Land Systems | Marine | Others



Asia | U.S. | Europe | Others

FINANCIAL REVIEW

TREASURY MANAGEMENT

Given its international operations, the Group is exposed to various financial risks including foreign exchange, liquidity, interest rate and credit risks. The Group has established treasury policies and guidelines to mitigate these risks.

Treasury activities are handled by the Group's wholly owned treasury entity, ST Engineering Treasury Pte. Ltd. (STET), to ensure effective management of the Group's liquidity and financial risk exposures.

To support its long-term strategy to enhance shareholder value, the Group, through its wholly-owned subsidiaries, ST Engineering RHQ Ltd. (STE RHQ) and STET, established a S\$5b Multicurrency Medium Term Note Programme (the Programme) guaranteed by the parent company, ST Engineering (the Guarantor) on 18 March 2020. Under the Programme, the subsidiary nominated by the Guarantor (Issuer or New Issuer) may from time to time issue notes (the Notes) denominated in any currency agreed between the relevant Issuer and the relevant dealer(s) for each issue of the Notes. On 29 April 2020, STE RHQ issued a US\$750m 1.50% Notes due 2025. The net proceeds of this issue were used mainly to refinance the Group's outstanding U.S. Commercial Paper (USCP).

The Group has achieved several major milestones from its funding initiatives since September 2019:

1. The first non-bank Singapore company to set up a USCP programme.
2. The lowest bond coupon/yield achieved for a 5-year U.S. dollar bond issuance by a Singapore corporate.
3. The first engine-backed securitisation originated by a lessor headquartered in Asia Pacific.

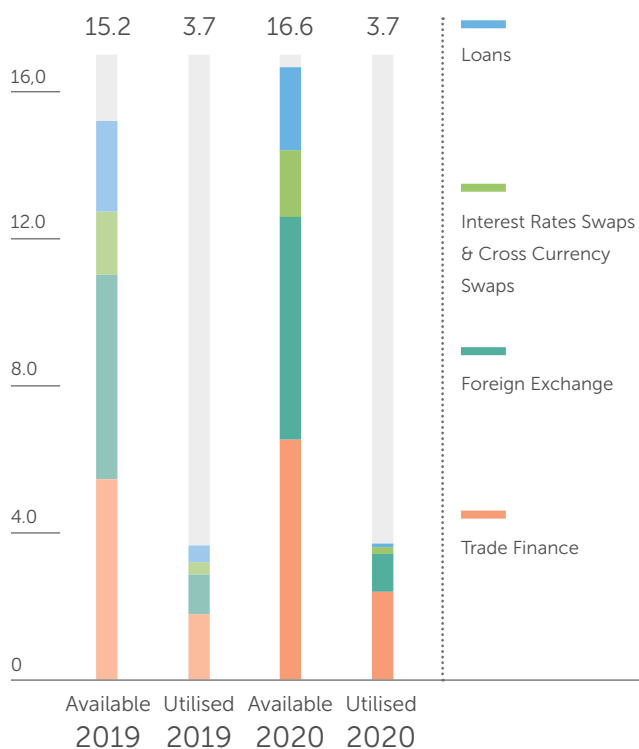
The funding solutions allowed the Group to react swiftly to potential opportunities around the globe and to generate substantial savings on financing cost. With the demonstration of exceptional best practice, innovation, and delivering real business impact with its funding solutions, ST Engineering clinched the Best Funding Solution award at the Adam Smith Awards Asia 2020.

Banking Facilities

The Group has banking facilities of approximately \$16.6b (2019: \$15.2b) as at 31 December 2020 to support business operations in the areas of trade finance, hedging and credit.

As at 31 December 2020, the Group has utilised \$3.7b or 22% of its total available facilities (2019: \$3.7b or 24%) with \$12.9b or 78% (2019: \$11.5b or 76%) remaining available.

BANKING FACILITIES* (\$b)



* excludes US\$0.7b committed revolving credit facility to backstop USCP

Foreign Exchange

The Group has receivables and payables denominated in foreign currencies. Where possible, the Group offsets currency exposures across its business units before hedging remaining currency exposures in the market via foreign exchange forward contracts. The main currencies transacted in 2020 for the Group were USD and EUR. During the year, the Group engaged in approximately \$4.2b (2019: \$2.6b) equivalent of foreign exchange transactions. As at 31 December 2020, \$1.0b (2019: \$1.1b) remained as outstanding foreign exchange transactions.

Liquidity

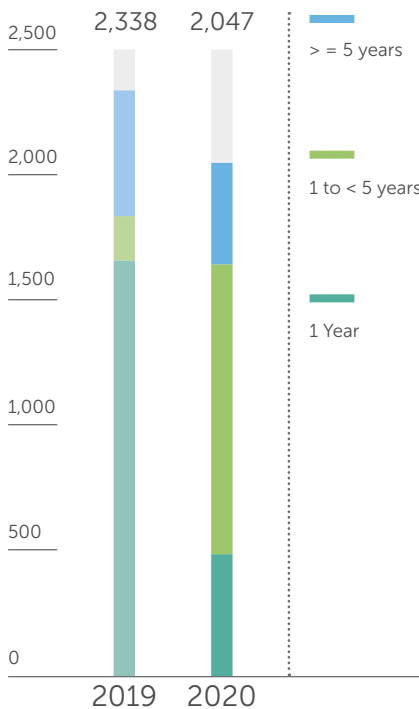
The Group's cash and cash equivalents, stood at \$0.7b as at 31 December 2020 (2019: \$0.5b).

Borrowings

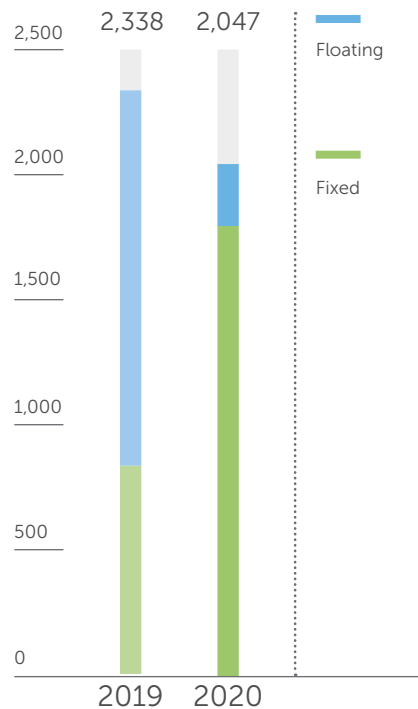
The Group's borrowings including lease obligations were lower at \$2.0b as at 31 December 2020 (2019: \$2.3b). In line with managing refinancing risk, proceeds from issuance of the US\$750m 1.50% Notes due 2025 in April 2020, were used to reduce the issued and outstanding USCP to about US\$0.3b (\$0.4b equivalent) as at 31 December 2020.

Apart from the Notes, USCP and lease obligations, the Group's borrowings also comprised short-term and long-term loans from banks.

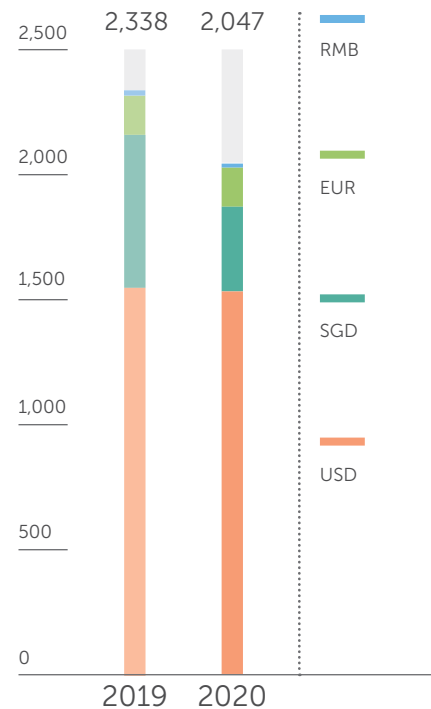
BORROWING PROFILE BY MATURITY (\$m)



BORROWING PROFILE BY FIXED AND FLOATING RATES (\$m)



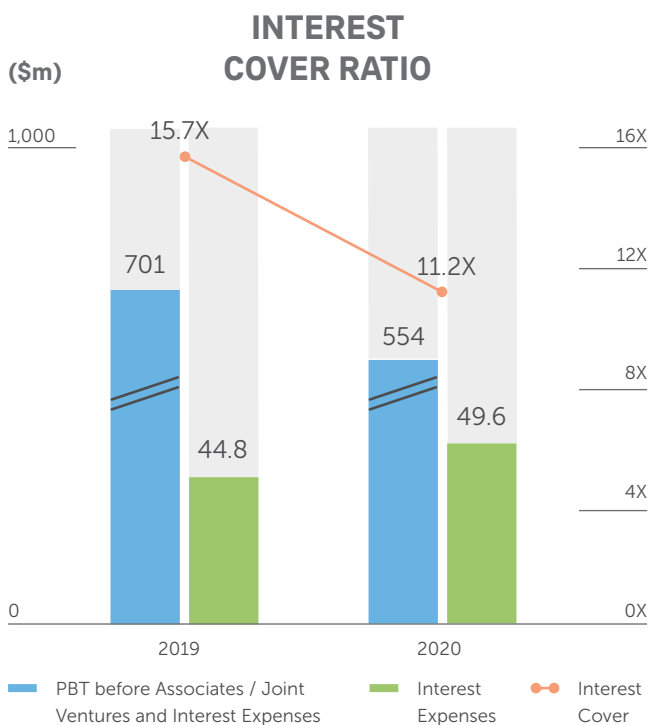
BORROWING PROFILE BY CURRENCY (\$m)



FINANCIAL REVIEW

INTEREST COVER RATIO

The Group's interest cover ratio decreased to 11.2 times in FY2020 (2019: 15.7 times). The lower interest cover was due mainly to lower profits while interest expense increased due to the full year effect of acquisitions made in FY2019 partially offset by the effect of lower interest rates.



CASH FLOW

The Group generated strong operating cash flow of \$1,533m in FY2020. Gross debt/equity ratio decreased from 1.0 time in FY2019 to 0.8 times in FY2020 as the Group reduced its borrowings during the year.

	FY2019	FY2020
Gross Debt (\$m)	2,444	2,062
Gross Debt / Equity Ratio	1.0	0.8
Net Debt (\$m)	1,992	1,333
Net Debt / Equity Ratio	0.8	0.5

The Group ended the year with cash and cash equivalents of \$729m, an increase of \$277m from FY2019.

Operating Activities

The Group generated net cash of \$1,533m from operating activities in FY2020, as compared to \$590m in FY2019. The increase was largely due to favourable working capital movements from contract liabilities due mainly to advances received from customers as well as lower trade receivables and contract asset balances.

Investing Activities

Net cash used in investing activities in FY2020 of \$295m was mainly attributable to the Group's investment in property, plant and equipment by Aerospace (\$92m), Electronics (\$35m), Land Systems (\$24m), Marine (\$30m) sectors and Others (\$19m), additions to other intangible assets (\$87m), and loan to associates and joint ventures (\$19m).

Financing Activities

Net cash used in financing activities of \$959m in FY2020 was mainly attributable to net repayment of commercial papers (\$1,046m) and bank loans (\$373m), the payment of FY2019 final dividend and FY2020 interim dividend (\$468m), repayment of lease liabilities (\$61m) and interest paid (\$58m), partially offset by proceeds from issuance of MTN (\$1,058m).

TAX

The Group's effective tax rate for 2020 was 2% (2019: 15%). The lower effective tax rate was largely due to non-taxable payouts under the Jobs Support Scheme received from the Singapore government as well as tax adjustments in respect of prior years.

SIGNIFICANT ACCOUNTING POLICIES

The Group's financial statements and balance sheet of the Company are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). The significant accounting policies are presented at the end of each Notes to the Financial Statements (pages 158 to 285).

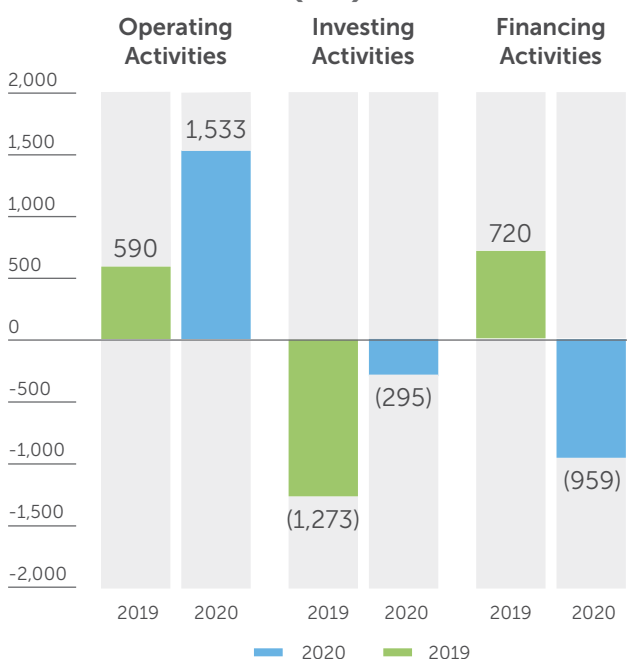
The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2019 except for the adoption of SFRS(I)s, amendments to and interpretations of SFRS(I) that are mandatory for financial year beginning on or after 1 January 2020. The adoption of these SFRS(I)s, amendments to and interpretations of SFRS(I) did not have a material impact on the financial statements of the Group.

TOTAL SHAREHOLDER RETURN

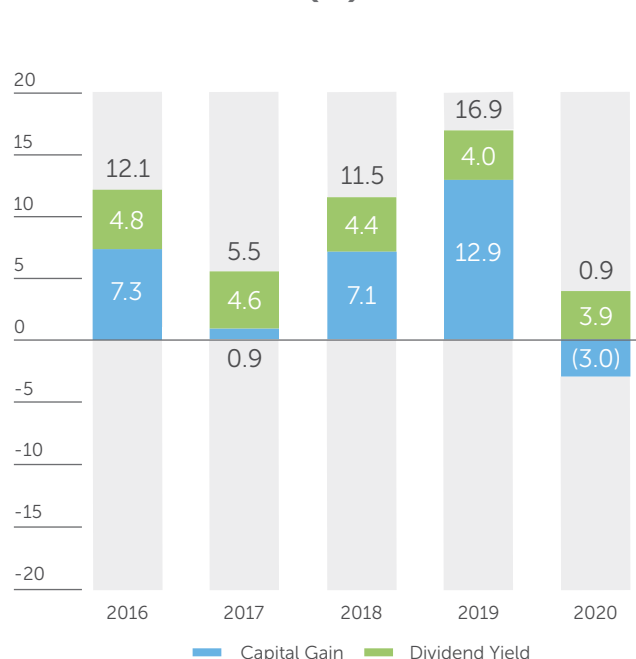
ST Engineering paid an interim ordinary dividend of 5.0 cents per share to shareholders in September 2020 and has recommended a final dividend of 10.0 cents per share to shareholders at the forthcoming Annual General Meeting. The total dividend per share (DPS) for FY2020 would be 15.0 cents. Based on the average share price of \$3.88, the DPS of 15.0 cents translates to a dividend yield of 3.9%.

ST Engineering's share price ended the year at \$3.82, a 3% decrease y-o-y, but outperformed Straits Times Index which fell 12% in the same period. With a dividend yield of 3.9%, ST Engineering generated a total positive shareholder return of 0.9%.

CASH FLOWS (\$m)



TOTAL SHAREHOLDER RETURN (%)



FINANCIAL REVIEW

ECONOMIC VALUE ADDED (EVA)

The Group's FY2020 EVA attributable to shareholders of the Company of \$286.4m was 10% or \$30.6m lower than that of FY2019. The decrease in EVA was mainly attributable to lower Net Operating Profit after Taxation, partially offset by lower capital charge.

EVA Statement	2020 \$m	2019 \$m
Profit before tax	534.4	695.2
Adjust for:		
Interest expenses	57.4	50.5
Others	1.6	40.0
Adjusted profit before interest and tax	593.4	785.7
Cash operating taxes (Note 1)	(62.3)	(191.0)
Net operating profit after taxation – (a)	531.1	594.7
Average capital employed (Note 2)	5,519.0	4,816.9
WACC (Note 3) (%)	4.5	5.6
Capital charge	(248.4)	(269.7)
Adjustment to capital charge (Note 4)	(11.2)	(13.5)
Adjusted capital charge – (b)	(259.6)	(283.2)
EVA – [(a) – (b)]	271.5	311.5
Non-controlling interests' share of EVA	14.9	5.5
EVA attributable to shareholders of the Company	286.4	317.0

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

Note 2: Monthly average equity plus interest bearing liabilities and general provisions.

Major Capital Components:

	(\$m)
Borrowings	2,491.2
Equity	2,750.5
Others	277.3
	5,519.0

Note 3: The Weighted Average Cost of Capital is calculated in accordance with ST Engineering Group EVA Policy as follows:

- (i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0%
- (ii) Risk-free rate of 0.91% (2019 @ 2.16%) based on yield-to-maturity of Singapore Government 10-year Bonds;
- (iii) Ungeared beta at 0.72 (2019 @ 0.72) based on ST Engineering risk categorisation; and
- (iv) Cost of Debt at 2.10% (2019 @ 3.17%) using actual cost of the borrowings.

Note 4: Adjustment on deferred capital charge on some acquisitions.

VALUE ADDED

The Group's total value added for FY2020 of \$3,001m was 14% lower as compared to that of FY2019.

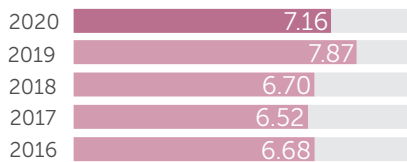
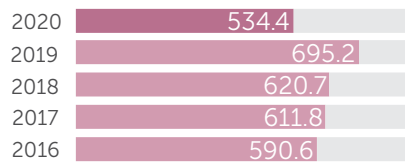
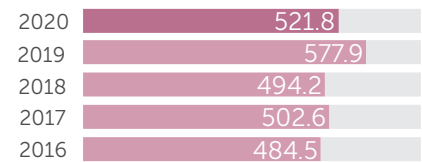
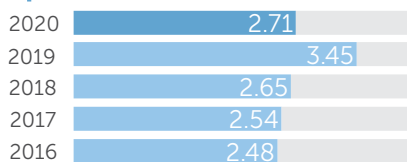
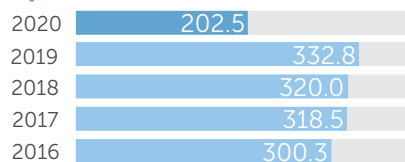
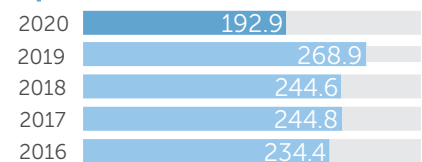
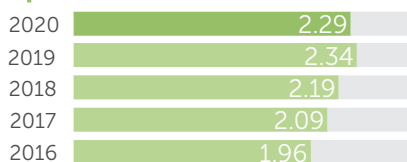
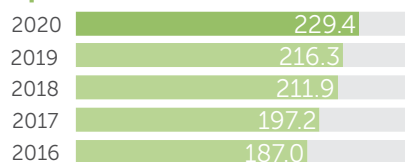
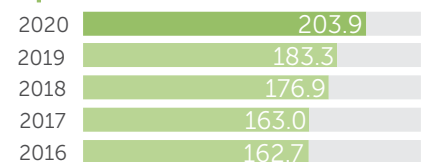
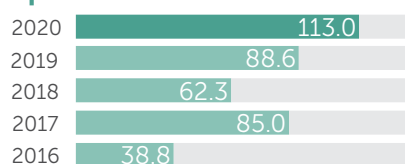
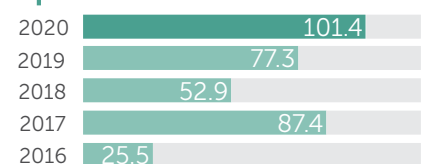
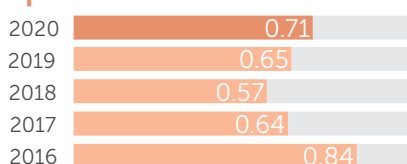
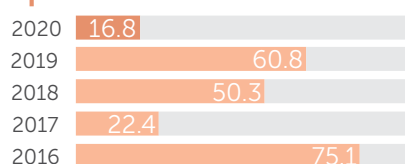
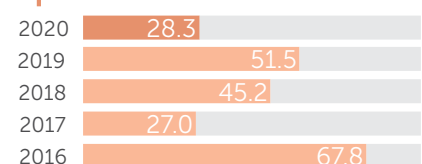
Value Added Statement	2020	%	2019	%
	\$m		\$m	
Value added from:				
Revenue earned	7,158.3		7,868.3	
Bought in materials and services	(4,180.5)		(4,441.0)	
	2,977.8		<u>3,427.3</u>	
Other income	5.1		17.8	
Finance income	9.2		14.3	
Finance costs (exclude interest expenses)	(21.6)		(4.2)	
Share of results of associates and joint ventures, net of tax	30.4		<u>39.0</u>	
Total value added	3,000.9		<u>3,494.2</u>	
Distribution of total value added				
To employees in wages, salaries and benefits	1,941.5	65	2,290.9	66
To government in taxes and levies	30.4	1	124.3	4
To providers of capital on:				
• Interest paid on borrowings	49.6	2	44.8	1
• Dividends to shareholders	468.0	15	<u>468.2</u>	13
	2,489.5		<u>2,928.2</u>	
Balance retained in business				
Depreciation and amortisation	378.6		368.3	
Retained profits	103.4		135.8	
Non-controlling interests	3.8		<u>14.7</u>	
	485.8	16	<u>518.8</u>	15
Non-production costs	25.6	1	47.2	1
Total distribution	3,000.9	100	<u>3,494.2</u>	100

FINANCIAL REVIEW

5-Year Key Financial Data	2020	2019	2018	2017	2016
Income statement (\$m)					
Revenue	7,158	7,868	6,698	6,521	6,684
Profit					
Profit from operations*	560.9	673.1	597.4	563.9	507.1
PBT	534.4	695.2	620.7	611.8	590.6
Net Profit	521.8	577.9	494.2	502.6	484.5
Balance Sheet (\$m)					
Property, plant and equipment, and right-of-use assets	2,296	2,289	1,743	1,719	1,670
Intangible and other assets	2,686	2,622	1,753	1,707	1,595
Inventories	1,269	1,312	1,184	1,082	1,898
Trade receivables, contract assets, and advances and other receivables	2,579	2,845	2,477	2,166	1,797
Bank balances and other liquid funds and funds under management	731	453	416	1,350	1,405
Current liabilities	3,896	5,446	3,851	3,587	3,801
Non-current liabilities	3,091	1,584	1,187	1,941	2,120
Share capital	896	896	896	896	896
Treasury shares	(24)	(27)	(9)	(23)	(44)
Capital and other reserves	18	(37)	46	52	57
Retained earnings	1,402	1,390	1,313	1,290	1,274
Non-controlling interests	282	269	288	281	262
Financial Indicators					
Earnings per share (cents)	16.74	18.53	15.85	16.13	15.60
Net assets value per share (cents)	73.59	71.32	72.00	71.09	70.20
Return on sales (%)	7.3	7.5	7.7	8.1	7.4
Return on equity (%)	22.8	26.0	22.0	22.7	22.2
Return on capital employed (%)	9.6	12.3	13.6	12.7	12.0
Dividend					
Dividend per share (cents)	15.0	15.0	15.0	15.0	15.0
Dividend yield (%)	3.9	4.0	4.4	4.6	4.8
Dividend cover	1.1	1.2	1.1	1.1	1.0
Productivity Data					
Average staff strength (numbers)	23,103	22,494	21,418	21,541	21,974
Revenue per employee (\$)	309,842	349,794	312,724	302,728	304,166
Net profit per employee (\$)	22,588	25,693	23,076	23,334	22,049
Employment costs (\$m)*	1,948.1	2,291.7	1,999.1	1,944.6	1,927.6
Employment costs per \$ of revenue (\$)	0.27	0.29	0.30	0.30	0.29
Economic Value Added (\$m)	286.4	317.0	306.0	303.8	252.4
Economic Value Added spread (%)	4.9	6.5	7.6	6.9	5.5
Economic Value Added per employee (\$)	12,398	14,094	14,285	14,103	11,488
Value added per employee (\$)	129,893	155,338	137,092	132,512	132,131
Value added per \$ of employment costs (\$)	1.54	1.52	1.47	1.47	1.51
Value added per \$ of gross property, plant and equipment (\$)	0.73	0.87	0.76	0.76	0.81
Value added per \$ of revenue (\$)	0.42	0.44	0.44	0.44	0.43

Figures in FY2016 were prepared in accordance with the previous Financial Reporting Standards and were not restated on adoption of SFRS(I) I in FY2018. The Group adopted SFRS(I) 16 effective on 1 January 2019 and applied the modified retrospective approach with no restatement of comparative information.

* Government grants in the prior years were reclassified from other income to underlying expenses in conformance with current year classification.

REVENUE (\$b)**GROUP****\$7.16b****PROFIT BEFORE TAX (\$m)****\$534.4m****NET PROFIT (\$m)****\$521.8m****AEROSPACE****\$2.71b****\$202.5m****\$192.9m****ELECTRONICS****\$2.29b****\$229.4m****\$203.9m****LAND SYSTEMS****\$1.41b****\$113.0m****\$101.4m****MARINE****\$0.71b****\$16.8m****\$28.3m**

AWARDS



BUSINESS & PEOPLE EXCELLENCE

ASEAN Asset Class Publicly Listed Companies Award

By ASEAN Corporate Governance Scorecard

Best Funding Solution for 2020

By Adam Smith Awards Asia

IFR Asia Awards 2020 (Structured Finance Issue)

By International Financial Review

- Engine-backed securitisation

Overall Sector Winner (Industrial Goods category)

By The Edge Singapore

Most Profitable Company (Industrial Goods category)

By The Edge Singapore

Best Places to Work 2020 (Large Company)

By Washington Business Journal

- iDirect Government

Singapore's Top 5 Most Attractive Engineering and Natural Science Employers 2020

By Universum

Marine Engineer/ Naval Architect of the Year

By Mobile Area Council of Engineers

- Buck Younger, Vice President, Engineering, Halter Marine

MRO Leader of the Year

By Aviation Week Network

- Lim Serh Ghee, President, Aerospace (then)



Buck Younger, Vice President of Engineering at Halter Marine (third from left in the picture) was named the Marine Engineer/Naval Architect of the Year by the Mobile Area Council of Engineers.



WORK, SAFETY & HEALTH

Good Safety Record Award

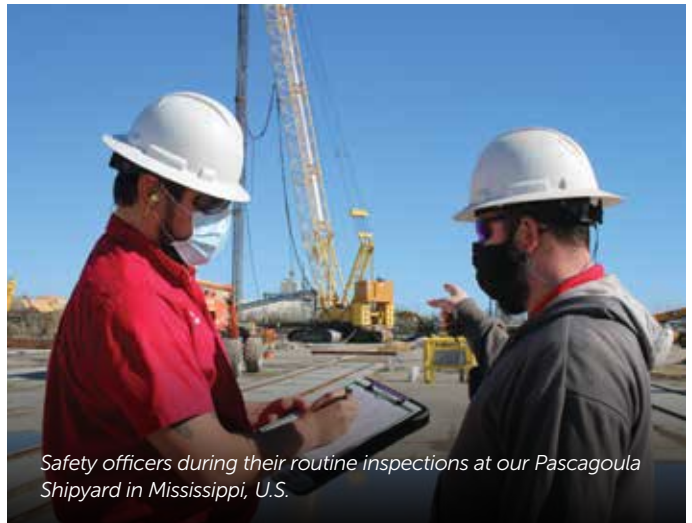
By Republic of Singapore Navy

- ST Engineering Marine

Safety Award

By American Equity Underwriters

- Halter Marine



Safety officers during their routine inspections at our Pascagoula Shipyard in Mississippi, U.S.



PRODUCT

Defence Technology Prize 2020 Team (Engineering) Award

By MINDEF

- Advanced Electronics Systems
- Next Generation Air Operations Command and Control System

HDB Quality Partners Award 2020

By Housing

Development Board

- IoT-enabled Smart Lighting System in Teck Ghee, Singapore

IES Prestigious Engineering Achievement Awards 2020

By Institute of Engineers Singapore

- Hunter Armoured Fighting Vehicle



Hunter Armoured Fighting Vehicle



Smart motion sensors were installed to automatically adjust the luminosity of about 10,000 lights in the common areas of a housing estate in Singapore

Smart 50 Awards 2020 (Digital Transformation category)

By Smart Cities Connect, U.S. Ignite and Smart Cities Connect Foundation

- Smart City project in Cleveland, Ohio, U.S.

Teleport Technology of the Year 2020

By World Teleport Association

- Newtec Dialog® platform

Winner (Smart Buildings/ Smart Tech Parks category)

By IDC Government Insights

- Smart Lighting for Public Housing Estates

Winner (Connected & Autonomous Vehicles, Public Transit, Ride-Hailing/Ride-Sharing category)

By IDC Government Insights

- On-Demand Autonomous Buses



CORPORATE CITIZENSHIP

Charity Platinum Award

By Community Chest

Community Spirit Platinum Award

By Community Chest

NS Advocate Award (Large Companies)

By MINDEF

Total Defence Awards

By MINDEF and Ministry of Home Affairs

SUSTAINABILITY

BOARD STATEMENT

The Board of Directors oversees the management of material environmental, social and governance (ESG) factors for ST Engineering and takes them into consideration in the formulation of the Group's strategic direction and policies.

We remain steadfast in positively impacting the lives of people and the health of our planet by operating responsibly in our communities and the wider global ecosystem, and in acting as an effective enabler of a more sustainable world through leveraging our technology and engineering solutions to solve real-world problems, including those arising from COVID-19.

We link a range of operational, financial and non-financial key performance indicators to our material ESG factors to encourage the adoption of strategies and practices that are aligned to the sustainability and long-term success of the Group.

Sustainability Governance

As part of the Group's commitment to making sustainability a core part of its business strategy, the Group Chief Strategy Officer took on an expanded role as Group Chief Strategy & Sustainability Officer effective 1 January 2021. This allows us to fully incorporate ESG considerations into our business strategies and plans.

The Group Chief Strategy & Sustainability Officer is accountable to the Group President & CEO and works with the senior leadership team on sustainability matters. He is supported by a sustainability working group, comprising members from key business areas and corporate functions, with specific sub-committees focusing on each material ESG factor.

ST Engineering's Risk and Sustainability Committee (RSC) assists the Board in its sustainability governance responsibility. The RSC's role is one of oversight while the ongoing management of sustainability matters rests with the leadership team. The RSC approves the annual sustainability workplan and is updated on its progress and developments. The RSC is supported by the Risk & Assurance (R&A) function and the Group Strategy & Sustainability function.

The R&A function is accountable to the Group President & CEO for matters relating to governance, risk and compliance. It ensures that ST Engineering manages its risks and has the right governance and controls in place to ensure compliance with all legal and regulatory requirements in the jurisdictions that the Group operates in.

About Sustainability Report 2020

This report focuses on the sustainability practices of ST Engineering and addresses our material ESG factors.

It is prepared in accordance with GRI Standards: Core Option, and is guided by the SGX Reporting Guide and the LBG Framework.

This report should be read in conjunction with the GRI Content Index and other information published in the Sustainability section of our website at www.stengg.com.

Our Approach



Aligned to Global Standards & UN Sustainable Development Goals



SUSTAINABILITY

Materiality Assessment & Stakeholders

We identify and prioritise sustainability issues that matter most to ST Engineering and our stakeholders through materiality assessments.

Our Enterprise Risk Management Framework provided the backdrop upon which the sustainability materiality

assessment was carried out and reviewed, with both financial and non-financial impact assessed against the Group's risk tolerance limits and implications for our key stakeholders.



2020 HIGHLIGHTS



SUSTAINABILITY

Environment

We recognise the threat of global warming and the importance of combating climate change. We believe in conserving resources to minimise the impact of Greenhouse Gas (GHG) emissions, reducing pollution and waste, and conducting our operations efficiently. We contribute to a more sustainable future by developing and deploying greener products and solutions.

UN SDG Why It is More Relevant



We focus on delivering innovative solutions to help build and upkeep air, land, sea, space and information infrastructure.






We leverage our technology and engineering expertise to help cities and communities become more sustainable.



We stay lean and minimise the environmental impact of our operations.



We play our part to help address the global challenge of climate change.

ESG Factors	Why It Is Material
 <p>Environmental Protection</p>	<p>Climate change is an issue of increasing urgency and importance. A low carbon business strategy is not only good for the environment, it also enables us to better respond to climate change regulations and price volatility of hydrocarbon resources.</p>
 <p>Productivity</p>	<p>Staying lean, efficient and effective in our systems and processes to optimise the use of resources are fundamental to maintaining our competitive edge.</p>
 <p>Green Products & Services</p>	<p>Cities and organisations around the world are increasingly looking to minimise their carbon footprint while reducing operating costs.</p>

How We Manage It	What We Did In 2020	What We Will Do In 2021
<p>Environmental efforts are coordinated by the Environment Committee. All material business units in Singapore are certified to ISO 14001 Environmental Management Systems Standards. Our global operations abide by relevant environmental regulations and requirements.</p>	<ul style="list-style-type: none"> • GHG emissions intensity reductions on track. • GHG emissions and water consumption reduction targets reviewed and maintained. • Waste recycling data for Singapore operations tracked and reported. 	<ul style="list-style-type: none"> • Review and set a new GHG emissions target for our global operations. • Expand our data reporting and management for GHG emissions, water and waste to include global operations.
<p>Productivity efforts are coordinated by the Continuous Improvement Committee. Initiatives such as Kaizen projects, quality action teams and value innovation teams are embedded into day-to-day operations. We empower employees to identify and eliminate waste, and recognise exemplary contributions.</p>	<ul style="list-style-type: none"> • Achieved realised productivity savings of \$23.7m through continuous improvement (CI) initiatives. • Achieved a value added per employment cost of 1.54. 	<ul style="list-style-type: none"> • Increase year-on-year productivity savings by at least 10%. • Continue to roll out CI programmes to business units outside Singapore.
<p>Our technology community actively looks into the design and development of products that are more sustainable. Our engineers incorporate green considerations not just into end products but also from the perspectives of responsible production and through-life support. Through these efforts, we are able to empower and enable our customers to become more sustainable.</p>	<ul style="list-style-type: none"> • Identified key attributes for green products and services across the Group. • Started training programmes for sustainable engineering. 	<ul style="list-style-type: none"> • Enhance tracking of R&D investments in green products and services in our global business units. • Increase Group-wide emphasis on sustainability considerations in the design and development of products and services.

SUSTAINABILITY

Environment: Environmental Protection

We recognise the threat of global warming and the importance of combating climate change. We believe in conserving resources to minimise the impact of GHG emissions, reducing pollution and waste, and conducting our operations efficiently. We contribute to a more sustainable future by developing and deploying greener products and solutions.

GHG Emissions

In 2020, the Group achieved a 33% absolute GHG emissions reduction with 2010 as the base year. This translated to a 44% reduction in GHG emissions intensity, which is on track with our current intensity target of 36% reduction by 2030 with 2010 as the base year. Our Singapore operations continued to be verified in accordance with ISO 14064-1:2006.

We decided to set our new GHG emissions target in 2021 instead of 2020 so that we can assess the impact of COVID-19 and align those efforts with our journey to adopt the relevant recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).

To further reduce our indirect emissions, we continued to commission solar PV systems for our buildings, increasing the total number of roofs to 24 in 2020. Solar power accounted for 8% of our annual electricity consumption in Singapore and by employing solar power, our GHG emissions was reduced by 3,610 tonnes of Carbon Dioxide Equivalent (tCO₂e). We also contracted additional solar PV systems to cover four more roofs which will come on stream in 2021 and 2022 and increase our green power percentage to over 9.5%.

To further reduce our carbon footprint, we are progressively replacing our fleet of internal combustion engine vehicles with electric vehicles in the coming years. At the same time, we will continue to replace our ageing Air Handling Units to improve the overall energy efficiency of our cooling systems.

Water Consumption

We continued to manage our water consumption judiciously through regular monitoring of consumption patterns and the installation of water-efficient fittings in our facilities wherever feasible.

In 2020, the water consumption intensity of our Singapore operations increased by 4.4% compared to the 2015 base year, mainly due to an increase in manufacturing activities.

We have started to track our water consumption intensity in the U.S. and to explore ways to reduce it.

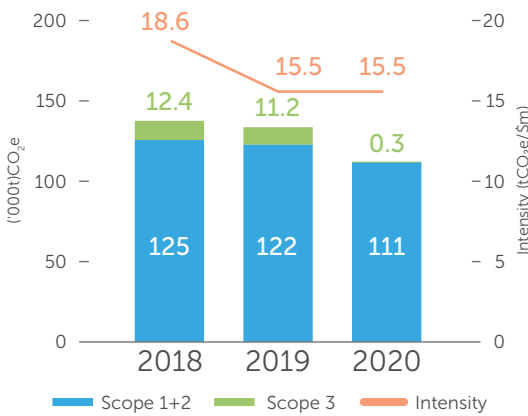
Waste Management

As part of our long-term commitment to protect the environment, we continued to manage our waste through reduce, reuse and recycle initiatives.

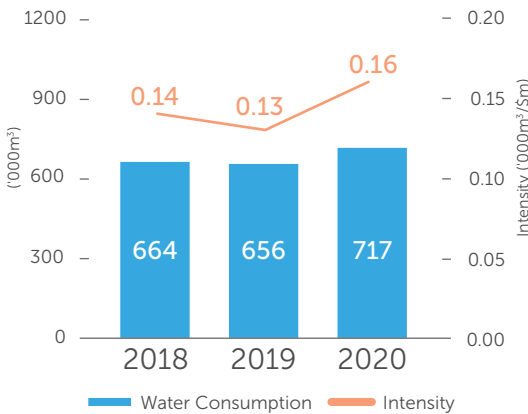
Improving our waste management system and reducing waste at source will continue to be the focus of our waste management initiatives. We have also taken steps to ensure more is done towards responsible waste management. We replaced styrofoam with environmentally friendlier alternatives such as melamine cups, encouraged staff to bring their own foodware and required vendors to adopt recyclable packaging.

In 2020, we recycled 54% of 11,700 tonnes of material and waste generated. The recyclables included waste oil, metal, wood, tyres, paper and batteries.

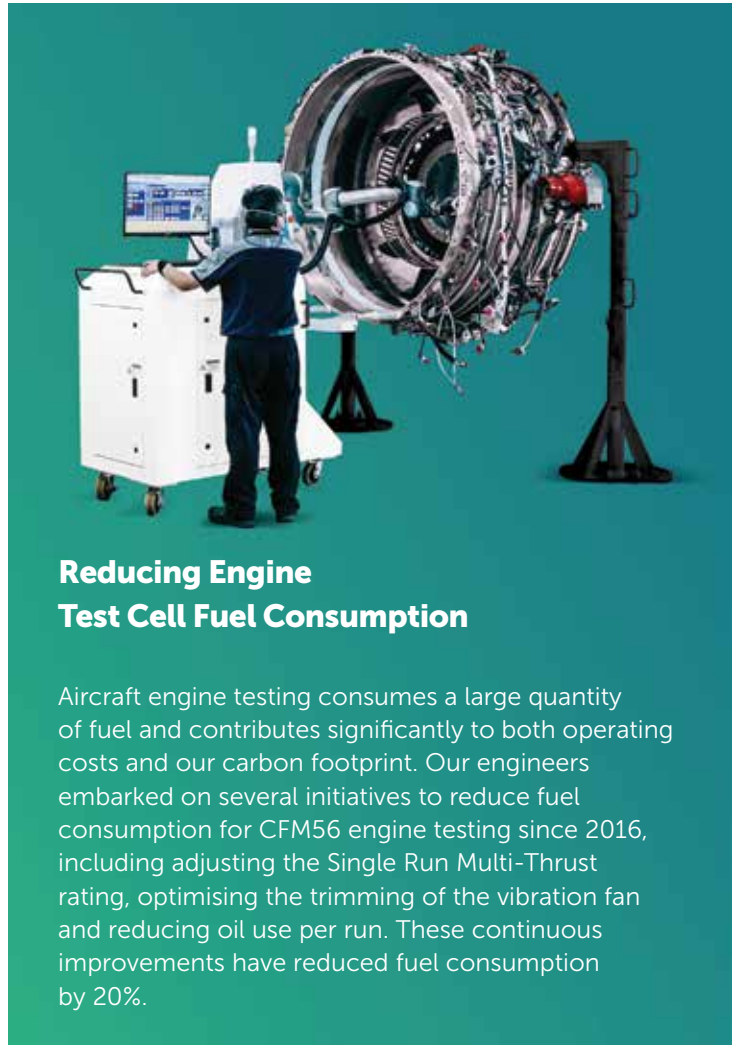
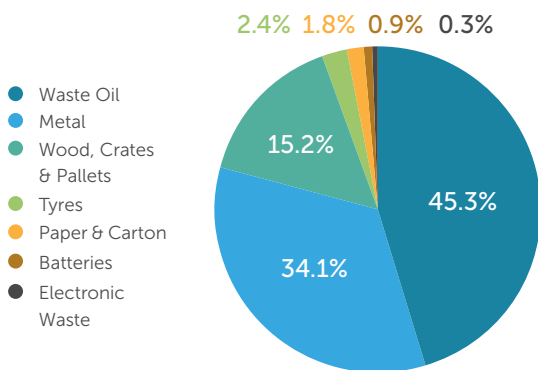
GHG Emissions and Intensity



Water Consumption and Intensity (SGP)



Waste Recycled (SGP)



Reducing Engine Test Cell Fuel Consumption

Aircraft engine testing consumes a large quantity of fuel and contributes significantly to both operating costs and our carbon footprint. Our engineers embarked on several initiatives to reduce fuel consumption for CFM56 engine testing since 2016, including adjusting the Single Run Multi-Thrust rating, optimising the trimming of the vibration fan and reducing oil use per run. These continuous improvements have reduced fuel consumption by 20%.

Notes:

1. SGP: Material Singapore operations.
2. Scope 1: Direct GHG emissions from sources owned or controlled by the Group.
3. Scope 2: Indirect GHG emissions from the generation of purchased electricity consumed.
4. Scope 3: Indirect GHG emissions from business travel by air.
5. GHG emissions intensity figures are computed based on Scope 1 and 2 emissions.
6. 2020 figures have yet to be audited.
7. GHG emissions figures are normalised using Group revenue.
8. Water intensity figures for Singapore operations are normalised using revenue from Asia, of which Singapore is a significant contributor.

SUSTAINABILITY

Environment: Productivity

At ST Engineering, we believe that a highly skilled and engaged workforce is essential for productivity improvement, especially when delivering differentiating solutions to solve real-world problems. Leveraging technology and innovation to continuously improve our processes and promoting skills upgrading are key drivers of the Group's productivity movement.

In 2020, the Group achieved realised productivity savings of \$23.7m from continuous improvement projects in Singapore. This was in addition to COVID-19 related cost savings including procurement savings. We achieved a value added per employment cost of 1.54 for our global operations. This is an improvement from 1.52 in 2019, in part due to COVID-19-related government support received during the course of the year.

We continued to enhance our systems and processes, including the introduction of a budgeting tool to enable seamless collaboration across business functions while improving data accuracy and visibility. Over the last three years, we have also progressively deployed self-service online portals for our employees to request for mid- to back-office support. These service portals are capable of

performance measurement and analytics that generate insights on areas for improvement.

We continued to embrace continuous improvement tools such as 5S, Kaizen and Root Cause Analysis to improve work processes. Key initiatives introduced in 2020 included additional e-learning modules in the areas of problem-solving tools. These modules were rolled out to all Singapore-based mid-level managers, executives and production employees.

Eight teams participated in our annual Team Excellence Convention and they showcased their accomplishments in value creation and productivity enhancements through the creative use of technology, innovation and continuous improvement tools.





Automating A320neo Nacelle Assembly

We introduced robots to our A320neo nacelle assembly lines, saving about 30 hours of assembly time per process (19% improvement over manual efforts) with 99.7% accuracy.

The use of robotics reduced worker fatigue and the on-board cameras and remote sensors increased output quality and precision. Air quality within the workplace was improved by drilling, vacuuming and capturing composite dust in one step. Manual application of sealant for wet install fasteners was eliminated.



Transforming our Manufacturing Operations

We remain committed to our goal of transforming our production activities into Smart Factories through the adoption of Industry 4.0 technologies. These included armoured vehicle manufacturing, as well as component repair and overhaul facilities. Through people-robot collaborations, increased data connectivity and more streamlined work processes, we were able to reduce production disruptions, minimise wastage, optimise equipment availability and improve production lead times. Results included an overall lead time reduction of about 10% for labour-based activities and 20% for machine-based operations.

SUSTAINABILITY

Environment: Green Products & Services

Our Smart City Solutions have been deployed in over 700 projects across more than 130 cities, making cities more connected, sustainable and liveable. We reduce road congestion, boost energy efficiency and reduce waste. Our solutions also help our customers increase productivity and contribute towards more liveable environments.

OUR SUSTAINABILITY SOLUTIONS

We enable cities, airlines and ship operators to be more sustainable. We help them with GHG reduction, eco-disposal & recycling, sustainable consumption, pollution reduction and eco-manufacturing.

We launched training courses for our engineers and product designers in the theory and application of sustainable engineering. These include in-depth coverage of various tools such as Life Cycle Analysis, and the cross-sharing of know-how and practical experiences.



Advanced Digital Technologies for Smart Cities

To enhance our efforts to deliver differentiated and people-centric smart city solutions, we are collaborating with the National University of Singapore on a \$9m, multi-year advanced digital technologies research programme covering five areas: resource optimisation and scheduling, prescriptive analytics, decision and sense-making, reasoning engine and machine learning as well as the creation of digital twins.

GHG Reduction

- Smart street lights that reduce energy consumption by up to 20%
- Smart traffic junctions and management systems that reduce congestion and fuel use
- Smart districts and buildings that optimise energy efficiency
- Airbitat family of coolers that deliver cooling with an 80% reduction in energy consumption compared with conventional coolers
- Conversion of internal combustion engine buses to hybrid electric
- Design and conversion of diesel powered ships to LNG-fuelled or LNG hybrid ships
- EcoPower wash system for aircraft engines to improve fuel efficiency

Eco-Disposal & Recycling

- Green end-of-life solutions for aircraft
- Extended product responsibility including compliance with Singapore National Environment Agency's Resource Sustainability Act 2019

Sustainable Consumption

- New lease of life for ageing passenger aircraft by converting them into freighters
- Extension of service life for military platforms

Pollution Reduction

- Compliance with regulatory requirements relating to pollution arising from the manufacturing, utilisation and maintenance of our products
- Lifecycle environmental hazard analysis and environmental impact assessments
- Selection of sustainable materials during design phase

Eco-Manufacturing

- Robotics and automation to eliminate re-work and improve quality
- 3D printing applications across multiple business domains
- Nesting software to reduce waste material



Meeting Increased Power Demand with Floating Power Plants

Floating Power Plant (FPP) projects meet the increased demand for power. Compared to conventional land-based solutions of similar capacity, the FPP is more cost-effective because it is highly mobile.

FPPs provide electricity supply to areas with limited infrastructure, including urban areas with rapid and significant growth in demand. As a mobile asset, it can be easily relocated, providing power to affected places in the aftermath of earthquakes or floods.

Unique to our first FPP is an innovative steam-water cycle design that significantly improves the plant's gross electrical efficiency by up to 56%, resulting in cleaner energy.

For more examples of our technology and innovations, please refer to pages 34 to 37

SUSTAINABILITY

Social

We have an obligation to our stakeholders to remain a vibrant and sustainable enterprise. Fair compensation, people development, safety and the health of our employees are important to us. In addition, we adhere to labour laws and regulations wherever we operate and have zero tolerance for unethical labour practices such as child labour, forced labour, slavery and human trafficking in any of our operations. We anticipate customers' requirements, deliver quality products and services, source responsibly and invest in communities where we operate.

UN SDG Why It Is More Relevant



We provide good jobs and contribute to the economic growth of the communities we operate in.



We leverage our technology and engineering expertise to help cities and communities be more sustainable.



We stay lean and minimise the environmental impact of our operations.

ESG Factors	Why It Is Material
<p>Economic Performance</p>	<p>Inclusive growth and value creation for our stakeholders are key to our long-term viability. We are committed to delivering a sustainable and balanced triple bottom line of people, planet and profit.</p>
<p>Responsible Procurement</p>	<p>We depend on a resilient and sustainable supply of goods and services to meet our business needs. We are committed to managing our vendors ethically and working with them to ensure a responsible supply chain.</p>
<p>Quality Products & Services</p>	<p>Customers rely on us to meet their operational needs. Our products must be compliant with all relevant regulations, be safe to produce, operate and maintain, and must also be reliable over the product's lifecycle. Our services must also meet our customers' requirements and be delivered within the promised turnaround time.</p>
<p>People Excellence</p>	<p>We are only as strong as our people. With a capable, motivated and agile workforce, we are able to strengthen our talent pipeline to pursue sustainable growth.</p>
<p>Total Workplace Safety & Health</p>	<p>We are committed to "Safety Before Profit". A safe and healthy workplace protects workers from injury, stress and illness, reduces absenteeism and turnover, increases productivity and raises employee morale. This duty of care extends to our visitors and supervised sub-contractors working within our premises.</p>
<p>Corporate Community Contributions</p>	<p>We are committed to being a good corporate citizen where we operate. Making a positive impact on our host communities is in line with our core value of compassion.</p>

How We Manage It	What We Did In 2020	What We Will Do In 2021
<p>Our Strategic Planning community reviews the Group's strategy in light of global trends and developments. Our operations and support function teams focus on operational excellence to ensure that we continue to add value for our stakeholders and positively impact our communities.</p>	<ul style="list-style-type: none"> Delivered \$6.7b in economic contributions despite challenging business conditions. Continued operations as an essential service provider across our global geographies, providing work for local companies in our supply chain, and delivering to our customers 	<ul style="list-style-type: none"> Continue to deliver economic impact and provide good jobs to our communities. Refresh business strategy with sustainability as a focus and reorganise for growth.
<p>Our procurement community champions the effective management of our vendors to align business behaviours, drive greater efficiencies, streamline processes and enable greater resiliency. We work with our vendors to embed our principles of responsible procurement.</p>	<ul style="list-style-type: none"> Launched a Vendor Relationship online platform for strategic vendors supporting our Singapore operations. Started tracking quality, environmental, and occupational health & safety management systems of strategic vendors. 	<ul style="list-style-type: none"> 100% of strategic vendors to endorse our Vendor Code of Conduct 100% inclusion of environmental screening for all new vendors supporting Singapore operations.
<p>Quality efforts are coordinated by the Quality Committee. All material operations in Singapore are ISO 9001 certified. We design, manufacture and support our products in accordance with industry standards and meet all regulatory requirements. We actively work with our suppliers and collaborators to ensure the quality of bought-in parts and services, and regularly seek feedback.</p>	<ul style="list-style-type: none"> Improved customer satisfaction through the implementation of best practices among quality assurance professionals. Implemented initiatives such as e-learning modules on quality behaviours. 	<ul style="list-style-type: none"> Launch additional e-learning modules to further enhance quality and system safety. Further network and share practices across our community of quality assurance professionals globally.
<p>Our people and culture strategy seeks to enhance our capability and capacity for growth, build a passionate and engaged workforce, and position us at the forefront of people practices. This proposition is realised through talent attraction and management, career development, diversity and inclusion, reward system, work-life integration and harmonious union relations.</p>	<ul style="list-style-type: none"> Launched our Global Leadership Development Programme. Enhanced learning via digital delivery. Positioned our employees for the future of work through workforce transformation programmes including reskilling and upskilling initiatives. 	<ul style="list-style-type: none"> Continue to expand and deepen the global footprint of our people practices. Strengthen our learning and development framework to accelerate workforce digitalisation and deepen our engineering and technology capabilities.
<p>Workplace safety and health efforts are coordinated by the Total Workplace Safety & Health Committee. All material business units in Singapore are certified to OHSAS 18001 Occupational Health and Safety Management Standards. Our global operations abide by relevant workplace safety regulations and requirements.</p>	<ul style="list-style-type: none"> Introduced a safety e-learning module during employee induction to enhance safety culture. Reviewed work capacity and options for a more effective Return-to-Work journey for relevant employees. 	<ul style="list-style-type: none"> Review and align our safety performance indicators with best practices. Continue to focus on staff wellness and ensure compliance with relevant statutory and regulatory requirements.
<p>Corporate community contributions are coordinated by the Corporate Social Responsibility Committee. We reference the LBG framework to help us effectively measure, report and communicate our corporate community investments and philanthropy efforts.</p>	<ul style="list-style-type: none"> Supported our communities to cope with COVID-19. Continued to promote volunteerism and build a "doing good, while doing well" culture. 	<ul style="list-style-type: none"> Continue to promote volunteerism. Leverage engineering capabilities and technological expertise to support our communities.

SUSTAINABILITY

Social: Economic Performance

ST Engineering remains committed to creating sustainable and inclusive growth for our stakeholders, especially during these challenging times. We take a long-term view towards value creation through the delivery of a balanced triple bottom line of people, planet, and profit.



Economic performance is material to our sustainability goals. We create good jobs, provide opportunities for local small and medium-sized enterprises (SMEs), collaborate with local institutions and bring together the business communities in the markets that we operate in.

We managed to maintain an even keel amid the challenges posed by COVID-19. Our order book remained robust and increased to \$15.4b in financial year 2020 despite COVID-19 challenges and cancellations. We also adapted and deployed our engineering solutions to help customers with their pandemic response. We continued to invest in our people, build new capabilities through partnerships and strengthen our contributions in the communities where we operate.

Economic contributions by the Group in 2020 was \$6.7b through supplier contracts, staff wages, dividend and interest payouts and tax revenue. Further details can be found in the Performance Review and Financial Report sections of this Annual Report.

Group Economic Contribution	\$m
Bought-in material and services	4,180
Employee wages, salaries and benefits	1,941
Dividends and interest paid	518
Govt taxes and levies	30
Total	6,669

Contributing to Singapore's Economic Growth

Our Singapore operations continued to generate employment and contributed to economic growth through close to \$3b worth of purchases in Singapore, including more than \$300m from local SMEs.

Social: Responsible Procurement

We are committed to procuring ethically and responsibly to ensure a sustainable supply of goods and services to meet our business needs. We recognise the importance of our suppliers for timely delivery of quality products and services, and we actively manage our relationships with these suppliers.

In 2020, we further refined our Responsible Procurement Framework and its three pillars: Vendor Conduct, Vendor Management and Vendor Relationship.

Vendor Conduct, aligned to our sustainability agenda, defines our principles and policies and lays down the basic behaviours and practices in a Vendor Code of Conduct (Vendor Code). All new and strategic suppliers are required to acknowledge their responsibilities outlined in the Vendor Code. It was strengthened to emphasise our material ESG factors and give additional guidance on our expectations.

Vendor Management streamlines the systems and processes we employ to screen, onboard and assess the performance of our vendors, giving them a consistent experience working with the businesses across the Group.

In 2020, we screened 100% of our new vendors based on our revised screening criteria under our Vendor Code. We enhanced our new vendor onboarding

process using a digital platform which resulted in an improved cycle time and better document management. In addition, we carried out a performance assessment on 18 of our panel vendors based on our annual spend and their impact on our operations.

Separately, we segmented our vendors based on profit impact and supplier risks into four categories: strategic, leverage, bottleneck and non-critical. We carried out a Vendor Sustainability Survey with 150 strategic vendors who accounted for 76% of the total procurement expenditure from our Singapore operations. The purpose of the survey was to collect information to form a baseline understanding of the ESG practices of our strategic vendors.

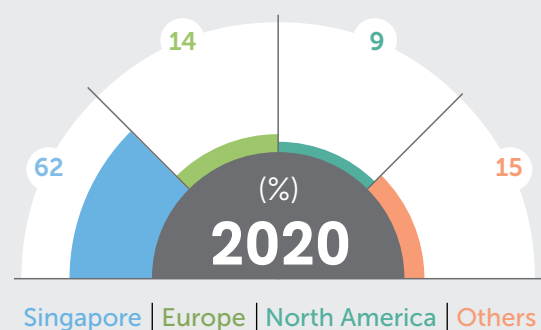
We also helped 22 vendors in their digitisation journey, enabling them to go green, cut costs, and improve their own productivity while delivering us more productivity benefits. We will continue this effort as we grow our business together with our local partners.

Purchases by Singapore Operations

**DISTRIBUTION OF PURCHASES
By Business Sectors**



**DISTRIBUTION OF PURCHASES
By Geographical Locations**



SUSTAINABILITY

Social: Quality Products & Services

We are committed to timely delivery, responsive support and high standards in safety and quality to our customers. We meet regulatory standards and satisfy our customers' requirements. The majority of our Singapore operations are ISO 9001 certified and all operations abide by the requirements of their industry regulatory bodies. Ensuring consistently high quality products and services is a pivotal part of our work.

In 2020, the Quality Committee continued to harmonise and improve our framework to ensure that we meet our customers' expectations and adhere to applicable regulations and international standards.

We developed and launched various e-learning modules to promote the right behaviours in our quality assurance professionals. In the area of product safety, we continued to support system safety developments and promoted sharing across various initiatives and projects. This included developing Singapore

standards for autonomous vehicles and conducting safety courses for all technical employees on system safety principles. In 2020, over 300 employees in engineering and technical roles were trained in system safety.

We convened the second ST Engineering Quality Seminar virtually, focusing on customer value creation and system safety involving over 200 participants from engineering and technical roles.





Ensuring the Safety of Autonomous Systems

As we develop more autonomous products and systems, we added new analytical tools to enhance our system safety practices. This included the identification of operational scenarios and potential hazards to ensure there will not be unsafe controls or actions during operations. At the same time, we carried out simulations and scenario-based tests to validate our design before carrying out actual critical tests.

We also referred to local and international standards for autonomous systems to ensure that we adhere to all current standards and requirements of regulatory bodies including that of the Civil Aviation Authority of Singapore and Singapore's Land Transport Authority.

We have successfully conducted several autonomous systems demonstrations and public trials. We will continue to learn and apply industry best practices and techniques to ensure the safety of our products and solutions.



Improving Construction Quality

In 2020, we started construction on the Once Through Steam Generation (OTSG) system on our first Floating Power Plant. To ensure quality and optimise resources needed to build the OTSG system, our marine hull team carried out a Kaizen project to improve the cutting templates to enhance accuracy. Custom-designed jigs facilitated welding and prevented distortion, and optimised the erection sequence to minimise risks related to working from heights.

The project improved hull structure construction time by 20 manhours per tonne and raised hull fitting productivity by 30%. It also resulted in higher quality production due to greater dimensional accuracy, while enhancing workplace safety by minimising exposure to work-at-height risks.

SUSTAINABILITY

Social: People Excellence

People remain the cornerstone of our business. We remain committed to investing in people development to grow the capabilities of our workforce. Despite the disruptions brought about by COVID-19, we continue to forge ahead with our people strategy across three core areas.

1. Enhancing Capability and Capacity for Growth

We are building a future-ready workforce, one that is equipped with new economy skills and empowered for success.

Through our collaborations with local educational institutions and approved Continuing Education and Training centres, we trained over 3,000 engineers and technicians in new economy skill areas such as robotics, automation and design thinking. In addition, through the Company Training Committees, which were established

in partnership with trade unions, more than 5,000 employees were given opportunities to upskill or reskill. This keeps their skill sets updated and improves their employability in the long run.

We also offered personalised, bite-sized and on-demand learning opportunities to employees. In keeping with our lifelong learning culture, our employees' digital learning experience now extend to a wide repertoire of topics including leadership, communications and presentation, data science, digital marketing and agile project management.



"I was a Quality Engineer, then a Procurement Manager before I came to Xiamen, China to oversee the Engineering, Facility, Information Technology and Import/Export functions. Through these job rotations, I gained a broader view and better understanding of the aerospace MRO industry and how our Group extracts synergies across business units to serve our customers better. There has never been a boring day at work throughout my 13-year career with the Group!"

Zac Xiao

Engineering and Continuous Improvement Director, Aerospace
Based in China

"The Professional Conversion Programme course I took in 2018 expanded my knowledge of industrial robots and applications. I can now better appreciate how different emerging Industry 4.0 technologies can shorten manufacturing processes and eliminate steps that are prone to human error. I truly enjoy my day at work and it brings me great job satisfaction to be in a position to introduce innovative ways to enhance processes for productivity and efficiency improvements."



Ho Yu Lin

Engineer, Land Systems
Based in Singapore



"My company joined the ST Engineering family in 2019. I was able to pick up new skills and on-the-job knowledge as well as from my colleagues and industry experts, who are always willing to share their experiences and know-how. I believe that a continuous learning mindset is important and the Group has provided plenty of learning opportunities for me to stay relevant in this fast-changing world. We must indeed never stop learning!"

Maxim Baele
System Architect, Electronics
Based in Belgium

Structured rotations, overseas postings and accelerated development and succession planning are also important facets of our talent management strategy. We partnered the Singapore Economic Development Board on our Global Leaders Development Programme where employees identified for the programme were sent for international postings to gain global exposure. In addition

to our talent outreach programmes, we participated in Singapore's SG United Traineeships Programme and hired 157 fresh graduates as trainees in 2020. We also welcomed 55 undergraduate interns under a newly-designed structured internship programme which allowed them to gain working experience through different postings across the Group.

"I entered my line of work through an apprenticeship programme back in 1983. It turned out to be one of the best decisions I made. That is why I joined the Halter Marine apprenticeship programme as a mentor to pay it forward. I want to help younger generations pick up new skills and help groom future leaders for the industry. My mantra at work has always been to work hard and push yourself to become better at your craft every day. The sky's the limit!"

Kevin Amis
Executive Vice President, Operations, Marine
Based in the U.S.
(middle)



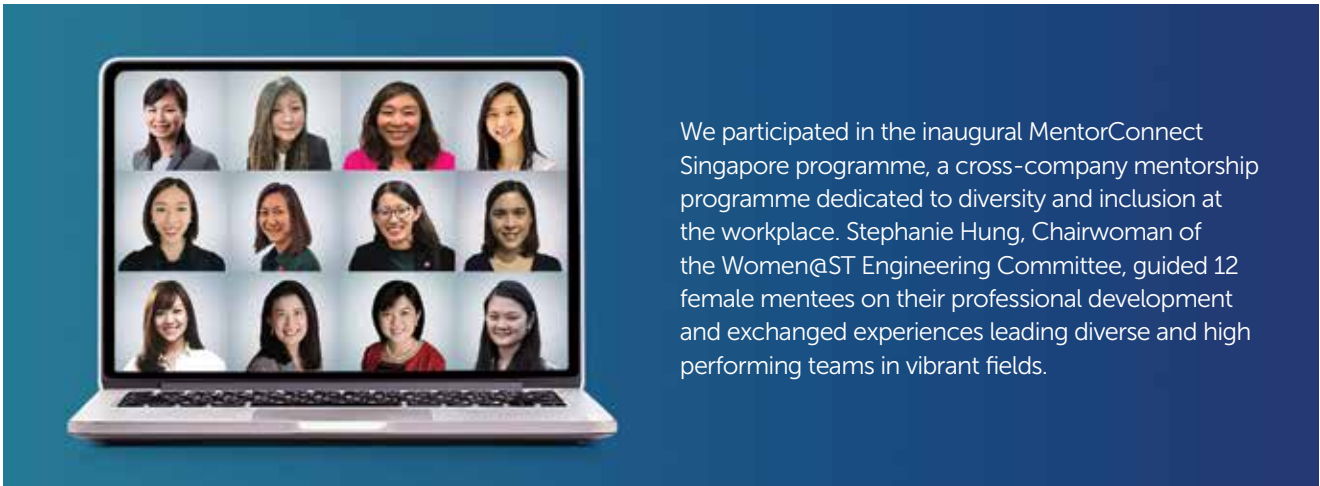
SUSTAINABILITY

Social: People Excellence

2. Strengthening a Passionate and Engaged Workforce

In view of the COVID-19 pandemic, we took extra effort to engage our employees through virtual webinars and a mental wellness experiential workshop.

To inspire the next generation of female leaders, our Women@ST Engineering Committee celebrates achievements by our female employees and encourages sharing of work experiences through interactive webinars, social media channels and our corporate website.

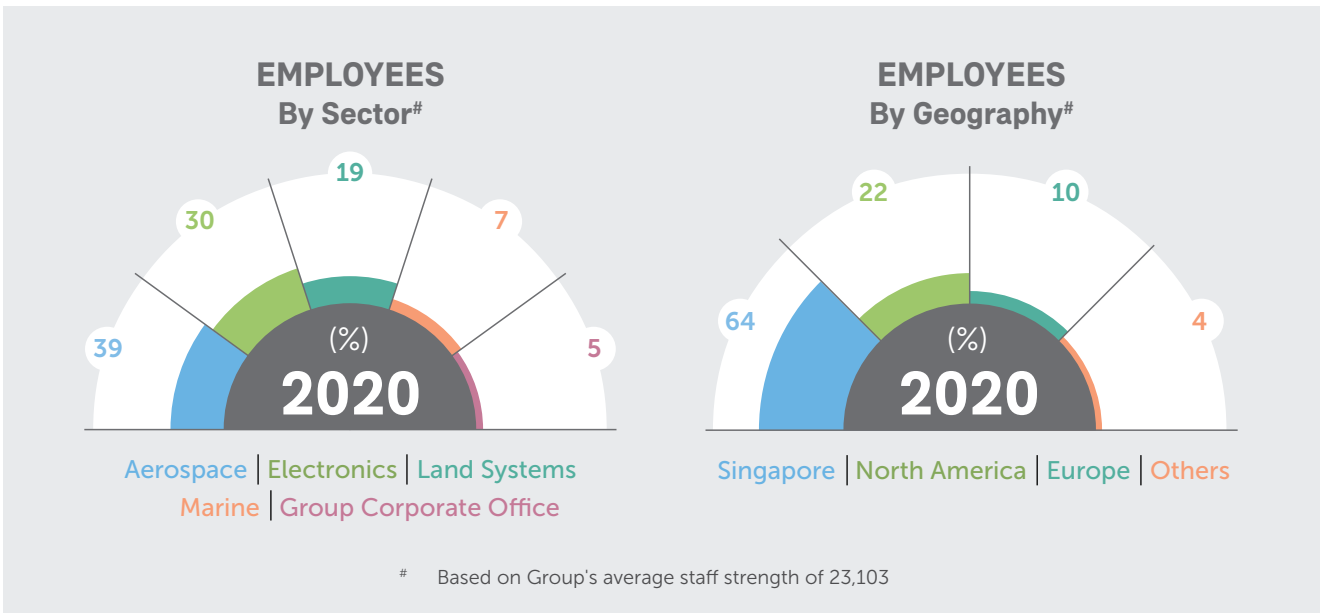


We participated in the inaugural MentorConnect Singapore programme, a cross-company mentorship programme dedicated to diversity and inclusion at the workplace. Stephanie Hung, Chairwoman of the Women@ST Engineering Committee, guided 12 female mentees on their professional development and exchanged experiences leading diverse and high performing teams in vibrant fields.

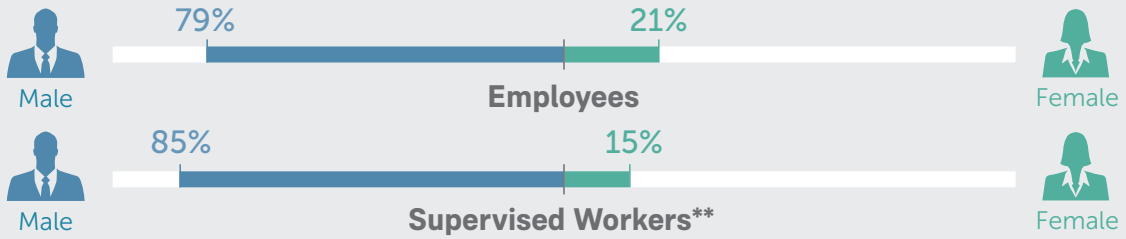
3. Being at the Forefront of People Practices

In 2020, we established policies and procedures to facilitate telecommuting, split teams and staggered work hours. We also shared guidelines and tips to support our workforce as they adjust to new work arrangements.

During the year, we rolled out additional modules in our human resource management system including a recruitment and onboarding module to enhance the experience of hiring managers and candidates, as well as a new learning management system for employees' learning and development needs.

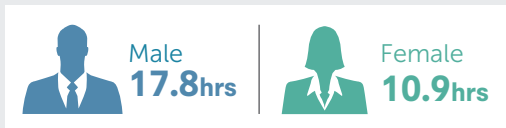


WORKFORCE PROFILE*



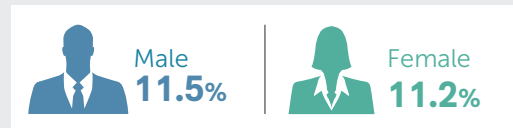
AVERAGE TRAINING PER EMPLOYEE*

16.3hrs



TURNOVER RATE*

11.4%

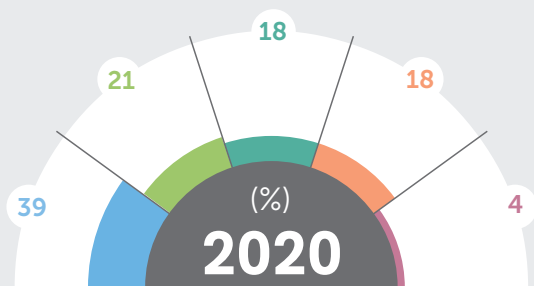


* Based on the Group's Singapore and North America average staff strength

** Supervised workers refer to short-term contract workers hired through local contractors who work in the Group's facilities and are supervised by ST Engineering

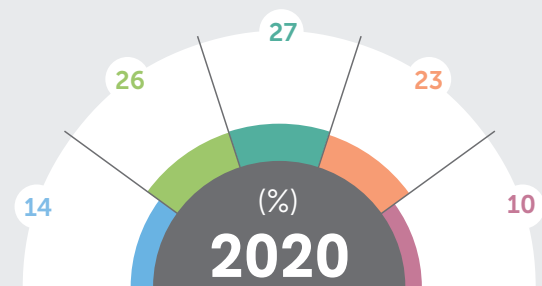


EMPLOYEES By Qualification#



Degree or equivalent | Trade certification | Diploma or equivalent
 "O" or "A" levels or equivalent | Below "O" levels or equivalent

EMPLOYEES By Age#



30 and below | 30+ to 40 | 40+ to 50
 50+ to 60 | Above 60

Based on Group's average staff strength of 23,103

SUSTAINABILITY

Social: Total Workplace Safety & Health

We are committed to “Safety Before Profit”. Promoting a healthy lifestyle and preventing occupational injuries and illnesses are integral parts of our everyday work.

Our Total Workplace Safety and Health (TWSH) Committee continues to roll out workplace safety and health initiatives while promoting physical, emotional and social health for a thriving workforce. The Committee meets every quarter to monitor safety performance, and to review and update TWSH strategies.

As part of its 2020 workplan, the Committee launched an e-learning module to induct new employees and refresh the knowledge of existing staff in the areas of environment, health and safety. Another e-initiative was an online statutory compliance monitoring application to facilitate the tracking of licences, permits and certifications of the Group. The Committee also held

the second ST Engineering Safety Seminar, which was attended by over 300 managers virtually. The seminar featured addresses by Group President & CEO and Chairman of the TWSH Committee, as well as other speakers focusing on topics of behavioural-based safety, mitigation of common hazards and return-to-work initiatives.

We also strengthened our Return to Work Programme as we continue to help our employees regain their ability to work and continue to be productive at the workplace. All our safety officers are trained to identify when they need to activate this programme to improve the chances of bringing workers back to work.

Safety Performance

This year, the safety performance of the Group improved compared to previous years. There were no major or fatal incidents as a result of increased efforts in workplace safety briefings and inspections, as well as telecommunicating arrangements.

This Group-wide Accident Frequency Rate (AFR) and Accident Severity Rate (ASR) in 2020 were 0.8 and 17.2 respectively. The AFR of our Singapore operations decreased from 0.5 to 0.4 and the corresponding ASR decreased from 11.6 to 8.9, which was the best showing in five years.

Causes of Accidents

In 2020, falling from heights and being struck by objects were the most frequent causes of injuries, accounting for 22% each. We continue to promulgate the importance of safe work procedures to our employees via awareness briefings, site inspections and other safety initiatives, to constantly remind employees to take care of their safety and that of their co-workers.



Occupational Health Performance

We continually track and monitor the occupational health and well-being of our employees who are exposed to noisy and hazardous work environments. Our activities include blood tests, audiometric examinations, respiratory fit tests and protection training. In 2020, there were no new cases of noise induced deafness and no occurrences of occupational diseases.

OCCUPATIONAL HEALTH PERFORMANCE INDICATORS**



70

Workplace Safety & Health activities organised



100%

At-risk staff attended respiratory protection training



0

New occupational diseases cases (excluding noise induced deafness cases)



0

New advanced noise-induced deafness cases

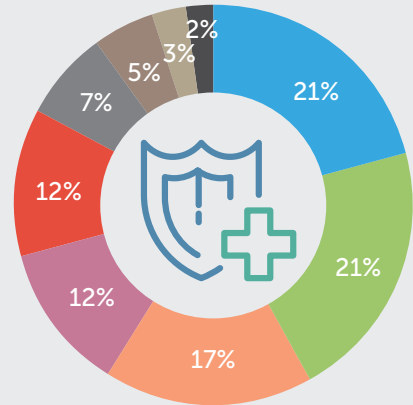


100%

At-risk staff attended audiometric examination

** Refers to Singapore operations only

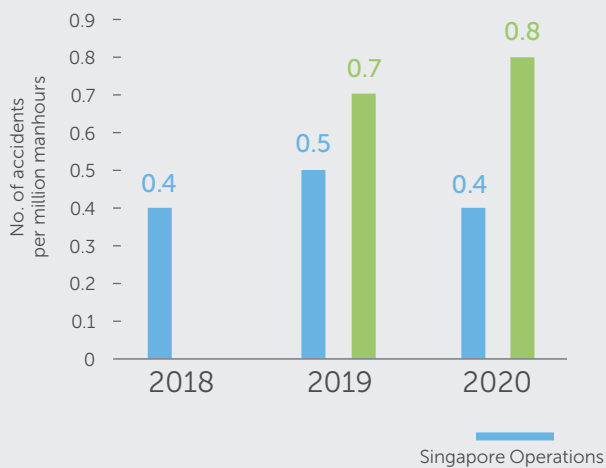
BREAKDOWN OF SAFETY INCIDENTS*



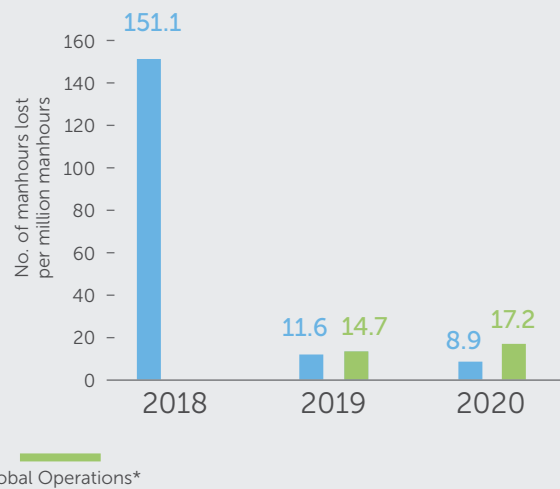
Falls from Height | Struck by Objects
Cuts/Stabbed by Objects
Caught in Between | Slips, Trips and Falls
Machinery in Motion | Burns
Contact with Chemicals | Fractures

* Includes Singapore and material global operations

ACCIDENT FREQUENCY RATE



ACCIDENT SEVERITY RATE



* Includes Singapore and material global operations

SUSTAINABILITY

Social: Corporate Community Contribution

We believe in being a responsible corporate citizen, contributing efforts in building an inclusive and resilient society. We have been managing, measuring and benchmarking our corporate community investments in reference to the LBG framework, and will continue to do so to make strategic progress in community programmes.

In 2020, the onset of COVID-19 led to restrictions on physical interactions, as governments attempted to contain increasing infections in the communities we operate in. This put our plans for in-person community outreach to a halt, but we continued to contribute in other ways where possible throughout the year.

Community Contributions*

\$1.8m Of Unleveraged**
Community Contributions

* Contributions from Singapore and U.S.; the LBG framework was referenced to measure community contributions and issues addressed.

\$1.0m Of Leveraged**
Community Contributions

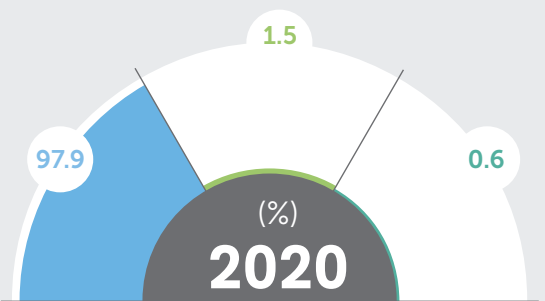
** Unleveraged contributions are from the company while leveraged contributions are those from our employees as a result of the company's encouragement or support.

Contributed
\$150,000
to President's Challenge
in 2020

Raised
\$1,000,000
for IMDA
Digital Access Programme

Contributed
>\$670,000
to Community Chest
SHARE Programme

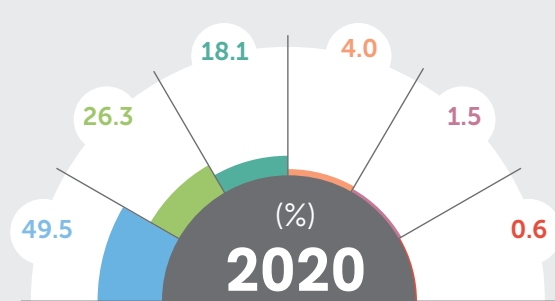
CONTRIBUTIONS BY TYPE***



Cash | Management's Time | Employees' Time

*** Refers to unleveraged contributions only.

CONTRIBUTIONS BY ISSUES ADDRESSED***



Social Causes | Education | Health
Economic Development | Others | Art & Culture

Improving Lives Through Charitable Gifts

We inculcate a giving culture by encouraging employees to participate actively in fundraising activities and community contributions.



Project BYOBclean

More than 200 employees volunteered for Temasek Foundation's Stay Prepared initiative to distribute hand sanitisers to more than 4,000 members of the public in April.



Pledging our support

In 2020, we contributed \$150,000 to the President's Challenge and raised \$1m for IMDA Digital Access Programme to help vulnerable elderly and low-income families in Singapore gain access to digital devices and broadband services. We also helped provide senior citizens with basic functional screening of vision, oral and dental health at subsidised rates through Project Silver Screen in Singapore.

In 2020, the Group collectively contributed over \$670,000 to the Community Chest SHARE programme. For our efforts, the Group received the Charity Platinum Award and Community Spirit Platinum Award at the Community Chest Awards 2020.



Giving In Times Of Need

In key cities where we have a presence, we donated face masks and hand sanitisers to help those in need when there was an acute shortage of such supplies. Our colleagues in Pascagoula, Mississippi, in the U.S., donated US\$5,000 to Our Daily Bread, a charity that feeds hundreds of residents and over 900 toys, books and bicycles in support of the county sheriff department's Santa Wears a Badge programme. Our colleagues in Singapore partnered charity organisations to deliver meals and groceries to 250 households in need, including the elderly, persons with disabilities and financially distressed individuals in the month of June.

SUSTAINABILITY

Social: Corporate Community Contribution

Enriching Lives Through Education

Education is the most compelling way to create positive and sustainable change for a better future. We work with partners and collaborators to provide opportunities so that lives can be enriched and uplifted.

1,118

technology and engineering internship positions offered in 2020

\$1 million

pledged to NTUC Education and Training Fund over four years

A partner of Assumption Pathway School for

8

consecutive years

STEM Education (Singapore)

Besides book prizes and scholarships, we contribute to the Singapore STEM education scene through our support of internships and R&D collaborations with institutes of higher learning. In 2020, we offered 1,118 internship positions for technical and engineering students. Since 2015, our two co-funded Corporate Laboratories with Nanyang Technological University in Singapore and Singapore University of Technology and Design have created research opportunities for 34 PhD students, two MSc students and 10 interns.

STEM Education (U.S.)

In addition to the Pensacola Mayor's Scholarship set up in 2019, the Group launched an apprenticeship programme in 2020 with Mississippi Gulf Coast Community College to train individuals for the maritime industry. The programme offers training for 50 apprentices in welding, ship fitting, pipe fitting, pipe welding and electrical works.

Adult Education

We continued to support the NTUC Education and Training Fund to uplift working Singaporeans through training and education by providing subsidies for skills upgrading and re-skilling. We contributed \$250,000 in 2020, which is part of \$1m committed over four years from 2018.



Touching Lives Through Engineering

As a technology, defence and engineering group, we have the expertise to deliver solutions to enhance living for communities at large as well as those with special needs. In 2020, we provided solutions to support pandemic-related needs, while continuing to contribute to the communities we operate in.



Quality Face Shields

Colleagues in Baltimore, Maryland in the U.S. leveraged their expertise to design and produce quality face shields for nurses in four local hospitals. 3D printing files of the invention were also made available for complimentary downloads.



Complimentary Vehicle Roadworthiness Inspections

We drew on our engineering capabilities in Singapore to provide vehicle roadworthiness inspections at no cost to Metta Welfare Association for their fleet of 11 vans in 2020 and 2021.

SUSTAINABILITY

Governance


ST Engineering is committed to conducting our business in a responsible manner. We do not design, produce or sell anti-personnel mines, cluster munitions, white phosphorus munitions and their related key components.

UN SDG

Why It Is More Relevant



We have a strong heritage in public security and have zero tolerance for unethical behaviour.

ESG Factors	Why It Is Material	How We Manage It
 <p>Ethical Business & Regulatory Compliance</p>	<p>We are subject to applicable laws and regulations of various jurisdictions and industries. We comply with these laws and regulations to maintain our licences to operate and as part of good corporate governance. We have zero tolerance for fraud and corrupt practices and actively protect our data and those entrusted to us by our stakeholders.</p>	<p>The Risk & Assurance function oversees matters relating to governance, risk and compliance. It has in place a regulatory compliance framework, to continually train our global workforce on our Code of Business Conduct and Ethics, and work with relevant functions and operations to strengthen compliance.</p>
	<p>What We Did In 2020</p> <ul style="list-style-type: none"> Enhanced the Code of Business Conduct and Ethics and Compliance e-learning process. Reviewed our enterprise risk management process. Strengthened our overall cybersecurity posture. 	<p>What We Will Do In 2021</p> <ul style="list-style-type: none"> Expand our Code of Business Conduct and Ethics and training programme to cover additional regulatory compliance topics. Engage stakeholders to strengthen the enterprise risk management process.

Governance: Ethical Business & Regulatory Compliance

We have zero tolerance for fraud and corrupt practices, and our Code of Business Conduct and Ethics (Code) forms the backbone of our commitment to ethical business conduct and regulatory compliance. We continue to focus on meeting all relevant regulatory and customers' requirements wherever we operate, including those relating to cybersecurity, data governance and protection and business continuity.

In support of our Code and good corporate governance practices, we have established risk management and compliance policies and processes applicable Group-wide, including managing conflicts of interest, gifts and hospitality, and the appointment of intermediaries.

Our **conflict of interest policy** provides guidance on the different types of conflicts, ranging from financial interest to employee relationships. All relevant employees are required to submit an annual declaration of conflict of interest. All declarations are subject to review by management and employees are to comply with the recommended actions to address such conflicts.

The Group has in place a **gift and hospitality policy**, setting out clear guidelines and principles on the giving and receipt of bona fide gift and hospitality items. This includes charitable donations and sponsorships, where the recipients are subject to appropriate due diligence before approval by senior management.

The **appointment and re-engagement of intermediaries** (including agents) is governed by a formal policy and procedures that entail a risk-based and thorough due diligence review process supported by independent, established service providers. The due diligence process includes onboarding and ongoing screening against sanctions lists and negative media, mandatory anti-bribery and corruption training, compliance with our anti-bribery and corruption policy and clauses as part of the terms and conditions of the agreement. In addition, intermediaries are subject to due diligence checks by established, independent third-party service providers prior to and post appointment.

To reinforce our commitment to ethical business conduct and compliance with laws and regulations, we provide mandatory training on our Code and **Anti-Bribery and Corruption** (ABC) topics annually to relevant employees including all managers and those in high risk positions that frequently interact with business partners. We continuously assess our evolving employee pool and expect further adjustments in the number of relevant employees to be trained in 2021 given the reorganisation.

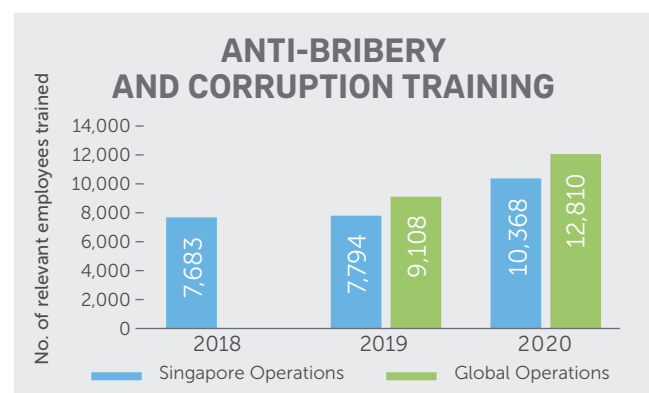
The training programme is conducted electronically. In 2020, we trained 98% of relevant employees, with training of the remaining 2% to be completed in 2021 upon completion of e-training module roll out.

We also communicate our ABC policies and procedures to business partners, including new vendors and intermediaries. This year, we enhanced our e-learning, enrollment and reminders are now automated, and an overview of employees' learning histories are now provided. We also rolled out an e-learning module on Personal Data Protection Act to drive greater awareness.

During the year, we engaged a consultant to review our enterprise risk management framework and the risk reporting process. This is to ensure that our risk management framework and internal control systems remain robust and aligned to current industry best practices.

Our **whistleblowing policy** facilitates the in-confidence disclosures of possible impropriety or non-compliance. All stakeholders can report incidents through various reporting channels that are independently managed. These reporting channels can be accessed through our website at www.stengg.com.

More information regarding our enterprise risk management framework and governance approach can be found in the Corporate Governance Report on pages 104 to 125.



CORPORATE GOVERNANCE

Good corporate governance is the foundation for long-term value creation of the Group. This Report sets out ST Engineering's corporate governance processes, practices and activities in 2020 with specific reference to the guidelines of the Singapore Code of Corporate Governance 2018 (the Code). The Board is pleased to report that the Company has complied in all material aspects with the principles, provisions and recommendations set out in the Code.

BOARD MATTERS

The Board's Conduct of its Affairs (Principle 1)

The Board is accountable to shareholders for overseeing the effective management of the Company. To this end, the Board relies on the integrity, commitment, skills and due diligence of its management, its external advisors and auditors.

In addition to its statutory responsibilities, the Board reserves the following key matters for its decision:

- setting the Group's strategic objectives and ensuring that decisions made are consistent with these objectives;
- approval of annual budgets, major funding proposals, investment and divestment proposals in accordance with the approved delegation of authority framework;
- appointment of the Group President & Chief Executive Officer (Group President & CEO), Board succession and appointments on Board committees;
- appointment of key management executives and succession planning as an ongoing process;
- review of the risk management framework and sustainability performance; and
- approval of the unaudited quarterly and audited full-year results prior to their release.

In the discharge of its functions, the Board is supported by six Board Committees to which it delegates specific areas of responsibilities for reviewing and decision making.

The Group President & CEO, Vincent Chong, is accountable to the Board. He is supported by the Management Committee* which consists of Group Chief Financial Officer (Group CFO), Group Chief Operating Officer and Presidents of the four business sectors.

Director Induction, Training/Development

For the onboarding of a Board member, a formal letter is sent to a Director upon his/her appointment setting out his/her statutory obligations, duties and responsibilities as a Director. He/She is also given key information of the Group and the Company, as well as the terms of reference for the respective Board Committees. An induction programme is organised for a new Director on the strategic direction, sustainability efforts and performance of the Group as well as his/her duties and obligations under the statutory compliance and corporate governance framework. Facility visits are also arranged for new Directors to enable them to develop a good understanding of the Group's business, operations and the respective key management.

The Board is routinely updated on the relevant laws, SGX continuing listing obligations and accounting standards requiring compliance, and their implications to the Group, so as to enable each Director to properly discharge his/her duties as a Board member and Board Committee member.

* *Group Executive Committee (EXCO) replaces Management Committee with effect 1 January 2021. Refer to EXCO profiles on pages 24 and 25.*

Depending on their skill sets and background, Directors are sponsored to attend relevant courses, conferences and seminars to better equip them with the appropriate skills and knowledge to fulfil their governance role and to comply with Directors' obligations. Where there are statutory and regulatory changes that affect the obligations of Directors, the Company will update the Board and, where the changes are substantive, organise briefings by external legal counsel.

Board Meetings

The Board convenes scheduled meetings on a quarterly basis to review the business performance and key activities of the Group and to deliberate significant business proposals. Board members participate actively in Board discussions, and decisions are taken objectively in the interests of the Company. Where warranted by particular circumstances, ad-hoc/special Board meetings may be convened to consider corporate actions requiring the Board's guidance or approval.

To facilitate the Board and Board Committees' decision-making process, the Company's Constitution provides for Directors to participate in virtual meetings. If a Director is unable to attend a Board or Board Committee meeting, he/she will still receive all the papers and materials to be tabled for discussion at that meeting, and where required, separate briefing sessions are arranged. Directors are also equipped with electronic tablets that allow secured access to Board and Board Committee meetings materials. Decisions of the Board and Board Committees may also be obtained via circulation. At the end of every Board meeting, the Chairman allocates time for its non-executive Directors to meet without the presence of management.

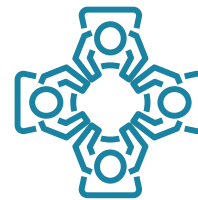
Information furnished to the Board is an ongoing process, which includes monthly consolidated management reports on the financial performance of the Group and the businesses. On a quarterly basis, the management reports would also include key business highlights and capital expenditure of the Group and the businesses to keep the Board apprised of business investments and performance updates.

The Board also has unrestricted access to the Senior Management, the Company Secretary, internal and

external auditors, risk management and sustainability teams. The Board may also seek independent professional advice, if necessary, to enable them to discharge their duties effectively. All engagements of external advisers are at the Company's expense.

The Board and Board Committee meetings are scheduled well in advance. The Board and Board Committee members are provided with complete, adequate, relevant and timely information by Management on matters to be discussed or considered at meetings.

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



Board met

5 times
in 2020

In February 2020, the Board deliberated, and taking into account the business cycle of the Group, decided for the Company to adopt half yearly reporting with immediate effect and for the Company to provide operational updates in the first and third quarters to the market and analysts alike. The Board also decided that Board and Audit Committee meetings would continue to be held quarterly.

During the year, the Board met to consider, among other things, the approval and release of the FY2019 and 2Q2020/1H2020 results, including the review of the 1Q2020 and 3Q2020 Market Updates.

CORPORATE GOVERNANCE

Details and attendance at Board and Board Committee meetings in 2020 are tabulated below.

Board Members' Details			Meeting Attendance Report*								
Names	Independent (I)/ Non-Independent (NI)	Executive (E)/ Non-Executive (NE)	● Chair of the Board/Board Committee ● Member of the Board/Board Committee ● Co-opted Member of Board Committee								
			Board	AC	ERCC	NC	RD&T	RSC	SFC	AGM	
			Number of meeting held in FY2020								
			5	5	4	2	2	5	7	1	
Kwa Chong Seng ¹	I	NE	● 5/5		● 4/4	● 2/2				● 7/7	● 1/1
Vincent Chong Sy Feng	NI	E	● 5/5				● 2/2	● 5/5	● 7/7	● 1/1	
Dr Beh Swan Gin ²	I	NE	● 2/2								
Leong Weng Keong Joseph	NI	NE	● 5/5							● 1/1	
Lim Ah Doo	I	NE	● 5/5	● 5/5					● 6/6	● 1/1	
Lim Chin Hu ³	I	NE	● 5/5		● 4/4	● 2/2	● 2/2	● 2/2	● 2/2	● 1/1	
Lim Sim Seng	I	NE	● 5/5		● 4/4	● 2/2			● 3/3	● 1/1	
Ng Bee Bee (May) ⁴	I	NE	● 3/3			● 2/2					
LG Ong Su Kiat Melvyn	NI	NE	● 5/5					● 5/5			
Quek Gim Pew	NI	NE	● 5/5				● 2/2	● 5/5		● 1/1	
Quek See Tiat	I	NE	● 5/5	● 5/5				● 5/5		● 1/1	
Song Su-Min	I	NE	● 5/5	● 5/5				● 5/5		● 1/1	
COL Xu Youfeng ⁵	NI	NE	● 5/5							● 1/1	

AC-Audit Committee, ERCC-Executive Resource and Compensation Committee, NC-Nominating Committee, RD&T-Research, Development and Technology Committee, RSC-Risk and Sustainability Committee, SFC-Strategy & Finance Committee, AGM-Annual General Meeting

*Refer to meetings held/attended by each Director.

1 Resigned as Chairman of NC but remains as member on 1 June 2020.

2 Retired as Director at AGM and ceased as member of SFC on 15 May 2020.

3 Appointed as Chairman of NC on 1 June 2020, member of SFC on 15 May 2020 and co-opted member of RSC for the period 5 August 2020 to 5 November 2020.

4 Appointed as Director and member of NC on 1 June 2020.

5 Alternate to LG Ong Su Kiat Melvyn.

Role of Company Secretary

The Company Secretary attends all Board meetings and ensures that board procedures are followed, as well as prepares minutes of Board proceedings. The Company Secretary facilitates communication between the Board, its Committees and management, and advises the Board on governance matters including their timely disclosure obligations. The Company Secretary also assists with the induction of new Directors and the co-ordination of training for Board members to keep the Board up-to-date on corporate governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole to decide.

Board Composition and Guidance (Principle 2)

Board Composition and Diversity

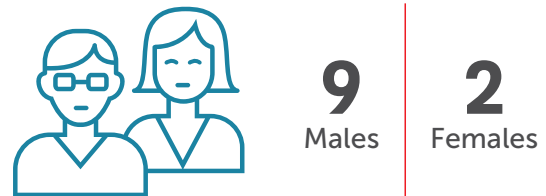
The Board comprises 11 Directors and an Alternate Director. COL Xu Youfeng is Alternate Director to LG Ong Su Kiat Melvyn. LG Ong, in his position as Chief of Defence Force, may be called away on duty at times and may not be able to attend all Board meetings. COL Xu is fully apprised of all Board matters, receives notices to attend Board meetings and Board papers, as well as Board resolutions by circulation. As Alternate Director, he is in a position to act on behalf of LG Ong in the latter's absence.



7	INDEPENDENT & NON-EXECUTIVE DIRECTORS
3	NON-INDEPENDENT & NON-EXECUTIVE DIRECTOR
1	EXECUTIVE DIRECTOR/ GROUP PRESIDENT & CEO

The Board adopted a Board Diversity Policy in 2019. The Board, through the Nominating Committee (NC), reviews the size and composition of the Board taking into consideration the age, skill sets, knowledge, experience, background, gender, independence of Directors and other relevant factors. The Board also recognises that diversity is not limited merely to gender or any personal attributes and believes that having experienced directors with an independent mindset is important for the Board to be effective. The current Board is sized to take into account the global scale

of the Group's businesses and its role in supporting Singapore's defence technology eco system. The Board will continue to review its composition and size to facilitate effective decision-making.



During the year, the Board welcomed the following new Director:

Ng Bee Bee (May) was appointed as an independent and non-executive Director and member of the NC on 1 June 2020. She is the CEO and Executive Director of Pan-United Corporation Ltd.

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

Board Independence

The Board has seven independent Directors who represent more than 60% of the Board and 10 non-executive Directors who represent more than 90% of the Board. The Code requires non-executive directors to make up a majority of the Board. The independence of each Director is determined upon appointment and reviewed annually by the NC.

The NC has reviewed and affirmed that the independent Directors are Kwa Chong Seng, Lim Ah Doo, Lim Chin Hu, Lim Sim Seng, Ng Bee Bee (May), Quek See Tiat and Song Su-Min.

Kwa Chong Seng, Lim Ah Doo, Lim Chin Hu, Quek See Tiat and Song Su-Min declared that each of them does not have any relationships with the substantial shareholder, no management relationship and no business relationship with the Company and its group of companies.

CORPORATE GOVERNANCE

Lim Sim Seng is an executive officer with DBS Bank which ST Engineering group companies has a banking relationship with. The NC determined that the transactions with DBS Bank were at arm's length commercial basis. Mr Lim recused himself from discussions on DBS Bank's dealings with ST Engineering group companies. These dealings would not affect Mr Lim's independence.

Sister of Ng Bee Bee (May) is an Executive Director (Corporate Banking) in United Overseas Bank (UOB) Singapore, but she is not overseeing the banking relationship of ST Engineering group companies with UOB. The NC determined that her sister's position in UOB would not have any conflict or affect Ms Ng's independence.

The Board agrees with the NC's assessment.

Quek Gim Pew, Joseph Leong Weng Keong and LG Ong Su Kiat Melvyn are considered as non executive non independent Directors as they are public sector nominee Directors.

Chairman's Independence

Kwa Chong Seng joined the Board on 1 September 2012. He was appointed Chairman on 25 April 2013. Mr Kwa is the retired Chairman and Managing Director of ExxonMobil Asia Pacific Pte Ltd. The NC has reviewed and affirmed that he is an independent Director.

Kwa Chong Seng will be attaining his nine years of service on the Company's board on 1 September 2021. The independence of Mr Kwa has been rigorously reviewed by the NC and the Board. The Company seeks to strike an appropriate balance between length of service, continuity of experience and refreshment of its Board members. The Board believes that the Company will benefit from having Directors on its Board who, over time, have gained valuable insights of the Company, its markets and the industries in which it operates. The NC and the Board (Mr Kwa abstaining in both cases) have determined that Mr Kwa remains objective and independent in Board and Board Committee deliberations. He constructively

challenges Management during Board and various Board Committee meetings on which he serves and his extensive experience enables him to provide wise counsel and guidance to facilitate sound decision-making. Mr Kwa's length of service on the Board neither interferes with his exercise of independent judgment nor hinders his ability to act in the best interests of the Company. On this basis, the Board is of the view that Mr Kwa will be able to continue to discharge his duties independently with integrity and competency.

The Company has proposed to seek Shareholders' approval at the 2021 AGM, by way of a two-tier vote pursuant to Rule 210 (5)(d)(iii) of SGX-ST Listing Manual (which will take effect from 1 January 2022), for Kwa Chong Seng to continue to be considered as independent Director with effect from 1 September 2021. If passed, the approval for Mr Kwa to be independent Director will remain in force until the earlier of the retirement or resignation of Mr Kwa or the conclusion of the third AGM following the passing of the resolutions.

Chairman and Chief Executive Officer (Principle 3)

The Chairman and Group President & CEO roles and responsibilities are kept separate in order to maintain effective oversight. The recommendation in the Code for a lead independent director is not applicable as the Chairman and the Group President & CEO are separate individuals and are not related. No individual or small group of individuals dominates the Board's decision making process. The Group President & CEO and senior management regularly consult with individual Board members and seek the advice of members of the Board Committees through meetings, telephone calls, as well as by email.

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

provided for discussion of strategic issues and key concerns at Board meetings. He represents the views of the Board to the shareholders.

Vincent Chong as an executive Director/Group President & CEO, is accountable to the Board for the conduct and performance of the Group. He has been delegated authority to make decisions within certain financial limits authorised by the Board. He is supported in his work by the Senior Management.

Board Membership and Board Performance (Principles 4 and 5)

The Board is supported by the following Board Committees:

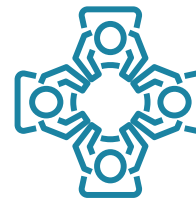
- Audit Committee
- Executive Resource and Compensation Committee
- Nominating Committee
- Research, Development and Technology Committee
- Risk and Sustainability Committee
- Strategy & Finance Committee

Nominating Committee

Independent and Non-Executive Directors

Lim Chin Hu (Chairman)
Kwa Chong Seng
Lim Sim Seng
Ng Bee Bee (May)

The NC is responsible for reviewing the composition of the Board and identifying suitable candidates to the Board, in particular, candidates with the appropriate qualifications, skill sets and experience who are able to discharge their responsibilities as Directors. Shortlisted candidates are recommended to the Board for approval. The NC is also responsible for reviewing and determining the independence of non-executive Directors annually, conducting Board performance evaluation, succession planning for Group President & CEO and key senior management, as well as director training and development.



NC met
2 times
in 2020

The NC is continually engaged in the Board renewal process of ST Engineering, having regard to the skills, experience and industry expertise needed for a balanced board composition to, among other things, oversee governance, risks and sustainability within the Group's business. When the need for a new director is identified, potential candidates are identified from various sources. The NC will assess a shortlist according to the type of expertise needed. The NC will also assess a candidate's character, independence and experience to ensure that he/she has the requisite standard of competence to carry out his/her duties as a director of a listed company.

Board Evaluation

The NC conducted a collective assessment of the Board to gauge the effectiveness of the Board and the individual Board member's performance, the adequacy of the blend of skill sets and experience of the Board, and the quality and timeliness of Board and Committee meeting agendas and papers submitted by the management. The assessment also includes the performance of the Board Committees. The review was internally undertaken with each director being asked to complete a questionnaire. Their feedback was collated and shared with the Board. The review indicated that the Board and Board Committees continue to function effectively. The NC also took on board the feedback of the Board members on areas for improvement.

A peer evaluation on individual director's performance was conducted by way of questionnaire and the results were sent to the NC Chairman and Board Chairman to evaluate the performance of each Director. Board Chairman and/or NC Chairman will act on the results of the evaluation and arrange for one-to-one feedback session with the director, if necessary.

With effect from FY2021, the Company will engage external independent consultant, once every three years, to facilitate Board evaluation process and to provide the Board with an independent perspective

CORPORATE GOVERNANCE

of the Board's performance, including benchmarking against peer boards and best practices.

Maximum Board Representation

The NC also noted the list of other directorships held by our Directors, taking into consideration their principal commitments. The NC and the Board are satisfied that each of the Directors is able to devote time to carry out his/her duties as Director in the Company.

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

Re-election of Directors

The NC is also responsible for renewal and succession plans to ensure Board continuity. At each Annual General Meeting (AGM), one-third of the directors with those longest in office since his/her last re-election have to retire. Effectively, this results in all directors having to retire at least once every three years or even earlier, in compliance with Rule 720(5) of SGX-ST Listing Manual. A retiring director may submit himself/herself for re-election. Under this provision, Vincent Chong Sy Feng, Lim Ah Doo, Lim Sim Seng and LG Ong Su Kiat Melvyn will retire at the 2021 AGM. Ng Bee Bee (May), who is newly appointed, will hold office until the forthcoming AGM of the Company. The retiring Directors, being eligible, have offered themselves for re-election. In accordance with Rule 720(6) of SGX-ST Listing Manual, the information relating to the retiring Directors seeking re-election is found on pages 20 to 22.

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

The Board, acting on the recommendation of the NC, proposes that each of the retiring Directors be re-elected at the Company's 2021 AGM.

Strategy & Finance Committee

Independent and Non-Executive Directors

Kwa Chong Seng (Chairman)
Lim Ah Doo
Lim Chin Hu
Lim Sim Seng

Non-Independent and Executive Director

Vincent Chong Sy Feng

The Strategy & Finance Committee's (SFC) role includes guiding management in the development and execution of the Group's strategies as well as consider and approve tender proposals which are above established contract value limit.

The SFC also reviewed the 2021 Budget prior to submission to the Board for approval.



SFC met
7 times
in 2020

Research, Development and Technology Committee

Non-Independent and Non-Executive Director

Quek Gim Pew (Chairman)

Independent and Non-Executive Director

Lim Chin Hu

Non-Independent and Executive Director

Vincent Chong Sy Feng

The Research, Development and Technology Committee's (RD&T) role includes setting policies and direction for strategic R&D investments and related activities, promoting R&D and inculcating innovative culture, identifying areas of synergy with respect to R&D capabilities, facilities and resources, as well as identifying

new technologies that will enhance the core businesses of the Group.



RD&T met
2 times
in 2020

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies (Principle 6)

Level and Mix of Remuneration (Principle 7)

Disclosure on Remuneration (Principle 8)

Executive Resource and Compensation Committee

Independent and Non-Executive Directors

Kwa Chong Seng (Chairman)
Lim Chin Hu
Lim Sim Seng

The Executive Resource and Compensation Committee (ERCC) performs the role of the remuneration committee. The members of the ERCC have held senior positions in large organisations and are experienced in the area of executive remuneration policies and trends. All ERCC members are non-executive independent directors.



ERCC met
4 times
in 2020

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

The ERCC performs the following duties and responsibilities:

Executive Remuneration General Framework

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

Executive Director and Senior Management Executives

- Reviews and recommends to the Board the entire specific remuneration package and service contract terms for the Group President & CEO, who is also the executive Director.
- Considers, reviews, approves and/or varies (if necessary) the entire specific remuneration packages and service contract terms for the Senior Management Executives of the Group. For FY2020, the Board reviewed and approved the specific remuneration packages and service contract terms for the key management executives.

Non-Executive Director Remuneration

- Reviews and recommends to the Board the remuneration framework (including directors' fees) for non-executive directors.

Equity-based Plans

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

Executive and Leadership Development

- Oversees the development of management with the aim of a continual build up of talent and renewal of strong and sound leadership to ensure the continued success of the Group and its businesses.
- Approves appointments to Senior Management Executive positions within the Group.

For financial year 2020, Aon Solutions Singapore Pte. Ltd. (previously known as Aon Hewitt Singapore Pte. Ltd.)(Aon) was engaged as remuneration consultant (Remuneration Consultant) to provide professional

CORPORATE GOVERNANCE

advice on Board and executive remuneration matters. Aon and its principal consultant are independent and are not related to the Group or any of its Directors.

Executive Remuneration Structure

Remuneration for the Senior Management Executives comprises a fixed compensation, variable cash-based incentives, share-based incentives and market-related benefits.

As part of cost saving measures to mitigate COVID-19 impact, Group President & CEO reduced his base salary by 10%, while the senior management team reduced their salaries between 5% and 10% with effect from 1 May 2020. Base salary reductions were further increased to 20% for Group President & CEO, while Group and Aerospace senior management teams further increased their base salary reductions to between 7% and 20% with effect from 1 November 2020.

Overall total remuneration (including fixed compensation, variable cash and share-based incentives and benefits) for Group President & CEO and Key Management Executives decreased by 25% and 13%, respectively, from FY2019 to FY2020.

A. Fixed Compensation:

The fixed compensation comprises the base salary and compulsory employer's Central Provident Fund (CPF) contributions.

B. Variable Cash-based Incentives:

The variable cash-based incentives include the Performance Target Bonus (PTB) and EVA-based Incentive Scheme.

Performance Target Bonus

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

Individual performance objectives are set at the beginning of each financial year. The objectives are aligned to the overall strategic, financial and operational goals of the Group and Company. These objectives are cascaded down to a select group of key executives

creating alignment between the performance of the Group, Company and the individual.

The individual PTB payouts for the Group President & CEO and key management executives are determined by the ERCC based on the Group's, Company's and individual performance at the end of the financial year.

EVA-based Incentive Scheme

The EVA-based Incentive Scheme (EBIS), which is linked to the Company's economic value-add and financial performance forms part of the short-term incentives for the Senior Management Executives.

Under the plan, a portion of EBIS bonus declared for the financial year will be paid out, annually while the remaining portions will be deferred in an EVA bank. Amounts in the EVA bank are at risk because negative EVA will result in a clawback of EVA accumulated in the bank. This mechanism encourages the Senior Management Executives to work for sustained EVA generation and to adopt strategies that are aligned with the long-term interests of the Group.

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

Based on the ERCC's assessment of the Group performance for the financial year 2020, there was no EBIS declared for the financial year.

C. Share-based Incentives:

Shareholders approved the adoption of the Singapore Technologies Engineering Performance Share Plan 2020 ("PSP2020") and the Singapore Technologies Engineering Restricted Share Plan 2020 ("RSP2020" and together with the PSP2020, the "2020 Share Plans") at the 23rd AGM held on 15 May 2020.

The 2020 Share Plans replaced the Singapore Technologies Engineering PSP 2010 ("PSP2010") and the Singapore Technologies Engineering RSP 2010 ("RSP2010" and together with the PSP2010, the "2010 Share Plans"), both of which expired on 20 April 2020. The expiry of the 2010 Share Plans did not affect the awards under the 2010 Share Plans which were granted prior to such expiry, whether such awards had been released to participants (whether fully or partially) or not.

The 2020 Share Plans have substantially the same terms as the 2010 Share Plans, save for the introduction of

new malus and clawback rights, a reduction in size limit (from 8% under the 2010 Share Plans to 5% under the 2020 Share Plans¹), amendments to take into account the changes to relevant legislation and the SGX Listing Manual, and changes to streamline and rationalise certain other provisions.

The malus and clawback rights under the 2020 Share Plans allow the ERCC to cancel all or part of any award to the extent not yet released to the participant, and to exercise the right to clawback the monetary value of shares which have been released to the participant within a six-year clawback period, if certain exceptional circumstances occur in relation to that participant. Such exceptional circumstances include (but are not limited to):

- the grant of the relevant award being based on inaccurate financial statements;
- the participant having engaged in conduct which resulted in or contributed to any financial loss or reputational harm to the Company or the Group; and
- the participant having engaged in misconduct or committed fraud or breach of trust or duty in relation to the Company or the Group.

The Group also has clawback policies for the unvested shares granted under the 2010 Share Plans in the event of exceptional circumstances of restatement of the financial results of the Group subsequent to an earlier misstatement, or of misconduct or fraud resulting in any financial loss to the Group.

With respect to financial year 2020, share awards granted before 20 April 2020 were made pursuant to the 2010 Share Plans while share awards granted after 15 May 2020 were made pursuant to the 2020 Share Plans. The grants made under both the 2010 Share Plans and the 2020 Share Plans during financial year 2020 did not exceed 0.5% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), which is the internal annual limit set by the ERCC for the 2020 Share Plans.

The aggregate number of shares issued and/or to be issued and the aggregate number of existing shares (including treasury shares) delivered and/or to be delivered, pursuant to the 2010 Share Plans, does not exceed 5% of the issued share capital of the Company (excluding treasury shares), even though the limit under these share plans is 8%.

Details of the abovementioned share plans and grants are set out in the Share Plans section of the Directors' Statement from pages 133 to 136 of this Annual Report.

¹ Percentages are of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings).

PSP2010 / PSP2020

The objective of the PSP2020, like the PSP2010, is to motivate Senior Management Executives to strive for sustained growth and performance of the Group.

Performance share awards are generally granted on an annual basis and are conditional on the Group meeting targets set for a three-year performance period. With effect from the financial year 2018, the performance measures used in performance share grants are:

- Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and
- Earnings Per Share (EPS) Growth against pre-determined EPS Growth targets over the relevant performance period.

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

The release of the shares is also conditional on satisfactory individual performance at the end of the performance period.

For performance share awards granted during financial year 2018, the Group has partially met the predetermined target performance level set. These awards were conditional upon the performance of the Group from financial years 2018 to 2020.

RSP2010 / RSP2020

The objective of the RSP2020, like the RSP2010, is to retain and motivate managers and above to strive for sustained long-term growth of the Group. The plans also aim to foster a share ownership culture among employees within the Group and to better align employees' incentives with shareholders' interests. The RSP2020, like the RSP2010, also allows for restricted share awards to be granted to non-executive Directors ("NED Awards") as part of their remuneration in respect of their office as such in lieu of cash. Such awards, which are meant to align the interests of the Directors with those of shareholders, will consist of fully paid shares with no vesting periods or performance conditions imposed although the Directors will be required to hold the shares for certain moratorium periods.

CORPORATE GOVERNANCE

Restricted share awards are generally granted on an annual basis. Save for NED Awards, restricted share awards are generally conditional on the Group meeting a target set for a one-year performance period. With effect from the financial year 2020, the performance measure used in such restricted share grants is:

- Return on Capital Employed (ROCE)

Under such awards, a minimum threshold performance is required for any shares to be released after the end of the applicable performance period. The shares will vest equally over a four-year period, subject to continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

For restricted share awards granted during financial year 2020 which were subject to performance measures, the Group has met the predetermined performance threshold level set. These awards were conditional upon the performance of the Group in financial year 2020.

D. Market-related Benefits:

The benefits provided are comparable with local market practices.

The Code requires a company to disclose the names and remuneration of the CEO and at least the top five key management personnel (who are not also directors or the CEO). Details of the remuneration package for the Group President & CEO are provided in the Summary Remuneration Table for directors on page 116. Details of the remuneration packages for the Key Management Executives are provided in the Summary Remuneration Table for Key Management Executives on page 117.

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

for sufficient evidence indicating Pay-for-Performance alignment for the Group in terms of both absolute and relative performance.

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

During financial year 2020, there were no termination, retirement and post-employment benefits granted to directors, Group President & CEO and Key Management Executives other than in accordance with the standard contractual agreement.

There were no employees who were immediate family members of a director or the Group President & CEO and whose remuneration exceeded S\$100,000 during the financial year 2020, except for Quek Gim Chuah, the brother of Quek Gim Pew, Director of the Company. Quek Gim Chuah has been with ST Engineering for 33 years since April 1987 and is currently the Vice President of Quality and Safety at VT Mobile Aerospace Engineering. He reports to the President, ST Engineering Aerospace America, who functionally reports to President of the Aerospace sector. In this role, he has no dealings with ST Engineering's Board of Directors. Like all other non-executive Directors, Quek Gim Pew is not involved in operational matters and the hiring, appraisal and remuneration of middle management, including that of his brother Quek Gim Chuah. For these reasons, we decided to respect Quek Gim Chuah's confidentiality by not disclosing his remuneration band.

Non-Executive Director Remuneration

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

For services rendered in financial year 2020, eligible NEDs will receive 70% of the total directors' fees in cash and 30% of the total directors' fees in the form of restricted shares which are governed by the terms of RSP2020, subject to shareholders' approval at its AGM in April 2021.

As the restricted shares are granted in lieu of directors' remuneration in cash, the shares will be granted outright as fully paid shares with no performance conditions

attached and no vesting periods imposed. To encourage the alignment of interests of the NEDs with the interests of shareholders, the share grant has a moratorium on selling. Each eligible NED is required to hold shares in the Group worth the lower of: (a) the total number of shares in the Group granted to such NED as payment

of the shares' component of the NEDs' fees for financial year 2011 and onwards; or (b) the number of shares of equivalent value to the prevailing annual basic retainer fee for a director of the Group. An NED can sell all his/her shares in the Group a year after the end of his/her Board tenure.

The computation of NEDs' remuneration is based on the following rates.

	From Private Sector (\$) FY2020
Chairman Fee (all-in)	750,000
Board Basic Retainer Fee	
Director	75,000
Additional/Committee Fees	
Audit Committee:	
- Chairman	52,000
- Member	29,000
ERCC, SFC, RD&T and RSC:	
- Chairman	35,000
- Member	18,000
Other Committees (including NC):	
- Chairman	29,000
- Member	14,000
Attendance Fees	
Per Board Meeting	5,000
Per Board Committee Meeting	2,500

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

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

	Public Sector NED fees (\$) FY2020
Chairman	45,000
Deputy Chairman/Chairman Executive Committee/ Chairman Audit Committee	33,750
Member Executive Committee/Member Audit Committee/Chairman of Other Board Committee(s)	22,500
Director	11,250

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

To lend support and solidarity as the Group weathers the COVID-19 pandemic together with its partners and stakeholders, the Board volunteered to reduce Board fees by 10% with effect from 1 May 2020.

The NEDs' remuneration payable in respect of financial year 2020 is proposed to be \$1,680,047 (FY2019: \$1,724,587). Details of the directors' remuneration are provided in the Summary Remuneration Table for Directors on page 116.

CORPORATE GOVERNANCE

SUMMARY REMUNERATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (GROUP):

Payable by the Company

Executive Director	Salary ^{*1} \$	Variable Cash-based Incentives ^{*2} \$	Benefits ^{*3} \$	Share-based Incentives ^{*4} \$	Directors' Total Fees ^{*5}		Total
					Cash-based \$	Share-based \$	
Vincent Chong Sy Feng	\$961,577	\$1,166,094	\$130,015	\$1,485,998	–	–	\$3,743,684
Non-Executive Directors[#]							
Kwa Chong Seng ^(a)	–	–	–	–	489,857	209,938	699,795
Dr Beh Swan Gin ^{(b)(c)}	–	–	–	–	4,106	–	4,106
Joseph Leong Weng Keong ^(c)	–	–	–	–	10,497	–	10,497
Lim Ah Doo	–	–	–	–	113,459	48,625	162,084
Lim Chin Hu ^(d)	–	–	–	–	132,557	56,810	189,367
Lim Sim Seng	–	–	–	–	112,268	48,115	160,383
Ng Bee Bee (May) ^(e)	–	–	–	–	45,384	19,450	64,834
LG Ong Su Kiat Melvyn ^(c)	–	–	–	–	10,497	–	10,497
Quek Gim Pew ^(c)	–	–	–	–	20,994	–	20,994
Quek See Tiat	–	–	–	–	138,184	59,222	197,406
Song Su-Min	–	–	–	–	112,059	48,025	160,084
COL Xu Youfeng (Alternate to LG Ong Su Kiat Melvyn)	–	–	–	–	–	–	–
Total for Non-Executive Directors	–	–	–	–	1,189,862	490,185	1,680,047

Payable by Subsidiaries

Executive Directors							
Vincent Chong Sy Feng ^(f)	–	–	–	–	30,000	–	30,000
Non-Executive Directors							
Quek Gim Pew ^(c)	–	–	–	–	12,500	–	12,500
Lim Chin Hu	–	–	–	–	20,000	–	20,000
Total for Non-Executive Directors	–	–	–	–	32,500	–	32,500

Non-Executive Directors' fees after 10% reduction. The fees reduction took effect from 1 May 2020.

*1 Salary includes base salary (after 20% reduction) and employer CPF for the financial year ended 31 December 2020.

*2 Variable Cash-based Incentives include Performance Target Bonus & EVA-based incentive declared. For financial year ended 31 December 2020, there was no EVA based incentive declared.

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

*4 Share-based incentives consist of PSP and RSP shares granted for financial year ended 31 December 2020.

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

(a) Resigned as Chairman of NC but remains as member on 1 June 2020.

(b) Retired as Director at AGM and ceased as member of SFC on 15 May 2020.

(c) Fees for public sector directors are payable to a government agency, the DCAC.

(d) Appointed as Chairman of NC on 1 June 2020, member of SFC on 15 May 2020 and co-opted member of RSC on 5 August 2020 till 5 November 2020.

(e) Pro-rated. Appointed as Director and member of NC on 1 June 2020.

(f) Fees are payable to Singapore Technologies Engineering Ltd.

SUMMARY REMUNERATION TABLE FOR KEY MANAGEMENT EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2020 (GROUP):

Remuneration	Salary* ¹ %	Variable Cash-based Incentives* ² %	Benefits* ³ %	Share-based Incentives* ⁴ %	Total
Between \$2,000,000 and \$2,250,000					
Lim Serh Ghee	27%	39%	4%	30%	100%
Between \$1,750,000 and \$2,000,000					
Ravinder Singh s/o Harchand Singh	32%	34%	4%	30%	100%
Between \$1,500,000 and \$1,750,000					
Foo Chee Keng Cedric	36%	29%	5%	30%	100%
Between \$1,250,000 and \$1,500,000					
Ng Sing Chan	42%	22%	6%	30%	100%
Between \$1,000,000 and \$1,250,000					
Lee Shiang Long	40%	30%	5%	25%	100%
	Total for Key Management Executives				\$8,667,903

*1 Salary includes base salary (after reduction between 10% and 20%) and employer CPF for the financial year ended 31 December 2020.

*2 Variable Cash-based Incentives include Performance Target Bonus & EVA-based incentive declared. For financial year ended 31 December 2020, there was no EVA based incentive declared.

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

*4 Share-based incentives consist of PSP and RSP shares granted for financial year ended 31 December 2020.

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls (Principle 9)

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board received a written assurance from the Group President & CEO and the Group CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Risk and Sustainability Committee (RSC) is established to ensure the Management has adequate oversight over the awareness and handling of risks and sustainability matters.

Risk and Sustainability Committee

Independent and Non-Executive Directors

Quek See Tiat (Chairman)

Song Su-Min

Non-Independent and Non-Executive Directors

LG Ong Su Kiat Melvyn

Quek Gim Pew

Non-Independent and Executive Director

Vincent Chong Sy Feng

For the Board to discharge its duties objectively over risks and internal control, Management of ST Engineering meets with the Board and Board Committees frequently during the year:



RSC met
5 times
in 2020

a) Sustainability Oversight

The RSC oversees the Group's sustainability matters. Details on sustainability governance can be found in the Sustainability Report on page 75.

b) Risk Governance

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

The RSC is supported on risk related matters by the Risk and Assurance (R&A) function headed by Head, R&A working with Chief Risk Officers (CROs) of the respective businesses and management team. The R&A function is key to making sure that ST Engineering manages its risks, complies with legal and regulatory requirements where it operates and has the right governance and controls in place. Specifically, the R&A function is to:

- work with Management to strengthen in-line controls and governance, risk management and compliance (GRC) culture;
- provide assurance to Management that the Group is conducting its business in compliance with all relevant and material regulations, customer requirements and internal procedures; and
- ensure continued effectiveness of GRC frameworks, policies and procedures in Singapore and overseas business units.

The Head, R&A reports to Group CFO. The R&A function provides leadership in the implementation of a Group-wide Enterprise Risk Management (ERM) framework that allows risks to be identified, assessed, monitored and managed by the business managers.

Enterprise Risk Management Framework

The Group adopts an ERM framework to identify, assess, monitor and manage key business risks in the short, medium and long term. The ERM framework sets out a common and consistent understanding of risks and risk tolerance limits across the Group. The framework allows the Board and Management to have a shared understanding of the risk philosophy and overall appetite for risk as they establish the strategies and objectives.

The annual risk work plan is approved by the RSC.

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

During the year, the Group engaged an external consultant to review its ERM Framework, and had completed enhancements to the framework accordingly.

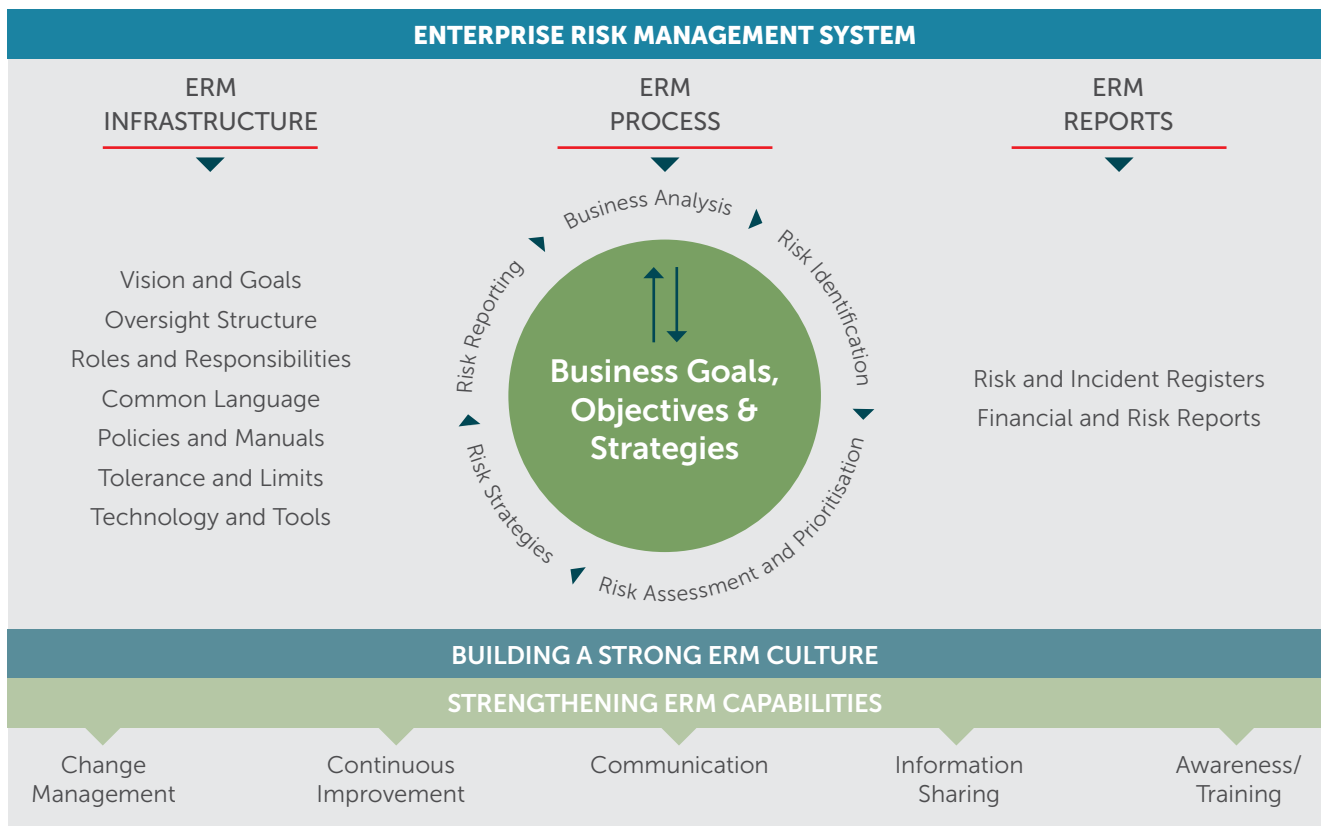
c) Risk Aware Culture and Training

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

As part of the risk awareness and communication programme, annual risk management training plans covering covering ST Engineering Code of Business Conduct and Ethics, and key risk topics are rolled out at the Group level. The status of training is updated to the RSC at periodic intervals.

d) Risk Review Process

Under the ERM framework, a risk dashboard of the top business risks to streamline is developed and maintained by each of the significant business units, rolling up into a summary dashboard for respective businesses. Once the top business risks are identified, measures will then be taken to develop and implement risk preventive and mitigation actions (collectively known as "controls") and risk monitoring processes. The business managers are required to periodically review the effectiveness of the controls implemented, and initiate the necessary changes as the risk profile changes.



Quarterly, President/Head of Aerospace, Electronics, Land Systems and Marine, as well as their respective CROs review respective dashboard of top business risks with the RSC. At the meetings, these Presidents/Heads and CROs will discuss the risk management action plans and measures to address these risks. At the same time, they will also highlight the following for discussion:

- emerging trends and issues in each business sector;
- new risks or changes to existing risk profile;
- new risk incidents;
- major risk exposures; and
- risk management actions taken on previously identified risks.

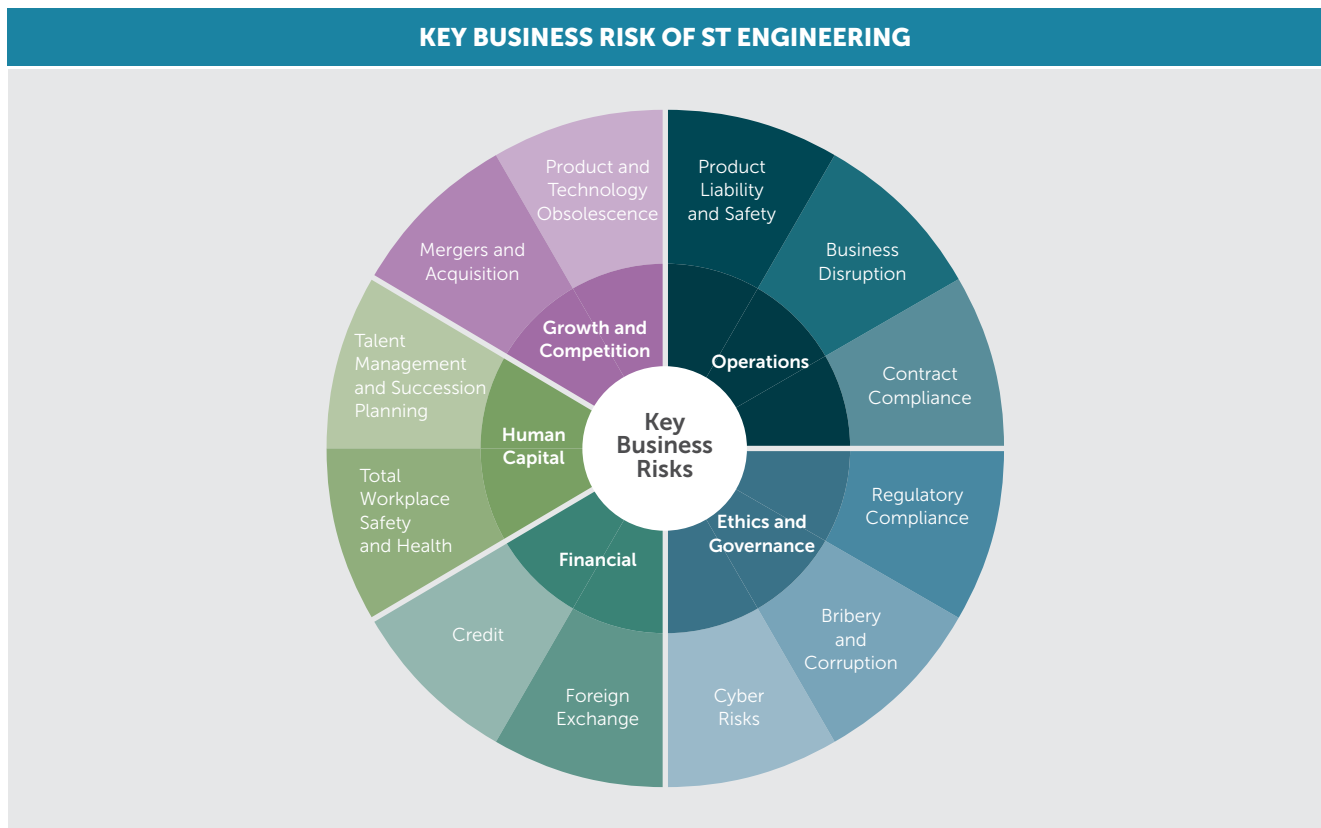
CORPORATE GOVERNANCE

The RSC continues to monitor the implementation of risk management policies and procedures and receives updates to the risk registers maintained by the respective businesses. Such reviews include compliance with major laws and regulations, as well as business disruption risks and their continuity plans.

e) Risk Management Self Assurance Process

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

On the basis of this self-assessment, annually, the RSC will receive written assurances from management on the adequacy and effectiveness of the system of risk management and controls to manage the key business risks.



System of Internal Control and Risk Management

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

The Board has received assurance from the Group President & CEO and Group CFO on the adequacy and

effectiveness of the Company's internal controls and risk management systems.

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

Based on the internal controls and risk management process established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board is satisfied that the Group's framework of internal controls (including financial, operational, compliance and information technology controls) as well as the risk management systems are adequate and effective as at 31 December 2020. The AC concurs with the Board on the adequacy and effectiveness of the internal controls and risk management systems established and maintained by the Group as at 31 December 2020.

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

Audit Committee (Principle 10)

Independent and Non-Executive Directors

Quek See Tiat (Chairman)

Lim Ah Doo

Song Su-Min

The Audit Committee (AC) comprises all independent Directors with majority, including the AC Chairman, having relevant accounting or related financial management experience. The AC does not comprise any former partner or director of ST Engineering's existing audit firm within two years preceding their appointment to the AC and none of them have any financial interest in the audit firm.

The duties of the AC include the following:

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and all announcements relating to financial performance;
- reviewing at least annually the adequacy and effectiveness of internal controls and risk management systems;

- reviewing the assurance from the Group President & CEO and the Group CFO on the financial records and financial statements;
- making recommendation to the Board on the appointment, removal, remuneration and the terms of engagement of the external auditors;
- reviewing the adequacy, effectiveness, independence, scope and results of both the external and internal audit functions; and
- reviewing the whistle-blowing policy and arrangements and all significant whistle-blowing cases; the AC Chairman also chairs the Whistle Blowing Committee and is supported by the Group CFO, Group General Counsel, Group Chief Human Resource Officer, Group Head, R&A and Group Head, Internal Audit (Group Head, IA). The Whistle Blowing Committee reviews the contents of the concerns raised, deliberates and determines if any action is to be taken, including making enquiries and pursuing internal investigations. The AC will review the adequacy of every investigation instituted.

The AC ensures that the Group Head, IA has direct and unrestricted access to the Chairman of the Board and the AC. The AC reviews the appointment, remuneration and resignation of the Group Head, IA.

ST Engineering's IA function is staffed with individuals with the relevant qualifications and experience and comprises a team of 20 staff members, including the Group Head, IA, who reports to the AC.

IA is a member of the Singapore Chapter of the Institute of Internal Auditors (IIA) and adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) laid down in the International Professional Practices Framework issued by the IIA. IA continues to meet or exceed the IIA standards in all key aspects.

The AC is satisfied that IA is independent, effective and adequately resourced.

The AC considered and approved the 2020 Audit Plans for the external and internal audits. In addition, the AC reviewed the adequacy of internal control procedures including cybersecurity issues, interested person transactions and the issues raised in all IA reports.

CORPORATE GOVERNANCE

The appointment of external auditors is subject to approval at each AGM. In making its recommendations to shareholders on the appointment and re-appointment of external auditors, the Board relies on the review and recommendations of the AC. The AC reviews the adequacy, effectiveness, independence, scope and results of the external audit and makes recommendation to the Board on the appointment, removal, remuneration and the terms of engagement of the external auditors. In compliance with SGX requirements, an audit engagement partner may only be in charge of an audit for up to five consecutive years. PricewaterhouseCoopers LLP, first appointed in 2020, has met this requirement, and the current audit engagement partner also took over ST Engineering's audit in 2020.

Fees paid to the external auditors for audit and non-audit services of the Group for financial year 2020 totalled \$4.3m, of which \$0.16m or 4% were for non-audit services. The AC was satisfied that the non-audit services provided by the external auditors did not compromise their independence.

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

During the year, the AC held five meetings, including a joint meeting with the RSC to review significant risks of the Company and related key controls.



AC met
5 times
in 2020

The AC also met with the external auditors, and with the internal auditors, in each case without the presence of Management.

The AC reviewed the financial statements of the Group before the announcement of the Group's half-yearly and full-year results. In the light of the COVID-19 pandemic impacting the Group's businesses, the AC focused its review on the areas of financial statements affected by the pandemic. Amongst the matters discussed with Management and the external auditors, the following significant matters impacted the financial statements, and were reviewed by the AC in relation to their materiality and appropriateness in approach, methodology and assessment:

Significant matters	How the AC reviewed these matters
Impairment assessment of non-financial assets – goodwill	The AC reviewed the reasonableness of cash flow forecasts, the long-term growth rates and discount rates used in the valuation models in goodwill impairment assessments, as well as how the impact of COVID-19 has been considered in the cash flow forecasts. The AC also reviewed the stress testing of the valuation and its sensitivity to changes in key assumptions used in the valuation model.
Revenue recognition based on stage of completion	The AC reviewed the various controls that were designed and applied by the Group in the recognition of revenue and profit from contracts with customers to ensure that the estimates used in determining the amount of revenue and costs recognised for the performance obligations were appropriate.

The AC concluded that Management's accounting treatment and estimates were appropriate for the above significant matters. All the key audit matters (KAMs) that were raised by the external auditors for the financial year ended 31 December 2020 have been addressed by the AC and discussed in the above commentary. The KAMs in the audit report for the financial year ended 31 December 2020 can be found on pages 141 to 142 of this Annual Report.

The AC was kept updated on relevant changes in accounting standards and their implications on the financial statements.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings (Principle 11)

Conduct of 23rd Annual General Meeting

Arising from the COVID-19 pandemic, ST Engineering's 23rd AGM was conducted in accordance with the alternative arrangements for general meetings prescribed by a ministerial order issued under the COVID-19 (Temporary Measures) Act 2020.

The Annual Report, Notice of AGM and Proxy Form for the 23rd AGM were made available via SGXNET and our corporate website. The meeting was conducted via electronic means whereby its shareholders attended via live audio-visual webcast or live audio-only stream. Shareholders submitted questions in advance upon registration for the attendance. The Company addressed the substantial and relevant questions received by publishing the answers via SGXNET and our corporate website before the meeting.

Our Group President & CEO started the 23rd AGM by recapitulating the Company's growth strategy and aspiration, as well as the Group's performance in 2019. He also provided an overview of the Group's priorities in 2020, the Group's operations amid COVID-19 and the mitigation factors for COVID-19 impact as well as the Group's support to the local eco systems. The presentation material was also available on both SGXNET and our corporate website.

On voting, each proposal was put to vote as a separate resolution. We do not "bundle" resolutions. Shareholders appointed Chairman as their proxy to vote on their behalf at the 23rd AGM. All proxy votes were received by the 72 hours' deadline prior to meeting and were verified by the appointed independent scrutineers.

The Company Secretary prepared the minutes of the 23rd AGM which are available on the corporate website, www.stengg.com

On dividends, ST Engineering strives to provide shareholders with a sustainable dividend return and has historically declared both interim and final dividends. The current and past years' dividend payouts are clearly set out on page 254.

Engagement with Shareholders (Principle 12)

ST Engineering treats all shareholders fairly and equitably, and always strives to provide clear and succinct information to the investment community in an effective and timely manner. Material information relating to ST Engineering's financial performance, business and strategic developments are published on SGXNET, followed by simultaneous postings on our corporate website.

Our Investor Relations team upholds a clearly defined Investor Relations policy. The team maintains regular dialogues with shareholders and the investment community through a multi-channel programme to promote effective and fair communication. Targeted events such as AGMs, conferences, roadshows, site visits, group briefings and one-on-one meetings offer opportunities for senior management and directors to interact first-hand with shareholders and the investment community to understand their views, gather feedback and address concerns. In 2020, we moved majority of our meetings online due to the disruption from COVID-19.

CORPORATE GOVERNANCE

The Investor Relations team works closely with the Corporate Communications team to manage and oversee the Group's external communication efforts. Contact details of these two teams are listed on our corporate website to facilitate dialogues.

While we provide reasonable access to the investment community and media to help them develop informed opinions of the Group, we do not respond or comment on rumours, market speculation or forward projection of financial figures. In situations where the rumours or speculative news reports are materially incorrect or misleading, the Group may issue a clarification or confirmation statement through SGXNET.

Pursuant to the amendment of the SGX Mainboard listing rules effective 7 February 2020, and in line with the long-term nature of the Group's businesses, the Group has adopted half-yearly financial reporting. ST Engineering will augment our half-yearly financial results with relevant operating information on a quarterly basis, as necessary. In 2020, we released market updates for the first and third quarters.

Release dates of half-yearly financial reports are disclosed at least two weeks prior to the announcement date via SGXNET. The half-year and full-year financial reports, announced within 45 and 60 days from the end of each respective financial period, comprise detailed financial statements and management commentaries on the financial and business performance of the Group. Links to live webcasts for the Group's half-year and full-year results in FY2020 are posted on SGXNET and our corporate website. Audio playback is made available on our website the same day.

We observe a "blackout period" of one month prior to the announcement of our half-yearly financial results. During this period, we do not comment on the Group's business performance, financial results and related industry outlook. Directors and employees are reminded not to deal in the securities of ST Engineering during this blackout period. They are also regularly reminded not to deal in securities of ST Engineering at all times if they are privy to unpublished material price-sensitive information.

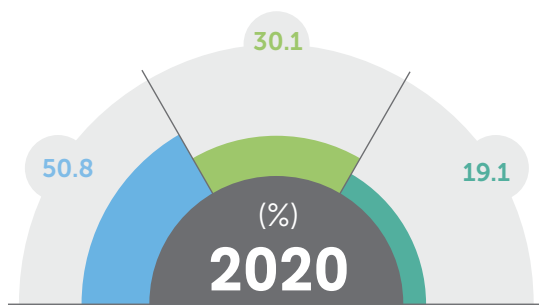
ST Engineering maintains an updated website with a dedicated "Investor Relations" section where current and past annual reports, half-yearly financial reports and webcasts, quarterly market updates, as well as information on AGM and other information considered to be of interest to shareholders and the investment community are readily available. We welcome shareholders and the investment community to subscribe to news alerts or follow our social media channels to receive latest business updates.

Managing Stakeholders Relationships

Engagement with Stakeholders (Principle 13)

The Company engages its material stakeholders. Details can be found in the Sustainability Report on page 76 and on our corporate website at www.stengg.com.

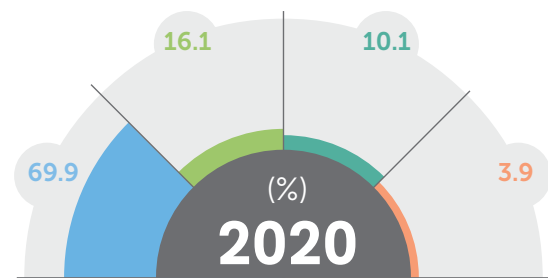
SHAREHOLDINGS BY TYPE¹



Temasek Holdings² | Institutional | Retail

1. Shareholding profile was derived from analysis of ST Engineering's share register as at 31 December 2020.
2. This is calculated by summing up shareholdings of both Temasek Holdings (Private) Limited and Vestal Investments Pte. Ltd. as at 31 December 2020.

SHAREHOLDINGS BY COUNTRY OF RESIDENCE¹



Singapore | U.S. | Europe & U.K. | Others

1. Shareholding profile was derived from analysis of ST Engineering's share register as at 31 December 2020.

2020 Investor Relations Calendar

1Q

- Singapore Airshow 2020
- Annual management lunch with sell-side analysts
- FY2019 results announcement and webcast
- Post-results investor lunch

2Q

- 1Q2020 Market Update
- 23rd Annual General Meeting
- Citi Pan Asia Regional Conference (Singapore)

3Q

- 1H2020 results announcement and webcast
- Post-results investor meeting
- Nomura Regional Industrials Corporate Day

4Q

- 3Q2020 Market Update
- Post-Market Update investor meeting

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DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

We are pleased to submit this annual report to the members of the Company together with the audited financial statements of the Group for the financial year ended 31 December 2020 and the balance sheet of the Company as at 31 December 2020.

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company set out on pages 148 to 285 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and changes in equity, financial performance and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Kwa Chong Seng	(Chairman)
Vincent Chong Sy Feng	
Joseph Leong Weng Keong	
Lim Ah Doo	
Lim Chin Hu	
Lim Sim Seng	
Ng Bee Bee (May)	(Appointed on 1 June 2020)
LG Ong Su Kiat Melvyn	
Quek Gim Pew	
Quek See Tiat	
Song Su-Min	
COL Xu Youfeng	(Alternate Director to LG Ong Su Kiat Melvyn)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except for the Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010), the Singapore Technologies Engineering Performance Share Plan 2020 (PSP2020), the Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010) and the Singapore Technologies Engineering Restricted Share Plan 2020 (RSP2020 and collectively, the ST Engineering Share Plans), neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

DIRECTORS' INTERESTS

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or awards of the Company or of related corporations either at the beginning of the financial year or date of appointment if later, or at the end of the financial year.

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

		Holdings in the name of the director, spouse or infant children	
		1 January 2020 or date of appointment	31 December 2020
The Company			
Ordinary Shares			
Kwa Chong Seng		1,084,700* ¹	1,153,800* ¹
Vincent Chong Sy Feng		1,736,259	2,296,793
Lim Ah Doo		72,400* ²	87,300* ²
Lim Chin Hu		44,400* ³	90,000* ³
Lim Sim Seng		48,400* ³	63,800* ³
Quek See Tiat		57,900	76,200
Song Su-Min		2,000	17,600
Conditional Award of Shares under PSP2010 for performance period 2017 to 2019			
Vincent Chong Sy Feng	(258,800 shares)	0 to 439,960* ¹	_# ²
Conditional Award of Shares under PSP2010 for performance period 2018 to 2020			
Vincent Chong Sy Feng	(428,600 shares)	0 to 728,620* ¹	0 to 728,620* ¹
Conditional Award of Shares under PSP2010 for performance period 2019 to 2021			
Vincent Chong Sy Feng	(469,385 shares)	0 to 797,954* ¹	0 to 797,954* ¹
Conditional Award of Shares under PSP2010 for performance period 2020 to 2022			
Vincent Chong Sy Feng	(545,958 shares)	–	0 to 928,128* ¹

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

DIRECTORS' INTERESTS (continued)

		Holdings in the name of the director, spouse or infant children	
		1 January 2020 or date of appointment	31 December 2020
The Company			
Unvested restricted shares to be delivered after 2017			
Vincent Chong Sy Feng	(82,264 shares)	41,132 ^{#3}	20,566 ^{#3}
Unvested restricted shares to be delivered after 2018			
Vincent Chong Sy Feng	(180,800 shares)	135,600 ^{#3}	90,400 ^{#3}
Award of restricted shares to be delivered after 2019			
Vincent Chong Sy Feng		219,234 ^{#4}	–
Unvested restricted shares to be delivered after 2019			
Vincent Chong Sy Feng	(219,234 shares)	–	164,426 ^{#3}
Conditional Award of restricted shares to be delivered after 2020			
Vincent Chong Sy Feng		–	212,708 ^{#5}
Related Corporations			
Ascendas Funds Management (S) Limited			
Unit holdings in Ascendas Real Estate Investment Trust			
Lim Chin Hu		–	66,755 ^{*4}
Quek See Tiat		42,000	42,000
Ascott Residence Trust Management Limited			
Unit holdings in Ascott Reit-BT Stapled Units*, held by Ascott Residence Trust			
* comprises units of Ascott Real Estate Investment Trust and Ascott Business Trust			
Lim Chin Hu		117,541 ^{*3}	60,000 ^{*3}
Quek See Tiat		31,000	31,000

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

DIRECTORS' INTERESTS (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2020 or date of appointment	31 December 2020
Related Corporations		
Astrea V Pte. Ltd.		
<i>Class B 5.75% Secured Fixed Rate Bonds</i>		
Kwa Chong Seng	US\$200,000* ³	US\$200,000* ³
CapitaLand Commercial Trust Management Limited		
<i>Unit holdings in CapitaLand Commercial Trust</i>		
Quek See Tiat	94,500	N.A. [®]
CapitaLand Integrated Commercial Trust Management Limited		
(formerly known as CapitaLand Mall Trust Management Limited)		
<i>Unit holdings in CapitaLand Integrated Commercial Trust</i>		
Quek See Tiat	N.A. [®]	68,040
CapitaLand Limited		
<i>Ordinary Shares</i>		
Kwa Chong Seng	–	29,214
Quek See Tiat	13,000	13,000
Song Su-Min	25,000	–
COL Xu Youfeng	2,000	–
Fullerton Fund Management Company Ltd		
<i>Fullerton SGD Income Fund – Class A</i>		
Lim Chin Hu	S\$453,613* ³	S\$453,613* ³
Quek See Tiat	S\$1,833,085	S\$1,833,085
Mapletree Commercial Trust Management Ltd.		
<i>Unit holdings in Mapletree Commercial Trust</i>		
Lim Chin Hu	30,500* ³	35,500* ³
Mapletree Industrial Trust Management Ltd.		
<i>Unit holdings in Mapletree Industrial Trust</i>		
Lim Chin Hu	10,121* ⁵	37,221* ⁶

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

DIRECTORS' INTERESTS (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2020 or date of appointment	31 December 2020
Related Corporations		
Mapletree Logistics Trust Management Ltd.		
Unit holdings in Mapletree Logistics Trust		
Lim Ah Doo	185,000	185,000
Lim Chin Hu	2,200* ³	94,791* ³
Olam International Limited		
Ordinary Shares		
Kwa Chong Seng	609,279* ⁷	609,279* ⁷
Lim Ah Doo	–	139,300* ³
Combined S\$350m 5.5% Perpetual Capital Securities		
Lim Chin Hu	S\$250,000* ³	–
SIA Engineering Company Limited		
Ordinary Shares		
Lim Chin Hu	15,000* ³	–
Singapore Airlines Limited		
Ordinary Shares		
Lim Chin Hu	44,400* ³	–
COL Xu Youfeng	1,000	1,000
Singapore Telecommunications Limited		
Ordinary Shares		
Lim Chin Hu	33,000* ³	38,000* ³
Quek Gim Pew	3,120	3,120
Quek See Tiat	680	680
Song Su-Min	190	190
StarHub Ltd		
Ordinary Shares		
Quek See Tiat	5,000	5,000
Song Su-Min	140,600	–

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

DIRECTORS' INTERESTS (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2020 or date of appointment	31 December 2020

Related Corporations

Temasek Financial (I) Limited **T2028 USD 10-year Temasek Bond 3.625%** **coupon due August 2028**

Lim Chin Hu	US\$250,000*3	US\$250,000*3
-------------	---------------	---------------

Temasek Financial (IV) Private Limited **T2023 SGD Temasek Bond S\$500m 2.70%** **coupon due October 2023**

Quek Gim Pew	S\$14,000	S\$14,000
Quek See Tiat	S\$7,000	S\$7,000

*0 CapitalLand Commercial Trust Management Limited has merged with CapitalLand Mall Trust (renamed as CapitalLand Integrated Commercial Trust with effect from 3 November 2020), and subsequently delisted from SGX-ST on 3 November 2020.

*1 Includes interest in 300,000 shares in Singapore Technologies Engineering Ltd, held in trust by a trustee company on behalf of the director.

*2 Includes interest in 60,000 shares in Singapore Technologies Engineering Ltd, held in trust by a trustee company on behalf of the director.

*3 Held in trust by a trustee company on behalf of the director.

*4 Includes interest in 17,555 unit holdings in Ascendas Funds Management (S) Limited, held in trust by a trustee company on behalf of the director.

*5 Includes interest in 10,000 unit holdings in Mapletree Industrial Trust Management Ltd, held in trust by a trustee company on behalf of the director.

*6 Includes interest in 37,100 unit holdings in Mapletree Industrial Trust Management Ltd, held in trust by a trustee company on behalf of the director.

*7 Includes interest in 189,279 shares in Olam International Limited, held in trust by a trustee company on behalf of the director.

#1 A minimum threshold performance over a 3-year period is required for any performance shares to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

#2 For this period, Mr Vincent Chong Sy Feng was awarded 439,960 shares based on partial achievement of targets set. The balance of the conditional award covering the period from 2017 to 2019 has thus lapsed.

#3 Balance of unvested restricted shares to be released according to the stipulated vesting periods.

#4 Restricted shares will vest annually over four years, subjected to the recipients' continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

#5 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 over four years, 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.

There was no change in any of above-mentioned Directors' interest in the Company between the end of the financial year and 21 January 2021.

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

SHARE PLANS

The Executive Resource and Compensation Committee (ERCC) is responsible for administering the ST Engineering Share Plans.

The ERCC members are Mr Kwa Chong Seng (Chairman), Mr Lim Sim Seng and Mr Lim Chin Hu.

Shareholders approved the adoption of the PSP2020 and the RSP2020 (collectively, the 2020 Share Plans) at the 23rd Annual General Meeting (AGM) held on 15 May 2020.

The 2020 Share Plans replaced the PSP2010 and the RSP2010 (collectively, the 2010 Share Plans), both of which expired on 20 April 2020. The expiry of the 2010 Share Plans did not affect the awards under the 2010 Share Plans which were granted prior to such expiry, whether such awards had been released to participants (whether fully or partially) or not.

As at 31 December 2020, no participants have received shares pursuant to the release of awards granted under the:

- 2010 Share Plans which, in aggregate, represent 5% or more of the total number of shares available under the 2010 Share Plans collectively; and
- 2020 Share Plans which, in aggregate, represent 5% or more of the total number of shares available under the 2020 Share Plans collectively.

In relation to the ST Engineering Share Plans:

- no share awards have been granted to controlling shareholders of the Company or their associates;
- the persons to whom the share awards were granted have no right by virtue of these awards to participate in any share issue of any other company;
- the disclosure requirements in Rule 852(1)(c) of the SGX-ST Listing Manual relating to the grant of options to directors and employees of the parent company and its subsidiaries is not applicable; and
- the disclosure requirements in Rule 852(1)(d) of the SGX-ST Listing Manual relating to the grant of options at a discount is not applicable.

Except as otherwise disclosed in this Directors' Statement, there were no share options or share awards granted by the Company to any person to take up unissued shares of the Company.

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

SHARE PLANS (continued)

(a) PSP2010 / PSP2020

The PSP2020, like the PSP2010, is established with the objective of motivating Senior Management Executives to strive for sustained long-term growth and performance of the Group. Awards of performance shares are granted conditional on performance targets set based on the corporate objectives of the Group.

Performance share awards are generally granted on an annual basis and are conditional on targets set over a performance period, which is currently prescribed at 3 years.

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

With effect from financial year 2018, the performance measures used in performance share grants are Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added) and Earnings Per Share (EPS) Growth against pre-determined EPS Growth targets over the relevant performance period. The release of the shares is additionally conditional upon satisfactory individual performance.

Details of the awards granted under the PSP2010 are as follows:

Participant	Conditional awards granted during the financial year under review	Awards released during the financial year under review*	Aggregate conditional awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate conditional awards not released as at end of financial year under review
PSP2010					
Director of the Company					
Vincent Chong Sy Feng	0 to 928,128	439,960	0 to 3,227,862	590,460	0 to 2,454,702
Group Executives (including Vincent Chong Sy Feng)					
	0 to 4,215,087	2,377,103	0 to 29,215,195	8,336,431	0 to 9,428,614

* All PSP2010 awards released to participants during the financial year under review were satisfied by way of the transfer of treasury shares to participants.

As at 31 December 2020, no awards have been granted under the PSP2020.

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

SHARE PLANS (continued)

(b) RSP2010 / RSP2020

The RSP2020, like the RSP2010, is established with the objective of retaining and motivating managers and above to strive for sustained long-term growth of the Group. The plans also aim to foster a share ownership culture among employees within the Group and to better align employees' incentives with shareholders' interests. The RSP2020, like the RSP2010, also allows for restricted share awards to be granted to non-executive Directors ("NED Awards") as part of their remuneration in respect of their office as such in lieu of cash. Such awards are meant to align the interests of the Directors with those of shareholders.

Restricted share awards are generally granted on an annual basis. Save for NED Awards, restricted share awards are generally conditional on the Group meeting a target set for a one-year performance period. With effect from the financial year 2020, the performance measure used in such restricted share grants is Return on Capital Employed (ROCE). Under such awards, a minimum threshold performance is required for any shares to be released after the end of the applicable performance period. The shares will vest equally over a four-year period, subject to continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

Since 2011, NED Awards consisting of fully paid shares have been granted to non-executive Directors (other than those who hold public sector appointments and who will not be eligible for the shares component of the non-executive Directors' remuneration) with no performance and vesting conditions but with a requirement for the Directors to hold the shares for certain moratorium periods. These shares will form up to 30% of their total Directors' remuneration with the remaining 70% payable in cash.

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

SHARE PLANS (continued)

(b) RSP2010 / RSP2020 (continued)

Details of the awards granted under the RSP2010 and RSP2020 are as follows:

Participant	Awards granted during the financial year under review	Awards released during the financial year under review*	Aggregate awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate awards not released as at end of financial year under review
RSP2010					
Directors of the Company					
Kwa Chong Seng	–	–	284,700	284,700	–
Vincent Chong Sy Feng	212,708	120,574	0 to 2,237,693	1,676,333	488,100
Lim Ah Doo	–	–	42,400	42,400	–
Lim Chin Hu	–	–	4,400	4,400	–
Lim Sim Seng	–	–	48,400	48,400	–
Quek See Tiat	–	–	57,900	57,900	–
Song Su-Min	–	–	2,000	2,000	–
Non-Executive Directors of the Company and its subsidiaries	–	–	1,304,600	1,304,600	–
Group Executives (including Vincent Chong Sy Feng)	6,429,739	5,811,474	0 to 77,606,426	35,993,307	13,136,949
RSP2020					
Directors of the Company					
Kwa Chong Seng	69,100	69,100	69,100	69,100	–
Lim Ah Doo	14,900	14,900	14,900	14,900	–
Lim Chin Hu	15,600	15,600	15,600	15,600	–
Lim Sim Seng	15,400	15,400	15,400	15,400	–
Quek See Tiat	18,300	18,300	18,300	18,300	–
Song Su-Min	15,600	15,600	15,600	15,600	–
Group Executives	127,260	2,170	127,260	2,170	125,090

* All RSP2010 and RSP2020 awards released to participants during the financial year under review were satisfied by way of the transfer of treasury shares to participants

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

AUDIT COMMITTEE

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

Quek See Tiat (Chairman)
Lim Ah Doo
Song Su-Min

The Audit Committee carried out its functions in accordance with Section 201B of the Singapore Companies Act, Chapter 50, the SGX-ST Listing Manual and the Code of Corporate Governance.

The Audit Committee met during the year to review the scope of the internal audit function and the scope of work of the external auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The Audit Committee also reviewed the assistance given by the Company's officers to the auditors. The consolidated financial statements of the Group and the financial statements of the Company were reviewed by the Audit Committee prior to their submission to the Directors of the Company for adoption.

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

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

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

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

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

AUDITORS

The independent auditor, PricewaterhouseCoopers LLP, have expressed its willingness to accept re-appointment.

On behalf of the Board of Directors



Kwa Chong Seng
Director



Vincent Chong Sy Feng
Director

Singapore
18 February 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the accompanying consolidated financial statements of Singapore Technologies Engineering Ltd ("the Company") and its subsidiaries ("the Group") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

What we have audited

The financial statements of the Group and the Company comprise:

- the consolidated income statement of the Group for the year ended 31 December 2020;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated balance sheet of the Group as at 31 December 2020;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended;
- the notes to the financial statements, including a summary of significant accounting policies;
- the balance sheet of the Company as at 31 December 2020; and
- the notes to the balance sheet of the Company, including a summary of significant accounting policies.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Basis For Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Our Audit Approach (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of non-financial assets – goodwill

Refer to Note C3 to the financial statements.

As at 31 December 2020, the carrying value of the Group's goodwill amounted to \$786,379,000.

Goodwill is allocated to the Group's cash generating units ("CGU") - Aircraft Maintenance & Modification, Component/Engine Repair & Overhaul, Engineering & Material Services, Communication & Sensor Systems Group, Software Systems Group and Automotive. There is a risk of impairment of a certain CGU in the United States which is operating in a challenging business environment.

In accordance with SFRS(I) 1-36, management is required to perform an impairment assessment of goodwill annually by comparing the recoverable amount of the CGU with its carrying amount to determine whether there is any impairment loss.

For the purpose of impairment testing, the recoverable amount of the CGU is determined based on the value-in-use calculations, using cash flow projections.

In the current financial year, impairment charge of \$14,431,000 was recorded to reduce the carrying amount of the CGU to the estimated recoverable amount.

We focused on this area because of the significant judgements required in estimating the revenue growth rate, gross profit margins, discount rate and terminal growth rate applied in computing the recoverable amount of the CGU.

We have assessed the appropriateness of management's identification of CGU and critically assessed the key assumptions used in the goodwill impairment assessment.

Our audit procedures included the following:

- evaluated management's key assumptions relating to revenue growth rates, gross profit margins, discount rates and terminal growth rates and understood how management has considered the impact of the COVID-19 pandemic and market uncertainty in their estimates.
- reviewed the basis and methodology used to derive the recoverable amount of the CGU.
- assessed the appropriateness of management assumptions by comparing to past historical performance and considering the current developments arising from the COVID-19 pandemic.
- performed sensitivity analysis on management assumptions relating to revenue growth rates, gross profit margins, discount rates and terminal growth rates.
- involved our valuation experts to evaluate the appropriateness of management's assumptions, relating to terminal growth rates and discount rates, by developing an independent expectation using economic and industry forecasts and rates of comparable companies with consideration for specific jurisdiction factors.
- considered the adequacy of the disclosures in the financial statements.

Based on the audit procedures performed above, we found management's judgement and assumptions in relation to the determination of the recoverable amount to be appropriate, and the disclosure in this respect to be adequate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Our Audit Approach (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition based on stage of completion

Refer to Note B2 to the financial statements.

During the year ended 31 December 2020, the Group recognised revenue of \$7,158,286,000 relating to sale of goods, rendering of services and contract revenue. Some of these revenue are recognised based on the stage of completion of performance obligations of each individual contract, which are measured by reference to either assessment or surveys of work performed (output method) or the cost incurred relative to total estimated costs (input method).

We focused on this area because of the significant management judgement required in:

- determining each performance obligation within a contract;
- forecasting the costs to be incurred;
- forecasting the overall margins of these performance obligations; and
- assessment of the stage of completion of each performance obligation.

Our audit procedures included the following:

- understood the end-to-end processes and validated key controls relating to revenue and receivables cycle.
- assessed the relevant internal control relating to customer contract acceptance and terms, change orders, monitoring of project development, cost incurred and estimating cost to complete.
- assessed the terms of the customer contracts and the appropriateness of the customer recognition policies.
- assessed the contractual terms and evaluated the work status of the customer contracts and to ascertain the appropriateness of revenue recognised based on the stage of completion of each performance obligation.
- selected sample of contracts and assessed management's assumptions for determining stage of completion including estimated profit and cost to complete through interviews with management and verification to the supporting documents.
- performed analysis and retrospective reviews of completed contracts to assess the appropriateness of management's assumptions applied.

Based on the audit procedures performed above, we found the basis of the identification of performance obligations and the revenue recognised based on the stage of completion of each performance obligation to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Other Information

Management is responsible for the other information. The other information comprises the Corporate Overview, Performance Review, Risk & Sustainability Highlights, Corporate Governance, Directors' Statement, SGX Listing Manual Requirement and Corporate Information (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities Of Management And Directors For The Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Auditor's Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Auditor's Responsibilities For The Audit Of The Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lam Hock Choon.



PricewaterhouseCoopers LLP








Public Accountants and Chartered Accountants

Singapore
18 February 2021

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020
(CURRENCY – SINGAPORE DOLLARS)

Group	Note	2020 \$'000	2019 \$'000
Revenue	B2	7,158,286	7,868,276
Cost of sales		(5,630,797)	(6,222,888)
Gross profit		1,527,489	1,645,388
Distribution and selling expenses		(225,048)	(263,583)
Administrative expenses		(595,360)	(579,917)
Other operating expenses		(146,218)	(128,809)
Profit from operations	B3	560,863	673,079
Other income*		14,426	25,303
Other expenses		(9,328)	(7,474)
Other income, net	B4	5,098	17,829
Finance income		9,274	14,290
Finance costs [^]		(71,222)	(48,937)
Finance costs, net	E2	(61,948)	(34,647)
Share of results of associates and joint ventures, net of tax		30,389	38,983
Profit before taxation		534,402	695,244
Taxation	B6	(8,779)	(102,570)
Profit after taxation		525,623	592,674
Attributable to:			
Shareholders of the Company		521,840	577,945
Non-controlling interests	F3	3,783	14,729
		525,623	592,674
Earnings per share (cents)	B5		
Basic		16.74	18.53
Diluted		16.64	18.42

* Government grants in the prior year were reclassified from other income to underlying expenses in cost of sales and operating expenses in conformance with current year classification.

[^] Fair value changes of investment in associates in the prior year were reclassified from finance costs to other expenses in conformance with current year classification.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020
(CURRENCY – SINGAPORE DOLLARS)

Group	Note	2020 \$'000	2019 \$'000
Profit after taxation		525,623	592,674
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan remeasurements		(48,789)	(46,150)
Net fair value changes on equity investments at FVOCI		338	182
		(48,451)	(45,968)
Items that are or may be reclassified subsequently to profit or loss:			
Net fair value changes of cash flow hedges reclassified to income statement		22,495	3,680
Effective portion of changes in fair value of cash flow hedges		18,905	(34,897)
Share of net fair value changes on cash flow hedges of joint ventures		763	(5,379)
Foreign currency translation differences		44,090	(48,333)
Share of foreign currency translation differences of associates and joint ventures		1,819	(7,371)
Reserves released on disposal of subsidiaries and a joint venture		121	2,722
		88,193	(89,578)
Other comprehensive income/(loss) for the year, net of tax		39,742	(135,546)
Total comprehensive income for the year, net of tax		565,365	457,128
Total comprehensive income attributable to:			
Shareholders of the Company		547,678	459,759
Non-controlling interests	F3	17,687	(2,631)
		565,365	457,128

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS)

Group	Note	2020 \$'000	2019 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	C1	1,756,944	1,805,034
Right-of-use assets	C2	538,809	483,975
Associates and joint ventures	F4	468,912	453,419
Investments	E3	23,138	16,178
Intangible assets	C3	1,946,138	1,980,215
Long-term trade receivables		1,524	1,668
Deferred tax assets	B6	149,387	111,595
Amounts due from related parties	C4	8,547	4,806
Advances and other receivables	C7	58,248	11,849
Derivative financial instruments	C16	20,847	13,351
Post-employment benefits	D3	319	–
		4,972,813	4,882,090
Current assets			
Contract assets	C13	1,153,192	1,246,207
Inventories	C5	1,269,192	1,311,858
Trade receivables	C6	1,047,844	1,245,881
Amounts due from related parties	C4	46,305	35,661
Advances and other receivables	C7	317,741	339,709
Short-term investments	E3	–	604
Derivative financial instruments [^]	C16	23,614	6,035
Bank balances and other liquid funds	C8	730,624	453,230
		4,588,512	4,639,185
Total assets		9,561,325	9,521,275
EQUITY AND LIABILITIES			
Current liabilities			
Contract liabilities	C13	1,141,484	1,043,215
Deposits from customers		12,838	9,291
Trade payables and accruals	C9	1,667,568	1,985,521
Amounts due to related parties	C10	23,833	70,007
Provisions	C11	306,758	233,459
Provision for taxation		163,703	195,059
Borrowings	E4	496,335	1,868,812
Deferred income	C12	70,922	2,403
Post-employment benefits	D3	7,996	11,265
Derivative financial instruments [^]	C16	4,554	27,376
		3,895,991	5,446,408
Net current assets/(liabilities)		692,521	(807,223)

[^] Derivative financial instruments – under current assets and current liabilities in the prior year were reclassified from advances and other receivables and trade payable and accruals to be presented separately on the Consolidated Balance Sheet in conformity with current year presentation.

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020
(CURRENCY – SINGAPORE DOLLARS)

Group	Note	2020 \$'000	2019 \$'000
Non-current liabilities			
Contract liabilities	C13	792,617	422,992
Trade payables and accruals	C9	19,338	57,983
Provisions	C11	29,801	16,994
Deferred tax liabilities	B6	166,520	174,732
Borrowings	E4	1,550,560	468,895
Deferred income	C12	50,475	34,309
Post-employment benefits	D3	462,548	380,061
Derivative financial instruments	C16	18,686	27,900
		3,090,545	1,583,866
Total liabilities		6,986,536	7,030,274
Net assets		2,574,789	2,491,001
Share capital and reserves			
Share capital	E6	895,926	895,926
Treasury shares	E7	(23,743)	(26,731)
Capital reserves	E8	107,034	112,563
Other reserves	E9	(89,017)	(149,445)
Retained earnings		1,402,414	1,389,966
Equity attributable to owners of the Company		2,292,614	2,222,279
Non-controlling interests	F3	282,175	268,722
		2,574,789	2,491,001
Total equity and liabilities		9,561,325	9,521,275

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS)

Group	Note	Share capital \$'000	Treasury shares \$'000
At 1 January 2020		895,926	(26,731)
Total comprehensive income for the year			
Profit after taxation		–	–
Other comprehensive income			
Net fair value changes on equity investments at FVOCI	E9	–	–
Net fair value changes of cash flow hedges reclassified to income statement		–	–
Effective portion of changes in fair value of cash flow hedges		–	–
Share of net fair value changes on cash flow hedges of joint ventures		–	–
Foreign currency translation differences		–	–
Share of foreign currency translation differences of associates and joint ventures		–	–
Reserves released on disposal of a subsidiary		–	–
Defined benefit plan remeasurements		–	–
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year, net of tax		–	–
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–
Transactions with owners of the Company, recognised directly in equity			
Contributions by and distributions to owners of the Company			
Capital contribution by non-controlling interests		–	–
Cost of share-based payment		–	–
Purchase of treasury shares	E7	–	(29,154)
Treasury shares reissued pursuant to share plans		–	32,142
Dividends paid	E10	–	–
Dividends paid to non-controlling interests		–	–
Total contributions by and distributions to owners of the Company		–	2,988
Transfer from retained earnings to statutory reserve		–	–
Balance at 31 December 2020		895,926	(23,743)

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

Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
112,563	(149,445)	1,389,966	2,222,279	268,722	2,491,001
–	–	521,840	521,840	3,783	525,623
–	(246)	584	338	–	338
–	15,635	–	15,635	6,860	22,495
–	10,870	–	10,870	8,035	18,905
–	763	–	763	–	763
–	38,062	–	38,062	6,028	44,090
–	1,819	–	1,819	–	1,819
–	121	–	121	–	121
–	–	(41,770)	(41,770)	(7,019)	(48,789)
–	67,024	(41,186)	25,838	13,904	39,742
–	67,024	480,654	547,678	17,687	565,365
–	(1,890)	–	(1,890)	–	(1,890)
–	–	–	–	13,260	13,260
–	21,649	–	21,649	67	21,716
–	–	–	(29,154)	–	(29,154)
(5,529)	(26,526)	–	87	(87)	–
–	–	(468,035)	(468,035)	–	(468,035)
–	–	–	–	(17,474)	(17,474)
(5,529)	(4,877)	(468,035)	(475,453)	(4,234)	(479,687)
–	171	(171)	–	–	–
107,034	(89,017)	1,402,414	2,292,614	282,175	2,574,789

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS)

Group	Note	Share capital \$'000	Treasury shares \$'000
At 1 January 2019		895,926	(9,030)
Total comprehensive income for the year			
Profit after taxation		–	–
Other comprehensive income			
Net fair value changes on equity investments at FVOCI	E9	–	–
Net fair value changes of cash flow hedges reclassified to income statement		–	–
Effective portion of changes in fair value of cash flow hedges		–	–
Share of net fair value changes on cash flow hedges of joint ventures		–	–
Foreign currency translation differences		–	–
Share of foreign currency translation differences of associates and joint ventures		–	–
Reserves released on disposal of subsidiaries and a joint venture		–	–
Defined benefit plan remeasurements		–	–
Other comprehensive loss for the year, net of tax		–	–
Total comprehensive income for the year, net of tax		–	–
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–
Transactions with owners of the Company, recognised directly in equity			
Contributions by and distributions to owners of the Company			
Capital contribution by non-controlling interests		–	–
Return of capital contribution by non-controlling interests		–	–
Cost of share-based payment		–	–
Purchase of treasury shares	E7	–	(43,768)
Treasury shares reissued pursuant to share plans		–	26,067
Dividends paid	E10	–	–
Dividends paid to non-controlling interests		–	–
Total contributions by and distributions to owners of the Company		–	(17,701)
Changes in ownership interests in a subsidiary			
Disposal of subsidiary		–	–
Total transactions with owners of the Company		–	(17,701)
Transfer from retained earnings to statutory reserve		–	–
Balance at 31 December 2019		895,926	(26,731)

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

Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
118,174	(72,054)	1,313,361	2,246,377	288,236	2,534,613
–	–	577,945	577,945	14,729	592,674
–	182	–	182	–	182
–	(1,371)	–	(1,371)	5,051	3,680
–	(29,476)	–	(29,476)	(5,421)	(34,897)
–	(5,379)	–	(5,379)	–	(5,379)
–	(43,951)	–	(43,951)	(4,382)	(48,333)
–	(7,371)	–	(7,371)	–	(7,371)
–	2,231	–	2,231	491	2,722
–	–	(33,051)	(33,051)	(13,099)	(46,150)
–	(85,135)	(33,051)	(118,186)	(17,360)	(135,546)
–	(85,135)	544,894	459,759	(2,631)	457,128
–	3,700	–	3,700	(47)	3,653
–	–	–	–	4,263	4,263
–	–	–	–	(8,652)	(8,652)
–	24,279	–	24,279	75	24,354
–	–	–	(43,768)	–	(43,768)
(5,611)	(20,368)	–	88	(88)	–
–	–	(468,156)	(468,156)	–	(468,156)
–	–	–	–	(12,247)	(12,247)
(5,611)	3,911	(468,156)	(487,557)	(16,649)	(504,206)
–	–	–	–	(187)	(187)
(5,611)	3,911	(468,156)	(487,557)	(16,836)	(504,393)
–	133	(133)	–	–	–
112,563	(149,445)	1,389,966	2,222,279	268,722	2,491,001

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS)

Cash and cash equivalents comprise cash balances and fixed deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

Group	2020 \$'000	2019 \$'000
Cash flows from operating activities		
Profit before taxation	534,402	695,244
Adjustments:		
Share of results of associates and joint ventures, net of tax	(30,389)	(38,983)
Share-based payment expense	21,716	24,354
Depreciation charge	297,620	275,632
Property, plant and equipment written off	874	1,408
Amortisation of other intangible assets	81,011	92,620
Impairment of property, plant and equipment	1,617	2,786
Impairment of right-of-use assets	2,397	–
Impairment of goodwill and other intangible assets	45,766	23,227
Impairment of an associate	4,000	4,000
Gain on disposal of property, plant and equipment	(16)	(9,029)
Gain on disposal of associates, net	–	(1,723)
Loss on disposal of right-of-use assets	77	–
Loss on disposal of subsidiaries	43	925
Changes in fair value of associates	5,285	1,978
Changes in fair value of financial instruments and hedged items	(1,333)	2,731
Interest expense	49,583	44,753
Interest income	(5,743)	(9,487)
Amortisation of deferred income	(6)	(272)
Operating profit before working capital changes	1,006,904	1,110,164
Changes in:		
Inventories	52,955	46,216
Contract assets	96,917	(34,001)
Trade receivables	196,681	13,174
Advance payments to suppliers	20,137	(48,201)
Other receivables, deposits and prepayments	(13,625)	(55,260)
Amounts due from related parties	410	3,175
Amounts due to related parties	(2,038)	(924)
Amounts due from associates	(4,671)	2,889
Amounts due from joint ventures	(35,438)	(36,508)
Contract liabilities	468,804	(374,285)
Trade payables	(166,540)	(10,031)
Deposits from customers	5,367	(1,504)
Other payables, accruals and provisions	(103,809)	61,226
Deferred income	86,515	(1,111)
Foreign currency translation of foreign operations	(4,139)	(4,046)
Cash generated from operations	1,604,430	670,973
Interest received	6,393	9,459
Income tax paid	(78,007)	(90,470)
Net cash from operating activities	1,532,816	589,962

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020
(CURRENCY – SINGAPORE DOLLARS)

Group	Note	2020 \$'000	2019 \$'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		8,741	118,172
Proceeds from disposal of an associate and joint ventures		–	6,095
Proceeds from sale of investments		984	–
Purchase of property, plant and equipment		(200,301)	(290,124)
Purchase of investments		(7,272)	–
Additions to other intangible assets		(86,832)	(104,435)
Dividends from associates and joint ventures		13,273	47,839
Investments in associates and joint ventures		(4,868)	(28,767)
Repayment of loans by joint ventures		569	19,661
Loan to associates and joint ventures		(19,461)	–
Acquisition of controlling interests in subsidiaries, net of cash acquired		–	(1,050,121)
Disposal of subsidiaries, net of cash disposed		–	8,855
Net cash used in investing activities		(295,167)	(1,272,825)
Cash flows from financing activities			
Proceeds from bank loans		370,131	1,079,911
Proceeds from MTN issuance		1,058,400	–
Proceeds from commercial papers		524,092	1,440,175
Proceeds from other loans		19,565	–
Proceeds from finance lease receivables		3,209	844
Repayment of bank loans		(743,080)	(1,119,271)
Repayment of commercial papers		(1,570,209)	–
Repayment of lease liabilities		(61,271)	(92,894)
Repayment of loan to a joint venture		–	(4,000)
Purchase of treasury shares		(29,154)	(43,768)
Capital contribution from non-controlling interests of subsidiaries		13,260	4,263
Return of capital to non-controlling interests of a subsidiary		–	(8,652)
Dividends paid to shareholders of the Company		(468,035)	(468,156)
Dividends paid to non-controlling interests		(17,319)	(12,247)
Interest paid		(58,338)	(56,213)
Deposits (pledged)/discharged		(10)	245
Net cash (used in)/from financing activities		(958,759)	720,237
Net increase in cash and cash equivalents		278,890	37,374
Cash and cash equivalents at beginning of the year		452,095	414,400
Exchange difference on cash and cash equivalents at beginning of the year		(1,506)	321
Cash and cash equivalents at end of the year	C8	729,479	452,095

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)



A. ABOUT THIS REPORT

General

The Company is a public limited company domiciled and incorporated in Singapore. The address of the Company's registered office and principal place of business is 1 Ang Mo Kio Electronics Park Road #07-01 ST Engineering Hub, Singapore 567710.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries (collectively referred to as the Group) as at 31 December 2020 and for the year then ended were authorised and approved by the Board of Directors for issuance on 18 February 2021.

Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

Accounting policies, estimates and critical accounting judgements applied to the preparation of the financial statements is disclosed together with the related accounting balance or financial statement matters discussed.

Information is only being included in the financial report to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if:

- dollar amount is significant in value
- dollar amount is significant by nature
- financial results cannot be understood without specific disclosure
- critical to allow user to understand significant changes in group businesses

The financial statements are presented in Singapore dollars (SGD) which is the Company's functional currency. All values are rounded to the nearest thousand (\$'000) unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Significant accounting policies

The accounting policies have been applied consistently by Group entities to all periods presented in these financial statements unless otherwise indicated.

Foreign currency

The major functional currencies of the Group entities are the Singapore dollar (SGD), the United States dollar (USD) and the Euro (EUR).

Transactions, assets and liabilities denominated in foreign currencies are translated into SGD at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined
Non-monetary assets and liabilities carried at cost	Date of transaction

Foreign exchange gains and losses resulting from translation of monetary assets and liabilities are recognised in the income statement, except for qualifying cash flow hedges, which are recognised in other comprehensive income (OCI).

On consolidation the assets, liabilities, income and expenses of foreign operations are translated into SGD using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to profit or loss on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)



B. BUSINESS PERFORMANCE

The highlights of the Group's financial performance during the financial year are:

- Revenue of \$7.2 billion, down 9%
- Profit from operations of \$560.9 million, down 17%
- Profit before taxation of \$534.4 million, down 23%
- Profit attributable to shareholders of \$521.8 million, down 10%
- Earnings per share of 16.74 cents per share, down 10%

B1	Segment information	B4	Other income, net
B2	Revenue	B5	Earnings per share
B3	Profit from operations	B6	Taxation

B1 Segment information

The principal activities of the Company are those of an investment holding company and the provision of engineering and related services.

The Group is organised on a worldwide basis into four major operating segments. Management reviews the segments' operating results regularly in order to allocate resources to the segments and to assess the segments' performance.

The principal activities of these operating segments are outlined below:

Segments	Principal activities
Aerospace	Provides a wide spectrum of aircraft maintenance, engineering and training services for both military and commercial aircraft operators. These services include airframe, component and engine maintenance, repair and overhaul, aircraft design engineering and parts manufacturing, aviation materials, asset management and pilot training.
Electronics	Specialises in the design, development and delivery of information communications technologies products, solutions and services for Smart Cities connectivity, mobility and security.
Land Systems	Delivers customised land systems, security solutions and their related through-life support for defence, homeland security and commercial applications.
Marine	Provides turnkey and sustainable defence and commercial solutions to the marine, offshore and environmental engineering industries.
Others*	Research and development, provision of engineering products and solutions, treasury, investment holding and provision of management, consultancy and other support services.

* None of these segments meets any of the quantitative thresholds for determining reportable segments in financial years 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B1 Segment information (continued)

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Inter-segment pricing is based on terms negotiated between the parties which are intended to reflect competitive terms.

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	Group \$'000
2020							
Revenue							
External sales	2,713,565	2,286,556	1,410,727	710,377	37,061	–	7,158,286
Inter-segment sales	2,135	32,666	29,911	341	1,729	(66,782)	–
	<u>2,715,700</u>	<u>2,319,222</u>	<u>1,440,638</u>	<u>710,718</u>	<u>38,790</u>	<u>(66,782)</u>	<u>7,158,286</u>
Reportable segment profit from operations	198,567	244,752	123,703	14,366	(20,525)	–	560,863
Other income	5,059	10,578	3,114	3,984	1,078	(9,387)	14,426
Other expenses	(2,737)	(722)	(4,089)	(30)	(5,380)	3,630	(9,328)
Finance income	6,348	1,913	2,144	3,072	42,588	(46,791)	9,274
Finance costs	(39,261)	(20,576)	(9,166)	(5,039)	(48,255)	51,075	(71,222)
Share of results of associates and joint ventures, net of tax	34,501	(6,587)	(2,699)	474	4,700	–	30,389
Profit before taxation	<u>202,477</u>	<u>229,358</u>	<u>113,007</u>	<u>16,827</u>	<u>(25,794)</u>	<u>(1,473)</u>	<u>534,402</u>
Taxation	(8,351)	(23,832)	(10,711)	11,467	22,648	–	(8,779)
Non-controlling interests	(1,228)	(1,639)	(916)	–	–	–	(3,783)
Profit attributable to shareholders	<u>192,898</u>	<u>203,887</u>	<u>101,380</u>	<u>28,294</u>	<u>(3,146)</u>	<u>(1,473)</u>	<u>521,840</u>
Other assets	4,385,392	3,007,807	2,031,956	858,022	5,531,999	(6,722,763)	9,092,413
Associates and joint ventures	284,446	67,871	69,351	4,244	43,000	–	468,912
Segment assets	<u>4,669,838</u>	<u>3,075,678</u>	<u>2,101,307</u>	<u>862,266</u>	<u>5,574,999</u>	<u>(6,722,763)</u>	<u>9,561,325</u>
Segment liabilities	<u>3,744,101</u>	<u>2,469,685</u>	<u>1,733,350</u>	<u>908,105</u>	<u>3,336,267</u>	<u>(5,204,972)</u>	<u>6,986,536</u>
Capital expenditure	106,680	122,537	56,726	29,569	28,416	–	343,928
Depreciation and amortisation	181,859	101,231	57,009	27,016	15,945	(4,429)	378,631
Impairment losses	38,837	1,405	13,538	–	–	–	53,780
Other non-cash expenses	819	31	24	–	–	–	874

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B1 Segment information (continued)

	Aerospace \$'000	Electronics** \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	Group \$'000
2019							
Revenue							
External sales	3,450,442	2,336,365	1,428,480	647,128	5,861	–	7,868,276
Inter-segment sales	4,580	28,281	29,164	23	2,305	(64,353)	–
	<u>3,455,022</u>	<u>2,364,646</u>	<u>1,457,644</u>	<u>647,151</u>	<u>8,166</u>	<u>(64,353)</u>	<u>7,868,276</u>
Reportable segment profit from operations	314,337	223,939	89,802	56,392	(11,391)	–	673,079
Other income	13,965	11,353	5,731	6,506	808	(13,060)	25,303
Other expenses*	(7,439)	(25)	(4,422)	(83)	(2,461)	6,956	(7,474)
Finance income	14,018	4,695	1,807	3,782	76,336	(86,348)	14,290
Finance costs [^]	(40,336)	(22,234)	(9,937)	(5,693)	(52,665)	81,928	(48,937)
Share of results of associates and joint ventures, net of tax	38,227	(1,445)	5,579	(75)	(3,303)	–	38,983
Profit before taxation	<u>332,772</u>	<u>216,283</u>	<u>88,560</u>	<u>60,829</u>	<u>7,324</u>	<u>(10,524)</u>	<u>695,244</u>
Taxation	(48,914)	(32,984)	(11,459)	(9,287)	74	–	(102,570)
Non-controlling interests	(14,962)	24	209	–	–	–	(14,729)
Profit attributable to shareholders	<u>268,896</u>	<u>183,323</u>	<u>77,310</u>	<u>51,542</u>	<u>7,398</u>	<u>(10,524)</u>	<u>577,945</u>
Other assets	4,415,722	3,141,381	1,723,451	805,296	5,940,875	(6,958,869)	9,067,856
Associates and joint ventures	253,884	73,639	82,276	2,850	40,770	–	453,419
Segment assets	<u>4,669,606</u>	<u>3,215,020</u>	<u>1,805,727</u>	<u>808,146</u>	<u>5,981,645</u>	<u>(6,958,869)</u>	<u>9,521,275</u>
Segment liabilities	<u>3,781,016</u>	<u>2,646,334</u>	<u>1,458,862</u>	<u>803,159</u>	<u>3,795,675</u>	<u>(5,454,772)</u>	<u>7,030,274</u>
Capital expenditure	293,215	128,186	43,522	8,876	16,035	698	490,532
Depreciation and amortisation	185,359	91,753	51,308	32,478	11,359	(4,005)	368,252
Impairment losses	26,013	–	4,000	–	–	–	30,013
Other non-cash expenses	954	363	91	–	–	–	1,408

** With effect from 1 January 2020, Miltope Corporation was re-organised from Others into Electronics sector and comparatives were restated in conformance with current year classification.

* Government grants in the prior year were reclassified from other income to underlying expenses in cost of sales and operating expenses in conformance with current year classification.

[^] Fair value changes of investment in associates in the prior year were reclassified from finance costs to other expenses in conformance with current year classification.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B1 Segment information (continued)

Analysis by country of incorporation

Revenue is based on the country of incorporation regardless of where the goods are produced or services rendered. Non-current assets, excluding derivative financial instruments, post-employment benefits and deferred tax assets, are based on the location of those assets.

	Revenue		Non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Asia	4,415,728	5,079,390	1,841,190	1,790,865
U.S.	2,088,678	2,091,860	1,629,426	1,663,115
Europe	587,031	612,046	1,239,616	1,213,482
Others	66,849	84,980	92,028	89,682
	7,158,286	7,868,276	4,802,260	4,757,144

For the year ended 31 December 2020:

- Within Europe, revenue of approximately \$371,184,000 (2019: \$458,508,000) were from subsidiaries located in Germany.
- Within Asia, most of the revenue were from subsidiaries located in Singapore.
- The remaining revenue from customers in Asia, Europe and Others were individually insignificant.

As at 31 December 2020:

- Within Europe, non-current assets of approximately \$736,042,000 (2019: \$683,672,000) were located in Germany.
- Within Asia, most of the non-current assets were from subsidiaries located in Singapore.
- The remaining non-current assets located in Asia, Europe and Others were individually insignificant.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B2 Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Aerospace \$'000		Electronics* \$'000		Land Systems \$'000	
	2020	2019	2020	2019	2020	2019
Primary geographical markets						
Asia	838,322	1,291,747	1,669,364	1,746,559	1,095,147	996,353
U.S.	751,879	780,228	309,404	273,048	269,828	382,407
Europe	961,756	1,134,494	201,684	181,368	3,527	10,424
Others	163,743	248,553	138,770	163,671	72,136	68,460
	2,715,700	3,455,022	2,319,222	2,364,646	1,440,638	1,457,644
Major products/service lines						
Sale of goods	1,086,759	1,144,895	508,595	524,364	996,686	1,017,422
Service income	154,010	202,318	797,342	725,629	411,518	423,544
Contract revenue	1,474,931	2,107,809	1,013,285	1,114,653	32,434	16,678
	2,715,700	3,455,022	2,319,222	2,364,646	1,440,638	1,457,644
Timing of revenue recognition						
Transferred at a point in time	1,280,568	1,538,804	959,805	1,063,140	1,073,587	1,138,438
Transferred over time	1,435,132	1,916,218	1,359,417	1,301,506	367,051	319,206
	2,715,700	3,455,022	2,319,222	2,364,646	1,440,638	1,457,644

* With effect from 1 January 2020, Miltope Corporation was re-organised from Others into Electronics sector and comparatives were restated in conformance with current year classification.

Timing of revenue recognised and the classification of major products/service lines in Aerospace were reclassified in conformance with current year classification.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Marine \$'000		Others \$'000		Elimination \$'000		Group \$'000	
2020	2019	2020	2019	2020	2019	2020	2019
261,503	326,541	37,591	6,843	(66,782)	(64,232)	3,835,145	4,303,811
373,675	209,998	12	121	–	(121)	1,704,798	1,645,681
34,236	52,323	806	971	–	–	1,202,009	1,379,580
41,304	58,289	381	231	–	–	416,334	539,204
710,718	647,151	38,790	8,166	(66,782)	(64,353)	7,158,286	7,868,276
4,724	6,221	36,143	5,064	(10,789)	(4,135)	2,622,118	2,693,831
270,774	320,054	2,647	2,806	(36,215)	(39,240)	1,600,076	1,635,111
435,220	320,876	–	296	(19,778)	(20,978)	2,936,092	3,539,334
710,718	647,151	38,790	8,166	(66,782)	(64,353)	7,158,286	7,868,276
4,724	6,221	37,118	5,658	(20,706)	(22,702)	3,335,096	3,729,559
705,994	640,930	1,672	2,508	(46,076)	(41,651)	3,823,190	4,138,717
710,718	647,151	38,790	8,166	(66,782)	(64,353)	7,158,286	7,868,276

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B2 Revenue (continued)

Revenue from contracts with customers

Revenue is measured based on the consideration specified in contracts with customers. The Group recognises revenue when it transfers control over a good or service to the customer.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

(a) Revenue from sale of goods

Revenue is recognised when goods are delivered to the customer and the criteria for acceptance have been satisfied. Where applicable, a portion of the contract consideration is received in advance from the customers and the remaining consideration is received after delivery.

(b) Revenue from services rendered

Revenue from services rendered are recognised as performance obligations are satisfied. Payments are due from customers based on the agreed billing milestones stipulated in the contracts or based on the amounts certified by the customers.

Where performance obligations are satisfied over time as work progresses, revenue is recognised progressively based on the percentage of completion method. The stage of completion is assessed by reference to assessment of work performed (output method) or the cost incurred relative to total estimated costs (input method) depending on which method commensurates with the pattern of transfer of control to the customer. The related costs are recognised in profit or loss when they are incurred, unless they relate to future performance obligations.

If the value of services rendered for the contract exceeds payments received from the customer, a contract asset is recognised and presented separately on the balance sheet. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and separately presented on the balance sheet.

(c) Revenue from long-term contracts

The Group builds specialised assets customised to customers' order for which the Group does not have an alternative use. These contracts can span several years.

(i) Contracts with enforceable right to payment

The Group has determined that for contracts where the Group has an enforceable right to payment, the customer controls all of the work-in-progress. This is because under those contracts, the assets are at the customer's specification and the Group is entitled to reimbursement of costs incurred to date, including a reasonable margin when the contract is terminated by the customer. Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B2 Revenue (continued)

Revenue from contracts with customers (continued)

(c) Revenue from long-term contracts (continued)

(i) Contracts with enforceable right to payment (continued)

Revenue is recognised over time. The stage of completion is typically assessed by reference to either surveys of work performed (output method) or the cost incurred relative to total estimated costs (input method) depending on which method commensurates with the pattern of transfer of control to the customer.

(ii) Contracts without enforceable right to payment

For contracts where the Group does not have an enforceable right to payment, customers do not take control of the specialised asset until they are completed. At the inception of the contract, the customers usually make an advance payment that is not refundable if the contract is cancelled. The advance payment is presented as a contract liability. The rest of the consideration is only billed upon acceptance by the customer.

Revenue is recognised at a point in time when the assets are completed and have been accepted by customers.

When the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would be reflected separately as a financing income from contract inception.

For contracts with variable consideration (i.e. liquidated damages, bonus and penalty adjustments), revenue is recognised to the extent that it is highly probable that a reversal of previously recognised revenue will not occur. Therefore, the amount of revenue recognised is adjusted for possibility of delays to the projects and ability to meet key performance indicators stipulated in the contract. The Group reviews the progress of the projects at each reporting date and updates the transaction price accordingly.

The Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as a continuation of the original contract and recognises a cumulative adjustment to revenue at the date of modification.

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B2 Revenue (continued)

Key estimate and judgement: Revenue recognition

Judgement is applied in determining:

- whether performance obligations are distinct.
Requires an assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and if the promise is separately identifiable from other promises in the contract.
- the transaction price for contracts with variable consideration (e.g. bonus, liquidated damages, penalties, etc).
Requires an evaluation of potential risk and factors which may affect completion or delivery of the contract, in accordance with contract obligations.
- estimated cost to complete.

For revenue recognised over time, the percentage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated costs for each contract. In making the estimates, management relies on the expertise of its project team and past experience of completed projects. The estimated total costs is reviewed regularly and adjusted where necessary, with the corresponding effect of the change being recognised prospectively from the date of change.

B3 Profit from operations

Profit from operations are arrived after charging the following items (excluding those disclosed in the other notes to the financial statements):

Group	2020 \$'000	2019 \$'000
After charging		
Auditors' remuneration		
– auditors of the Company	2,322	3,862
– other auditors [#]	1,833	1,741
Non-audit fees		
– auditors of the Company	143	597
– other auditors [#]	17	1,112
Fees paid to a firm of which a director is a member	1,890	420
Allowance for inventory obsolescence	40,001	76,780
Impairment loss on trade receivables and contract assets	26,686	53,473
Provision for onerous contracts	91,177	16,305
Property, plant and equipment written off	874	1,408
Research, design and development expenses	103,558	100,605
Short-term lease expense	14,618	29,284
Low-value assets lease expense	2,118	2,638

[#] Refers to overseas practice of PricewaterhouseCoopers LLP (2019: other member firms of KPMG International)

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B4 Other income, net

Group	Note	2020 \$'000	2019 \$'000
Other income			
Rental income		4,181	4,084
Gain on disposal of property, plant and equipment		16	9,029
Gain on disposal of subsidiaries		–	571
Gain on disposal of associates		–	1,723
Others		10,229	9,896
		14,426	25,303
Other expenses			
Loss on disposal of subsidiaries		(43)	(1,496)
Impairment of an associate	F4	(4,000)	(4,000)
Fair value changes of investment in associates		(5,285)	(1,978)
		(9,328)	(7,474)
Other income, net, recognised in profit or loss		5,098	17,829

Recognition and measurement

- (i) Government grants are recognised as a receivable at fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grant relating to expense is deducted in reporting the related expense.

Grants relating to depreciable assets are recognised in profit or loss over the estimated useful lives of the relevant assets.

- (ii) Rental income from leasing facilities is accounted on a straight-line basis over the lease term.
- (iii) The gain or loss on disposal of an item of property, plant and equipment, subsidiary, associate or joint venture is determined by comparing the proceeds from disposal with the carrying amount of the disposed item.

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B5 Earnings per share

Basic earnings per share

The weighted average number of ordinary shares used in the calculation of earnings per share is arrived at as follows:

Company (in thousands)	2020	2019
<u>Number of shares</u>		
Issued ordinary shares at beginning of the year	3,115,741	3,119,794
Effect of performance shares and restricted shares released	5,981	5,328
Effect of treasury shares held	(4,481)	(5,794)
Weighted average number of ordinary shares issued during the year	3,117,241	3,119,328

Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the effect of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares from performance share plans and restricted share plans (2019: two categories of dilutive potential ordinary shares from performance share plans and restricted share plans).

The weighted average number of ordinary shares adjusted for the dilutive potential shares is as follows:

Company (in thousands)	2020	2019
<u>Number of shares</u>		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	3,117,241	3,119,328
Adjustment for dilutive potential ordinary shares	18,808	18,205
Weighted average number of ordinary shares (diluted) during the year	3,136,049	3,137,533

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B6 Taxation

(i) Tax expenses

Group	2020 \$'000	2019 \$'000
Current income tax		
Current year	81,354	193,893
Overprovision in respect of prior years	(24,061)	(9,211)
	57,293	184,682
Deferred income tax		
Current year	(59,825)	(69,565)
Under/(over)provision in respect of prior years	14,501	(12,320)
Effect of change in tax rates	(3,190)	(227)
	(48,514)	(82,112)
	8,779	102,570

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December is as follows:

Group	2020 \$'000	2019 \$'000
Profit before taxation	534,402	695,244
Taxation at statutory tax rate of 17% (2019: 17%)	90,848	118,191
Adjustments:		
Income not subject to tax	(48,302)	(3,786)
Expenses not deductible for tax purposes	11,459	17,571
Different tax rates of other countries	(239)	7,416
Overprovision in respect of prior years	(9,560)	(21,531)
Effect of change in tax rates	(3,190)	(227)
Effect of results of associates and joint ventures presented net of tax	(5,166)	(6,627)
Tax incentives	(776)	(1,346)
Deferred tax assets not recognised	6,753	7,692
Deferred tax assets previously not recognised now utilised	(33,334)	(11,792)
Others	286	(2,991)
	8,779	102,570

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B6 Taxation (continued)**(ii) Deferred tax assets and liabilities****(a) Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Property, plant and equipment	(1,741)	(2,275)	129,803	95,790
Intangible assets	(6,720)	(13,136)	212,667	190,016
Allowance for doubtful debts	(1,702)	(1,987)	–	–
Allowance for inventory obsolescence	(27,751)	(26,869)	–	–
Provisions and accruals	(173,179)	(127,913)	2,701	575
Lease liabilities	(3,089)	(4,461)	4,201	3,710
Unabsorbed capital allowances and unutilised tax losses	(118,445)	(45,190)	22,821	8,377
Fair value of derivative financial instruments designated as cash flow hedges	(6,946)	(10,791)	11,384	838
Fair value of defined benefit plans	(49,390)	(27,013)	–	–
Other items	(8,621)	(13,777)	31,140	37,243
Deferred tax (assets)/liabilities	(397,584)	(273,412)	414,717	336,549
Set off of tax	248,197	161,817	(248,197)	(161,817)
Net deferred tax (assets)/liabilities	(149,387)	(111,595)	166,520	174,732

The Group's lease payments are deductible upon payment for tax purposes. In accounting for the deferred tax relating to the lease, the Group considers the asset and liability collectively and accounts for the deferred taxation on a net basis.

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B6 Taxation (continued)

(ii) Deferred tax assets and liabilities (continued)

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Group	2020 \$'000	2019 \$'000
Tax losses	505,322	477,912
Deductible temporary differences	37,537	30,571
Unabsorbed wear and tear allowance and investment allowance	5,286	5,456
	548,145	513,939

The Group has the above unrecognised deferred tax assets which have no expiry date except for the amount of \$54,135,000 which will expire from 2023 to 2038. The unrecognised deferred tax assets can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

(c) Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2020, a deferred tax liability of \$126,397,000 (2019: \$133,105,000) for temporary difference of \$521,403,000 (2019: \$559,899,000) related to undistributed earnings of certain subsidiaries was not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but will be retained for organic growth and acquisitions.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B6 Taxation (continued)**(ii) Deferred tax assets and liabilities** (continued)**(d) Movement in deferred tax balances during the year:**

Group	As at 1 January 2019 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Acquisition/ deconsolidation of subsidiaries \$'000
Property, plant and equipment	111,018	(21,603)	–	3,251
Intangible assets	178,154	(16,570)	–	15,924
Allowance for doubtful debts	(1,721)	(294)	–	–
Allowance for inventory obsolescence	(20,396)	(6,657)	–	(21)
Provisions and accruals	(110,042)	(22,750)	–	1,814
Lease liabilities	–	(758)	–	–
Unabsorbed capital allowances and unutilised tax losses	(56,682)	(22,321)	(64)	(1,894)
Fair value of derivative financial instruments designated as cash flow hedges	(6,917)	(74)	(3,132)	–
Fair value of defined benefit plans	(13,798)	(202)	(13,898)	–
Other items	18,974	9,117	(4,728)	(61)
	98,590	(82,112)	(21,822)	19,013

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Utilisation of tax losses \$'000	Exchange difference \$'000	As at 31 December 2019 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Utilisation of tax losses \$'000	Exchange difference \$'000	As at 31 December 2020 \$'000
1,268	(419)	93,515	35,563	–	787	(1,803)	128,062
423	(1,051)	176,880	31,330	–	415	(2,678)	205,947
–	28	(1,987)	235	–	19	31	(1,702)
–	205	(26,869)	(871)	–	(389)	378	(27,751)
3,207	433	(127,338)	(44,057)	–	1,824	(907)	(170,478)
–	7	(751)	2,041	–	(79)	(99)	1,112
43,328	820	(36,813)	(65,811)	–	(1,865)	8,867	(95,622)
–	170	(9,953)	(107)	14,901	8	(411)	4,438
–	885	(27,013)	(4,261)	(16,125)	–	(1,991)	(49,390)
–	164	23,466	(2,576)	–	1,698	(71)	22,517
48,226	1,242	63,137	(48,514)	(1,224)	2,418	1,316	17,133

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B6 Taxation (continued)

Recognition and measurement

Current tax

Current tax is measured at the amount expected to be recovered from or paid to the tax authorities, using tax rates and tax laws that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination which affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists and they relate to taxes levied by the same tax authority on the same taxable entity.

Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Estimate and judgement: Income taxes

The Group is subject to income taxes in Singapore and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes and in assessing whether deferred tax balances are recognised on the balance sheet. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

Estimate and judgement: Recovery of deferred tax assets

Deferred tax assets are recognised for tax losses and deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available to utilise them. Judgement and estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

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C. OPERATING ASSETS AND LIABILITIES

This section provides information relating to the operating assets and liabilities of the Group.

The Group maintains a strong balance sheet to support the Group's strategy to maximise returns to the shareholders through efficient use of capital, taking into consideration the Group's expenditures, growth and investment requirements.

C1	Property, plant and equipment	C9	Trade payables and accruals
C2	Right-of-use assets	C10	Amounts due to related parties
C3	Intangible assets	C11	Provisions
C4	Amounts due from related parties	C12	Deferred income
C5	Inventories	C13	Contract balances
C6	Trade receivables	C14	Financial risk management objectives and policies
C7	Advances and other receivables	C15	Classification and fair value of financial instruments
C8	Bank balances and other liquid funds	C16	Derivative financial instruments

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C1 Property, plant and equipment

Group	Freehold land, buildings and improvements \$'000	Wharves, floating docks and boats \$'000
Cost		
At 1 January 2020	1,401,852	144,321
Additions	29,307	198
Disposals/write-off	(5,520)	(491)
Reclassifications	53,881	428
Translation difference	5,682	(768)
At 31 December 2020	1,485,202	143,688
Accumulated depreciation and impairment		
At 1 January 2020	734,560	118,088
Depreciation charge/impairment losses	57,603	2,978
Disposals/write-off	(5,406)	(491)
Reclassifications	1	–
Translation difference	(2,003)	(429)
At 31 December 2020	784,755	120,146
Net book value		
At 31 December 2020	700,447	23,542
Cost		
At 1 January 2019	1,353,537	314,966
Additions	36,581	–
Disposals/write-off	(3,110)	(170,660)
Acquisition of subsidiaries	15,831	–
Deconsolidation/disposal of subsidiaries	(2,938)	–
Reclassifications	10,751	546
Translation difference	(8,800)	(531)
At 31 December 2019	1,401,852	144,321
Accumulated depreciation and impairment		
At 1 January 2019	692,653	180,532
Depreciation charge/impairment losses	55,002	7,339
Disposals/write-off	(2,650)	(69,553)
Deconsolidation/disposal of subsidiaries	(1,145)	–
Reclassifications	(6,597)	–
Translation difference	(2,703)	(230)
At 31 December 2019	734,560	118,088
Net book value		
At 31 December 2019	667,292	26,233

* Others comprise transportation equipment, vehicles and satellites

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Plant and machinery \$'000	Production tools and equipment \$'000	Furniture, fittings, office equipment and others* \$'000	Aircraft and aircraft engines \$'000	Construction-in-progress \$'000	Total \$'000
1,159,924	413,085	413,490	332,800	124,513	3,989,985
34,290	21,972	40,793	12,509	57,018	196,087
(24,236)	(15,306)	(18,413)	–	(1,142)	(65,108)
43,125	2,741	9,434	(33,109)	(109,420)	(32,920)
(716)	2,311	(702)	(3,578)	1,211	3,440
1,212,387	424,803	444,602	308,622	72,180	4,091,484
622,516	284,802	311,732	113,253	–	2,184,951
82,905	26,226	39,997	17,784	17	227,510
(16,132)	(15,338)	(18,142)	–	–	(55,509)
31	(182)	(288)	(14,835)	–	(15,273)
(4,391)	1,892	(1,248)	(960)	–	(7,139)
684,929	297,400	332,051	115,242	17	2,334,540
527,458	127,403	112,551	193,380	72,163	1,756,944
1,002,294	397,087	375,395	310,713	92,077	3,846,069
64,966	24,279	51,240	35,219	83,184	295,469
(33,443)	(9,230)	(10,285)	(2,883)	(60)	(229,671)
117,144	2,764	1,825	–	10,530	148,094
(584)	(1)	(1,304)	(6,732)	–	(11,559)
17,965	1,958	(1,536)	–	(59,995)	(30,311)
(8,418)	(3,772)	(1,845)	(3,517)	(1,223)	(28,106)
1,159,924	413,085	413,490	332,800	124,513	3,989,985
570,066	269,931	292,178	97,967	–	2,103,327
85,863	23,802	32,395	18,453	–	222,854
(27,719)	(8,257)	(10,150)	(791)	–	(119,120)
(333)	(1)	(1,104)	(1,936)	–	(4,519)
(702)	(75)	(556)	–	–	(7,930)
(4,659)	(598)	(1,031)	(440)	–	(9,661)
622,516	284,802	311,732	113,253	–	2,184,951
537,408	128,283	101,758	219,547	124,513	1,805,034

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C1 Property, plant and equipment (continued)

Reclassifications due to changes in the use of assets:

- (a) Property, plant and equipment with net book value amounting to \$19,848,000 (2019: \$1,850,000) were reclassified to inventories;
- (b) Asset under construction with net book value of \$2,217,000 (2019: \$915,000) were reclassified to intangibles on completion;
- (c) Inventories of \$4,418,000 (2019: \$4,791,000) were reclassified to property, plant and equipment;

There were no movements in the following amounts carried at valuation from 1 January 2020 to 31 December 2020.

Group	Valuation \$'000	Accumulated depreciation \$'000	Net book value \$'000
At Valuation			
Buildings and improvements on leasehold land	1,919	1,919	–
Wharves, floating docks and boats	5,930	5,930	–
Plant and machinery	1,683	1,683	–
Furniture, fittings, office equipment and others*	285	285	–
Total	9,817	9,817	–

* Others comprise transportation equipment, vehicles and satellites

NOTES TO THE FINANCIAL STATEMENTS

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C1 Property, plant and equipment (continued)

Operating lease

Included in the tables below are assets that the Group leases out, comprising aircraft and aircraft engines, furniture, fittings, office equipment and others*. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Movements in these assets that are subject to operating leases are presented below.

Group	Furniture, fittings, office equipment and others* \$'000	Aircraft and aircraft engines \$'000	Total \$'000
Cost			
At 1 January 2020	1,377	136,621	137,998
Reclassifications	115	–	115
Translation difference	(26)	(2,626)	(2,652)
At 31 December 2020	1,466	133,995	135,461
Accumulated depreciation			
At 1 January 2020	472	5,745	6,217
Depreciation charge for the year	213	7,763	7,976
Reclassifications	(15)	–	(15)
Translation difference	(17)	(421)	(438)
At 31 December 2020	653	13,087	13,740
Net book value			
At 31 December 2020	813	120,908	121,721

* Others comprise transportation equipment, vehicles and satellites

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C1 Property, plant and equipment (continued)

Operating lease (continued)

Group	Furniture, fittings, office equipment and others* \$'000	Aircraft and aircraft engines \$'000	Total \$'000
Cost			
At 1 January 2019	837	105,203	106,040
Additions	162	32,793	32,955
Reclassifications	386	–	386
Translation difference	(8)	(1,375)	(1,383)
At 31 December 2019	1,377	136,621	137,998
Accumulated depreciation			
At 1 January 2019	197	128	325
Depreciation charge for the year	280	5,684	5,964
Translation difference	(5)	(67)	(72)
At 31 December 2019	472	5,745	6,217
Net book value			
At 31 December 2019	905	130,876	131,781

* Others comprise transportation equipment, vehicles and satellites

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C1 Property, plant and equipment (continued)

(a) Property, plant and equipment pledged as security

Property, plant and equipment of certain overseas subsidiaries of the Group with a carrying value of \$87,635,000 (2019: \$89,735,000) are pledged as security for bank loans.

(b) Major properties

Major land and buildings and improvements to premises are:

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2020 \$'000	2019 \$'000
Singapore					
1 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.11.2011	20,000	41,056	45,530
3 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.12.2015	30,000	37,976	40,635
100 Jurong East Street 21	Industrial and commercial buildings	30 years from 1.11.2018	11,232	49,760	5,081
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028, renewable to 10.10.2065	208,261	79,044	84,430
People's Republic of China					
No 2, Huayu Road, Huli District, Xiamen 361006, Fujian	Factory building	50 years from 20.11.2008	38,618	41,446	40,468
Germany					
Grenzstr. 1, Dresden	Hangar and office building	Freehold	160,193	94,298	83,762

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C1 Property, plant and equipment (continued)

For this purpose, freehold land, buildings and improvements to premises are considered major properties if the net book value of these assets represent 5% or more of the Group's aggregated net book value in these categories.

Recognition and measurement

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises expenditure that is:

- directly attributable to the acquisition of the asset;
- subsequent costs incurred to replace parts that are eligible for capitalisation; and/or
- transfers from equity on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Certain items of property, plant and equipment which were subject to a one-time valuation in 1972 are stated at valuation, net of depreciation and any impairment losses.

Disposals

Gains or losses on disposal of property, plant and equipment are included in profit or loss.

Depreciation

Depreciation of property, plant and equipment is recognised in profit and loss on a straight-line basis over their useful lives, except for freehold land which are not depreciated. The estimated useful lives are as follows:

Item [#]		Useful life
Buildings and improvements	–	2 to 50 years [^]
Wharves, floating docks and boats	–	10 to 23 years
Plant and machinery	–	2 to 25 years
Production tools and equipment	–	2 to 22 years
Furniture, fittings, office equipment and others [*]	–	2 to 12 years
Aircraft and aircraft engines	–	2 to 30 years

[#] Property, plant and equipment purchased specifically for projects are depreciated over the useful life or the duration of the project, whichever is shorter.

[^] Refer to Note C1(b) Major Properties for details of the lease tenure used to approximate the useful lives of the leasehold land, buildings and improvements.

^{*} Others comprise transportation equipment, vehicles and satellites.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C1 Property, plant and equipment (continued)

Impairment

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount.

Estimate and judgement: Depreciation charge

Management estimates the useful lives based on factors such as changes in the expected level of usage and technological developments. These are reassessed at each reporting date, and adjusted prospectively, where appropriate.

C2 Right-of-use assets

The Group leases many assets including land, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Group	Leasehold land \$'000	Wharves, floating docks and boats \$'000	Plant and machinery \$'000	Production tools and equipment \$'000	Furniture, fittings, office equipment and others* \$'000	Total \$'000
At 1 January 2020	469,596	595	917	274	12,593	483,975
Additions	52,584	1,302	813	504	5,806	61,009
Modifications of lease	67,161	–	–	(57)	100	67,204
Lease termination	(32)	–	–	–	(46)	(78)
Depreciation charge/ impairment losses	(65,714)	(649)	(428)	(298)	(7,258)	(74,347)
Translation difference	800	–	(2)	6	242	1,046
At 31 December 2020	524,395	1,248	1,300	429	11,437	538,809
At 1 January 2019	418,865	1,243	1,242	221	9,949	431,520
Additions	83,924	–	69	220	6,415	90,628
Acquisition of subsidiaries	23,349	–	–	–	2,872	26,221
Deconsolidation/ disposal of subsidiaries	(937)	–	–	–	–	(937)
Modifications of lease	(2,122)	–	–	23	(1,273)	(3,372)
Lease termination	(1,243)	–	–	–	(406)	(1,649)
Depreciation	(49,465)	(648)	(391)	(185)	(4,875)	(55,564)
Translation difference	(2,775)	–	(3)	(5)	(89)	(2,872)
At 31 December 2019	469,596	595	917	274	12,593	483,975

* Others comprise transportation equipment, vehicles and satellites

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets

Group	Goodwill \$'000	Dealer network \$'000	Development expenditure \$'000
Cost			
At 1 January 2020	856,897	170,693	547,192
Additions	–	–	83,704
Deconsolidation/disposal of subsidiaries	–	–	–
Write-off	–	–	(2,413)
Reclassification	–	–	(15,902)
Translation difference	(14,395)	10,996	18,429
At 31 December 2020	842,502	181,689	631,010
Accumulated amortisation and impairment losses			
At 1 January 2020	42,886	43,390	137,617
Amortisation for the year*	–	7,617	30,125
Impairment losses ⁺	14,431	556	11,021
Deconsolidation/disposal of subsidiaries	–	–	–
Write-off	–	–	(2,413)
Reclassification	–	–	(14,529)
Translation difference	(1,194)	1,772	(2,123)
At 31 December 2020	56,123	53,335	159,698
Net book value			
At 31 December 2020	786,379	128,354	471,312
Cost			
At 1 January 2019	561,003	175,890	424,526
Additions	–	–	93,425
Acquisition of subsidiaries	311,018	–	40,585
Deconsolidation/disposal of subsidiaries	(493)	–	–
Write-off	–	–	–
Translation difference	(14,631)	(5,197)	(11,344)
At 31 December 2019	856,897	170,693	547,192
Accumulated amortisation and impairment losses			
At 1 January 2019	43,663	36,573	83,780
Amortisation for the year*	–	7,621	43,079
Impairment losses ⁺	–	–	11,876
Deconsolidation/disposal of subsidiaries	(161)	–	–
Write-off	–	–	–
Translation difference	(616)	(804)	(1,118)
At 31 December 2019	42,886	43,390	137,617
Net book value			
At 31 December 2019	814,011	127,303	409,575

- * Amortisation charge of \$81,011,000 (2019: \$92,620,000) is recognised in the income statement as part of:
- Other operating expenses of \$45,155,000 (2019: \$31,528,000); and
 - Cost of sales of \$35,856,000 (2019: \$61,092,000)

- ⁺ During the year, the Group assessed that certain development expenditure, licenses and commercial and intellectual property rights associated with servicing of certain type of commercial airplane were impaired as these intangible assets were not expected to be generating future economic benefits and impairment losses of \$29,374,000 were recognised in cost of sales and \$1,961,000 were recognised in other operating expenses in the income statement. In the prior year, impairment losses of \$23,227,000 were recognised in other operating expenses in the income statement on certain licenses and commercial and intellectual property rights assessed by the Group to be impaired as these intangible assets were not expected to be generating future economic benefits.

During the year, an impairment loss on goodwill of \$14,431,000 was recognised in other operating expenses in the income statement as the recoverable amount of two CGUs were determined to be lower than the carrying amount. The recoverable amount was determined based on the value-in-use method.

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Commercial and intellectual property rights \$'000	Brands \$'000	Licenses \$'000	Technology agreement \$'000	Authorised repair centre agreement \$'000	Others \$'000	Total \$'000
605,211	80,680	63,443	34,023	5,859	28,553	2,392,551
2,262	–	866	–	–	–	86,832
(672)	–	–	–	–	–	(672)
–	–	–	–	–	–	(2,413)
589	–	81	–	–	–	(15,232)
(11,713)	(1,345)	17	(653)	–	–	1,336
595,677	79,335	64,407	33,370	5,859	28,553	2,462,402
92,924	16,921	27,584	17,659	5,007	28,348	412,336
36,427	1,210	2,007	2,639	852	134	81,011
111	–	19,647	–	–	–	45,766
(672)	–	–	–	–	–	(672)
–	–	–	–	–	–	(2,413)
–	–	–	–	–	–	(14,529)
(3,038)	(222)	15	(445)	–	–	(5,235)
125,752	17,909	49,253	19,853	5,859	28,482	516,264
469,925	61,426	15,154	13,517	–	71	1,946,138
94,901	81,775	56,319	34,474	5,859	18,808	1,453,555
3,934	–	7,076	–	–	–	104,435
515,167	–	6	–	–	9,745	876,521
(1,507)	–	–	–	–	–	(2,000)
(75)	–	(32)	–	–	–	(107)
(7,209)	(1,095)	74	(451)	–	–	(39,853)
605,211	80,680	63,443	34,023	5,859	28,553	2,392,551
70,812	15,958	13,706	15,274	4,018	18,533	302,317
24,795	1,195	2,511	2,615	989	9,815	92,620
–	–	11,351	–	–	–	23,227
(1,507)	–	–	–	–	–	(1,668)
(75)	–	(32)	–	–	–	(107)
(1,101)	(232)	48	(230)	–	–	(4,053)
92,924	16,921	27,584	17,659	5,007	28,348	412,336
512,287	63,759	35,859	16,364	852	205	1,980,215

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Recognition and measurement

(i) Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

Class of intangible assets	Background	Valuation method	Useful lives
Dealer network	Includes customer relationships and networks acquired	Initial recognition:	5 to 25 years
Commercial and intellectual property rights	Relates to intellectual property	Separately acquired intangible assets are recognised at cost.	2 to 20 years
Brands	Includes LeeBoy™ and Rosco brands of road construction equipment	Intangible assets arising from business combinations are recognised at fair value at the date of acquisition.	Aerospace: 5 years Electronics: 20 years
Licenses	Relates to licenses to <ul style="list-style-type: none"> – conduct commercial aviation activities – purchase and lease Boeing parts – develop MRO capabilities for specific aircraft types 	Subsequent measurement: Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses following initial recognition.	Land Systems: 70 years Aerospace: 15 to 30 years Land Systems: 7 to 20 years
Technology agreement	Relates to the intellectual property required to operate the EcoPower Engine Wash business	Amortisation is calculated on a straight-line basis over the estimated useful lives.	13 years
Authorised repair centre agreements	Relates to the sole appointed authorised service centre for repair and overhaul of landing gear		5 years

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Recognition and measurement (continued)

(ii) Other intangible assets (continued)

Class of intangible assets	Background	Valuation method	Useful lives
Development expenditure	<p>Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical and commercial feasibility of development. The capitalised costs are directly attributable to activities preparing the asset for its intended use, and capitalised borrowing costs. In any other circumstances, development costs are recognised in profit or loss as incurred.</p> <p>Included in development cost are costs related to development and assembly of aircraft seats, B757 15-PTF, A330-200 PTF and A330-300 PTF, A350 PTF and A320/A321 PTF.</p>	<p>(i) Initially recognised at cost</p> <p>(ii) Subsequently, carried at cost less any accumulated amortisation and accumulated impairment losses</p>	<p>B757 15-PTF: 4 years</p> <p>A330-200 PTF and A330-300 PTF: 41 years</p> <p>A320/A321 PTF: 41 years</p> <p>A350 PTF: 8 years</p> <p>Others: 3 to 10 years</p>

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangible assets, is recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Impairment review

The Group tests intangible assets for impairment to ensure they are not carried at above their recoverable amounts annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

These tests are performed by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows.

The recoverable amount is the higher of an asset or a CGU's fair value less costs to sell and value-in-use. The value-in-use calculations are based on discounted cash flows expected to arise from the asset.

Reversal of impairment

Intangible assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Key estimates and judgement: Recognition and measurement of intangible assets

Key assumptions used in estimating the recoverable amount, useful life of an intangible asset (reassessed at each reporting date) requires management's judgement.

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Aggregate carrying amounts of goodwill allocated to each CGU within the business divisions and the key assumptions used in determining the recoverable amount of each CGU are as follows:

Group	2020 \$'000	2019 \$'000	Pre-tax discount rate		Terminal growth rate	
			2020 %	2019 %	2020 %	2019 %
<u>Aerospace</u>						
Aircraft Maintenance & Modification	2,501	13,170	N.A.	12.0	N.A.	2.5
Component/Engine Repair & Overhaul	12,952	13,206	7.0 – 13.5	14.5	1.5 – 3.0	2.5
Engineering & Material Services	64,042	62,983	9.0 – 9.4	12.7	0 – 1.6	2.0
<u>Electronics</u>						
Communication & Sensor Systems Group*	534,197	544,744	8.7 – 16.9	9.8 – 13.3	3.0	3.0 – 5.0
Software Systems Group	27,368	27,663	11.4	8.8 – 12.7	3.0	2.0 – 3.0
<u>Land Systems</u>						
Automotive	145,319	152,245	10.5 – 15.2	12.0 – 17.2	2.3	2.3 – 3.0
	786,379	814,011				

* With effect from 1 January 2020, Miltope Corporation was re-organised from Others into Electronics sector and comparatives were restated in conformance with current year classification

Recognition and measurement

The recoverable amounts of the CGUs are determined based on value-in-use calculations, using cash flow projections derived from the financial budgets approved by management for the next five to ten years. The key assumptions used in the calculation of recoverable amounts are as follows:

- The discount rate used is estimated based on the industry weighted average cost of capital.
- The long-term terminal growth rate has been determined based on either the nominal GDP rates for the country in which the CGU is based or the long-term growth rate estimated by management by reference to forecasts included in industry reports and expected market development.
- The revenue growth rate and gross profit margins are determined based on the past performance and its expectations of market developments.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Sensitivity to changes in assumptions:

- (a) Management has identified the following key assumption for which a change as set out below could cause the carrying amount to exceed the recoverable amount.

Business Divisions	Assumption	Change required for carrying amount to equal the recoverable amount	
		2020 %	2019 %
Communication & Sensor Systems Group	Revenue growth rate (average of next 5 years)	1.7	0.5

- (b) No sensitivity analysis was disclosed for the remaining CGUs as the Group believes that any reasonable possible change in the key assumptions is unlikely to result in any material impairment to the CGUs.

Key Estimate and judgement: Impairment of goodwill

Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which goodwill are allocated. Key assumptions made to the projected cash flows requiring judgement include growth rate estimates and discount rates.

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C4 Amounts due from related parties

Group	2020 \$'000	2019 \$'000
Trade:		
Associates	6,927	3,360
Joint ventures	16,109	24,720
Related parties	7,444	7,376
	30,480	35,456
Non-trade*:		
Associate	4,256	–
Joint ventures	20,608	4,955
Related parties	116	56
	24,980	5,011
Allowance for doubtful debts	(608)	–
	54,852	40,467
Receivable:		
Within 1 year	46,305	35,661
After 1 year	8,547	4,806
	54,852	40,467

Amounts due from related parties denominated in currencies other than the respective entities' functional currencies as at 31 December are \$15,205,000 (2019: Nil) denominated in USD:

* Included in non-trade are:

- (a) a short term, unsecured, interest free loan of \$4,256,000 (2019: Nil) to an associate; and
- (b) loans of \$19,519,000 (2019: \$4,806,000) to joint ventures, bearing interest ranging from 0.85% to 6.38% (2019: 6.38%) per annum, which are the effective interest rates. The loans are unsecured and repayable from 2021 to 2029.

NOTES TO THE FINANCIAL STATEMENTS

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C5 Inventories

Group	2020 \$'000	2019 \$'000
Inventories of equipment and spares	1,269,192	1,311,858

In 2020, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to \$4,954,353,000 (2019: \$5,447,863,000). This includes inventories that were reclassified as contract assets and subsequently expensed in the course of fulfilling performance obligations in contracts with customers.

Allowances for inventory obsolescence

As at 31 December 2020, the inventories are stated after allowance for inventory obsolescence of \$367,607,000 (2019: \$340,728,000).

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. Cost (comprising direct labour, material costs, direct expenses and an appropriate allocation of production overheads) is calculated on a first-in, first-out basis or weighted average cost basis depending on the nature and pattern of use of the inventories.

Cost may also include transfers from equity on qualifying cash flow hedges of foreign currency purchases of inventories. Allowance is made for deteriorated, damaged, obsolete and slow-moving inventories.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs to sell.

Estimate and judgement: Allowance for inventory obsolescence

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventory write-offs could be higher or lower than the allowance made.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C6 Trade receivables

Group	2020 \$'000	2019 \$'000
Gross receivables	1,139,829	1,322,767
Allowance for doubtful debts	(91,985)	(76,886)
Trade receivables, net	1,047,844	1,245,881

Trade receivables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- \$166,549,000 (2019: \$289,538,000) denominated in USD
- \$21,201,000 (2019: \$26,245,000) denominated in Euro

Trade receivables amounting to \$5,607,000 (2019: \$1,848,000) are arranged to be repaid through letters of credit issued by reputable banks.

C7 Advances and other receivables

Group	2020 \$'000	2019 \$'000
Deposits	13,205	14,887
Interest receivables	135	789
Finance lease receivables	2,229	3,614
Other recoverables	51,051	68,470
Non-trade receivables	66,854	30,911
Advance payments to suppliers	142,750	161,840
Prepayments	86,839	67,424
Housing and car loans and advances to staff	12,176	2,563
Loans to third parties	750	1,060
	375,989	351,558
Receivable:		
Within 1 year	317,741	339,709
After 1 year	58,248	11,849
	375,989	351,558

The Group entered into finance lease arrangements with customers with terms ranging from 0.6 to 7.1 years (2019: 1.6 to 3.0 years) and effective interest rates ranging from 1.65% to 2.74% (2019: 2.29% to 2.74%) per annum.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C8 Bank balances and other liquid funds

Group	2020 \$'000	2019 \$'000
Fixed deposits with financial institutions	86,622	73,738
Cash and bank balances	644,002	379,492
Bank balances and other liquid funds	730,624	453,230
Deposits pledged	(1,145)	(1,135)
Cash and cash equivalents in the statement of cash flows	729,479	452,095

Fixed deposits with financial institutions mature at varying periods within 11 months (2019: 10 months) from the financial year-end. Interest rates range from 0.1% to 2.1% (2019: 1.2% to 3.8%) per annum, which are also the effective interest rates.

Included in cash and cash equivalents are bank deposits amounting to \$19,699,000 (2019: \$23,475,000) which are not freely remissible for use by the Group because of currency exchange restrictions.

Cash and bank balances of \$1,145,000 (2019: \$1,135,000) have been placed with banks as security for letters of credit issued to third parties. Cash and cash equivalents denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- \$153,312,000 (2019: \$176,836,000) denominated in USD
- \$19,065,000 (2019: \$97,962,000) denominated in Euro

NOTES TO THE FINANCIAL STATEMENTS

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C9 Trade payables and accruals

Group	2020 \$'000	2019 \$'000
Trade payables	689,879	859,102
Non-trade payables	89,423	84,131
Purchase of property, plant and equipment	321	5,386
Accrued operating expenses*	902,795	1,094,509
Accrued interest payable	4,488	376
	1,686,906	2,043,504
Payable:		
Within 1 year	1,667,568	1,985,521
After 1 year	19,338	57,983
	1,686,906	2,043,504

Trade payables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- \$82,770,000 (2019: \$114,062,000) denominated in USD
- \$39,353,000 (2019: \$34,636,000) denominated in Euro

* Included in the accrued operating expenses is an amount of \$244,203,000 (2019: \$319,060,000) for the Group's obligations under its employee compensation schemes.

NOTES TO THE FINANCIAL STATEMENTS

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C10 Amounts due to related parties

Group	2020 \$'000	2019 \$'000
Trade:		
Associates	9,925	11,029
Joint ventures	476	140
Related parties	1,110	1,537
	11,511	12,706
Non-trade:		
Joint ventures*	12,314	55,682
Related parties	8	1,619
	12,322	57,301
	23,833	70,007
Payable:		
Within 1 year	23,833	70,007

There were no significant amounts due to related parties denominated in currencies other than the respective entities' functional currencies as at 31 December 2020 and 31 December 2019.

- * Included in the amounts due to joint ventures (non-trade) is an amount of \$12,300,000 (2019: \$55,682,000) placed by joint ventures to a subsidiary of the Group under a cash pooling arrangement, where an effective interest of 0% per annum (2019: 1.46%) is charged on the outstanding balance.

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C11 Provisions

Movements in provisions are as follows:

Group	Warranties \$'000	Onerous contracts \$'000	Closure costs \$'000	Restoration costs \$'000	Total \$'000
2020					
At 1 January 2020	176,146	52,322	1,339	20,646	250,453
Charged to profit or loss	37,490	91,177	–	1,577	130,244
Additions	–	–	–	12,888	12,888
Utilised	(31,126)	(22,696)	(232)	–	(54,054)
Translation difference	(769)	(2,108)	(74)	(21)	(2,972)
At 31 December 2020	181,741	118,695	1,033	35,090	336,559

Provision:

Within 1 year	306,758
After 1 year	29,801
	<u>336,559</u>

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(i) Warranties

The warranty provision represents the best estimate of the Group's contractual obligations at the reporting date.

Under the terms of the revenue contracts with key customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The warranty obligation varies from 60 days to 15 years. The Group's experience of the proportion of its products sold that requires repair or replacement differs from year to year as every contract is customised to the specification of the customers.

The estimation of the provision for warranty expenses is based on the Group's past claim experience over the duration of the warranty period and the industry average in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales.

The warranty provision made as at 31 December 2020 is expected to be incurred over the applicable warranty periods.

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C11 Provisions (continued)

Recognition and measurement (continued)

(ii) Onerous contracts

Provision for onerous contracts on uncompleted contracts is recognised immediately in profit or loss when it is determinable.

(iii) Closure costs

Provision for closure costs is made in respect of the expected costs that the Group will undertake between the cessation of certain operations of the Group to the completion of their liquidation.

(iv) Restoration costs

Provision for restoration costs is made for dismantlement, removal or restoration costs expected to be incurred on expiry of lease agreements.

Estimate and judgement: Provision for warranty

The provision for warranty is based on estimates from known and expected warranty work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

Estimate and judgement: Provision for onerous contracts

The Group conducts a critical review of all its long-term contracts regularly. Allowance is made where necessary to account for onerous contracts and judgement is used to estimate the total cost to complete.

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C12 Deferred income

Group	2020 \$'000	2019 \$'000
Government grants	121,397	34,888
Deferred rents	–	1,824
	121,397	36,712
Recognise:		
Within 1 year	70,922	2,403
After 1 year	50,475	34,309
	121,397	36,712

Government grants relate mainly to grants received to subsidise the cost of capital assets and deferred grant recognised under the Jobs Support Scheme (the JSS) and other government support for employee related expenses. The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprise to retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

C13 Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

Group	2020 \$'000	2019 \$'000	2018 \$'000
Contract assets	1,153,192	1,246,207	1,070,396
Contract liabilities	(1,934,101)	(1,466,207)	(1,819,546)

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (included in trade receivables), unbilled receivables (contract assets), and customer advances (contract liabilities) on the balance sheet.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. If the value of services rendered exceeds payments received from the customer, a contract asset is recognised and presented separately. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

The contract liabilities primarily relate to advance consideration received from customers for contract revenue. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and presented separately.

These assets and liabilities are reported on the balance sheet on a contract by contract basis at each reporting date.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C13 Contract balances (continued)

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

Group	Contract assets		Contract liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	518,900	734,615
Increase due to cash received, excluding amounts recognised as revenue during the year	–	–	(1,009,124)	(591,263)
Contract assets recognised	580,964	902,185	–	–
Contract assets reclassified to trade receivables	(552,819)	(669,757)	–	–
Changes in measurement of progress	(8,727)	(262)	–	–

Transaction price allocated to the remaining performance obligations

The aggregate amount of transaction price allocated to the remaining performance obligations as at 31 December 2020 is \$15,403,538,000 and the Group expects to recognise \$5,344,283,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2021 with the remaining \$10,059,255,000 in 2022 and beyond.

As at 31 December 2019, the aggregate amount of transaction price allocated to the remaining performance obligations was \$15,319,082,000 and the Group expected to recognise \$5,867,193,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2020 with the remaining \$9,451,889,000 in 2021 and beyond.

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

Estimate and judgement: Contract balances

Judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

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C14 Financial risk management objectives and policies

The Group has exposure to the following financial risks arising from its operations and the use of financial instruments:

- Interest rate
- Foreign exchange
- Market
- Liquidity
- Credit

The Group's principal financial instruments, other than foreign exchange contracts and derivatives, comprise bank guarantees, performance bonds and bank loans, finance leases and hire purchase contracts, investments, cash and short-term deposits.

All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments and facilities limits. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation. The purpose of engaging in treasury transactions is solely for hedging. The Group's treasury mandates allow only foreign exchange spot, forward or non-deliverable forward, foreign exchange swap, cross currency swap, purchase of foreign exchange call, put or collar option, forward rate agreement, interest rate swap, purchase of interest rate cap, floor or collar option. These instruments are generic in nature with no embedded or leverage features and any deviation from these instruments would require specific approval from the Board of Directors.

The policies for managing each of these risks are broadly summarised below:

Interest rate risk

As at reporting date, the interest rate profile of the interest-bearing financial instruments is:

Group	2020 \$'000	2019 \$'000
Fixed rate instruments		
Financial assets	112,626	82,158
Financial liabilities	(1,816,348)	(840,378)
	(1,703,722)	(758,220)
Variable rate instruments		
Financial liabilities	(242,847)	(1,552,971)
	(242,847)	(1,552,971)

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C14 Financial risk management objectives and policies (continued)

The Group has cash balances placed with reputable banks and financial institutions. The Group manages its interest rate risk on its interest income by placing the cash balances in varying maturities and interest rate terms with due consideration to operating cash flow requirements and optimising yield.

The Group's debts include bank loans, Medium Term Notes (MTN), commercial papers and lease liabilities (2019: bank loans, commercial papers and lease liabilities). The Group seeks to minimise its interest rate risk exposure through tapping different sources of funds to refinance the debt instruments and/or enter into interest rate swaps.

An increase/decrease of 50 basis points in interest rate, with all other variables being held constant, would lead to a reduction/increase of the Group's profit or loss by approximately \$1.2 million (2019: \$7.8 million).

The Group's policy is to maintain at least 50% of its borrowings at fixed rate, using floating-to-fixed interest rate swaps to achieve this when necessary. During 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in USD.

Except for the short-term US commercial paper (USCP) below, other variable interest rates borrowings were not referenced to inter-bank offered rates (IBORs) that will be affected by the IBOR reforms.

Included in the variable rate borrowings is a USCP of \$396,230,000 (2019: \$1,436,140,000) whose interest rate on each rollover correlates with 3-month LIBOR. To hedge the variability of the cash flows of the USCP, the Group has entered into a 5-year interest rate swap of notional amount of \$191,719,000 as at 31 December 2020 (2019: \$330,285,000) with key terms that match part of the outstanding USCP on which it pays a fixed rate and receives a variable rate.

The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan;
- differences in critical terms between the interest rate swaps and loans; and
- the effects of the forthcoming reforms to LIBOR, because these might take effect at a different time and have a different impact on the hedged item (the floating-rate debt) and the hedging instrument (the interest rate swap used to hedge the debt).

No ineffectiveness has been recognised in relation to the interest rate swaps in finance income or finance costs in profit or loss for 2020 (2019: nil).

Information relating to the Group's interest rate risk exposure is also disclosed in the notes on the Group's borrowings, investments and loans receivable, where applicable.

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C14 Financial risk management objectives and policies (continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk from its global operations and revenues, costs and borrowings denominated in a currency other than the respective entities' functional currencies. The Group's foreign exchange exposures are primarily from USD and Euro, and manages its exposure through forward currency contracts and embedded derivatives.

The Group's centralised Treasury Unit monitors the current and projected foreign currency cash flows within the Group and aims to reduce the exposure of the net position by transacting with the banks where appropriate.

No foreign exchange sensitivity analysis was disclosed as a reasonable change in the exchange rates would not result in any significant impact on the Group's results.

Market risk

The Group has strategic investments in unquoted equity shares. The market value of these investments will fluctuate with market conditions.

No sensitivity analysis was disclosed as a reasonable change in the market value of these investments would not result in any significant impact on the Group's results.

Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

The table below analyses the maturity profile of the Group's financial liabilities based on the contractual undiscounted cash flows including estimated interest payments and excluding impact of netting arrangements.

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C14 Financial risk management objectives and policies (continued)

Group	Contractual cash flow \$'000	Within 1 year \$'000	Between 1 and 5 years \$'000	More than 5 years \$'000
2020				
Bank loans	(122,057)	(15,511)	(66,504)	(40,042)
Commercial papers	(396,660)	(396,660)	–	–
Medium term notes	(1,055,999)	(14,875)	(1,041,124)	–
Lease liabilities	(696,277)	(71,307)	(208,666)	(416,304)
Other loans	(19,756)	(19,756)	–	–
Trade and other payables	(1,710,739)	(1,691,401)	(18,937)	(401)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
– payments	(974,449)	(659,965)	(314,484)	–
– receipts	1,011,791	680,517	331,274	–
• Net-settled interest rate swaps	(24,432)	(12,216)	(4,607)	(7,609)
Financial guarantees	(15,332)	(1,147)	(7,320)	(6,865)
2019				
Bank loans	(492,798)	(360,295)	(34,326)	(98,177)
Commercial papers	(1,440,175)	(1,440,175)	–	–
Lease liabilities	(567,420)	(65,836)	(159,544)	(342,040)
Trade and other payables	(2,113,511)	(2,055,528)	(57,572)	(411)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
– payments	(1,055,031)	(612,682)	(442,349)	–
– receipts	1,044,018	599,405	444,613	–
• Net-settled interest rate swaps	(7,690)	(2,151)	(5,503)	(36)
Financial guarantees	(106,052)	(23,125)	(22,220)	(60,707)

Except for the cash flows arising from the intra-group financial guarantee, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

At the reporting date, the Group does not consider it probable that a claim will be made against the Group under the financial guarantees.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Recognition and measurement

Financial guarantees are financial instruments issued by the Group to joint ventures that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Credit risk

Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Company or its subsidiaries obtain collaterals from customers or arrange master netting agreements. Cash terms, advance payments, and letters of credit or bank guarantees are required for customers of lower credit standing.

The carrying amounts of financial assets and contract assets represent the Group's maximum exposures to credit risk, before taking into account any collateral held.

Group	2020 \$'000	2019 \$'000
Investments	23,138	16,782
Derivative financial instruments	44,461	19,386
Contract assets	1,153,192	1,246,207
Trade receivables	1,049,368	1,247,549
Amounts due from related parties	54,852	40,467
Advances and other receivables	146,400	122,294
Bank balances and other liquids funds	730,624	453,230
	3,202,035	3,145,915

Impairment losses on financial assets and contract assets recognised in profit or loss are as follows:

Group	2020 \$'000	2019 \$'000
Trade receivables	22,319	50,750
Contract balances arising from contracts with customers	4,367	2,723
	26,686	53,473

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Exposure to credit risk

As at 31 December 2020, 25% (2019: 31%) of trade receivables and contract assets relate to three major customers of the Group.

The table below analyses the trade receivables and contract assets by the Group's main reportable segments:

Group	Carrying amount	
	2020 \$'000	2019 \$'000
Aerospace	656,342	956,963
Electronics	1,074,597	1,186,326
Land Systems	293,452	231,774
Marine	165,531	118,246
Others	12,638	447
	2,202,560	2,493,756

A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

Group	2020		2019	
	Not credit impaired \$'000	Credit impaired \$'000	Not credit impaired \$'000	Credit impaired \$'000
Receivables measured at lifetime ECL:				
Trade receivables and contract assets	2,202,560	104,648	2,493,756	97,749
Loss allowance	–	(104,648)	–	(97,749)
Total	2,202,560	–	2,493,756	–

Expected credit loss assessment

Trade receivables and contract assets

For specific trade receivables and contract assets identified by the Group to be credit impaired, the Group recognised a loss allowance equal to lifetime expected credit loss. Hence, the recoverability of these balances are assessed separately from the allowance matrix.

For the remaining trade receivables and contract assets, the Group uses an allowance matrix to measure the expected credit loss (ECL) of trade receivables and contract assets from its customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the common credit risk characteristics.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Expected credit loss assessment (continued)

Trade receivables and contract assets (continued)

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Based on this assessment, the Group has concluded that the expected credit losses from these trade receivables and contract assets is immaterial.

The table below shows the aging and loss allowance analysis of the Group's trade receivables as at 31 December 2020 and 2019:

	Not past due \$'000	1 – 90 days \$'000	91 – 180 days \$'000	181 – 360 days \$'000	> 360 days \$'000	Total \$'000
2020						
<u>Aerospace</u>						
Trade receivables and contract assets	573,752	71,256	14,878	24,248	47,761	731,895
Loss allowance	(2,338)	(7,449)	(4,763)	(15,120)	(45,883)	(75,553)
<u>Electronics</u>						
Trade receivables and contract assets	981,518	78,932	15,166	11,162	10,730	1,097,508
Loss allowance	(9,306)	(1,527)	(964)	(3,234)	(7,880)	(22,911)
<u>Land Systems</u>						
Trade receivables and contract assets	260,041	24,445	6,537	2,098	4,028	297,149
Loss allowance	(71)	(5)	(4)	(24)	(3,593)	(3,697)
<u>Marine</u>						
Trade receivables and contract assets	136,898	15,528	356	4,212	11,024	168,018
Loss allowance	(2,322)	–	–	–	(165)	(2,487)
2019						
<u>Aerospace</u>						
Trade receivables and contract assets	864,951	90,674	12,303	11,942	48,685	1,028,555
Loss allowance	(15,137)	(1,870)	(1,004)	(5,619)	(47,962)	(71,592)
<u>Electronics</u>						
Trade receivables and contract assets	1,099,812	67,527	13,064	13,981	10,293	1,204,677
Loss allowance	(5,489)	(563)	(234)	(2,011)	(10,054)	(18,351)
<u>Land Systems</u>						
Trade receivables and contract assets	195,644	29,426	5,132	1,541	4,210	235,953
Loss allowance	(74)	(8)	(20)	(7)	(4,070)	(4,179)
<u>Marine</u>						
Trade receivables and contract assets	78,963	19,355	11,429	6,893	5,229	121,869
Loss allowance	(2,208)	–	–	(118)	(1,297)	(3,623)

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C14 Financial risk management objectives and policies (continued)

Expected credit loss assessment (continued)

Trade receivables and contract assets (continued)

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year were as follows:

Group	Lifetime ECL	
	2020 \$'000	2019 \$'000
At 1 January	97,749	38,986
Impairment loss recognised	26,686	53,473
Amounts written off	(19,290)	(8,066)
Acquisition of subsidiaries	–	12,142
Disposal of subsidiaries	–	(8)
Translation difference	(497)	1,222
At 31 December	104,648	97,749

Bank balances and other liquid funds

Bank balances and other liquid funds are placed with financial institutions, which mainly have long-term rating of A3 by Moody's or A- by Standard & Poor's or the equivalent by a reputable credit rating agency. Impairment on bank balances and other liquid funds has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances and other liquid funds to have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on bank balances and other liquid funds is insignificant.

Other financial assets

Other financial assets comprise amounts due from related parties and other receivables, which are mostly short-term in nature. Impairment on other financial assets has been measured on the 12-month expected loss basis and reflects the short maturities of exposures. The Group considers its other financial assets to have low credit risk and the amount of the allowance on other financial assets is insignificant.

Recognition and measurement

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost, contract assets (as defined in SFRS(I) 15), debt investments at FVOCI and financial guarantee contracts, but not for equity investments.

Loss allowances of the Group are measured using either the simplified or general approach.

The Group applies the simplified approach to provide for ECLs for all trade receivables (including lease receivables) and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Recognition and measurement (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track record, current macroeconomics situation as well as general industry trend.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or payment remains outstanding for more than a reasonable range of past due days;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the balance sheets

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Estimate and judgement: Impairment of financial assets and contract assets

Impairment of financial assets and contract assets are estimated based on historical loss experience for assets with similar credit risk characteristics. The estimated ECL is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

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C15 Classification and fair value of financial instruments

Group	----- Carrying amount -----		
	Amortised cost \$'000	Mandatorily at FVTPL \$'000	Fair value – hedging instruments \$'000
2020			
Financial assets measured at fair value			
Investments	–	–	–
Associates	–	20,858	–
Derivative financial instruments	–	9,639	34,822
	–	30,497	34,822
Financial assets not measured at fair value			
Trade receivables	1,049,368	–	–
Amounts due from related parties	54,852	–	–
Advances and other receivables	146,400	–	–
Bank balances and other liquid funds	730,624	–	–
	1,981,244	–	–
Financial liabilities measured at fair value			
Derivative financial instruments	–	(2,471)	(20,769)
Financial liabilities not measured at fair value			
Creditors and accruals	–	–	–
Amounts due to related parties	–	–	–
Borrowings	–	–	–
	–	–	–

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----- Carrying amount -----			----- Fair value -----		
FVOCI – equity instruments \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
23,138	–	23,138	–	23,138	23,138
–	–	20,858	–	20,858	20,858
–	–	44,461	44,461	–	44,461
23,138	–	88,457	44,461	43,996	88,457
–	–	1,049,368			
–	–	54,852			
–	–	146,400			
–	–	730,624			
–	–	1,981,244			
–	–	(23,240)	(23,240)	–	(23,240)
–	(1,686,906)	(1,686,906)			
–	(23,833)	(23,833)			
–	(2,046,895)	(2,046,895)			
–	(3,757,634)	(3,757,634)			

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C15 Classification and fair value of financial instruments (continued)

Group	----- Carrying amount -----		Fair value – hedging instruments \$'000
	Amortised cost \$'000	Mandatorily at FVTPL \$'000	
2019			
Financial assets measured at fair value			
Investments	–	–	–
Associates	–	23,328	–
Derivative financial instruments	–	7,591	11,795
	–	30,919	11,795
Financial assets not measured at fair value			
Trade receivables	1,247,549	–	–
Amounts due from related parties	40,467	–	–
Advances and other receivables	122,294	–	–
Bank balances and other liquid funds	453,230	–	–
	1,863,540	–	–
Financial liabilities measured at fair value			
Derivative financial instruments	–	(3,067)	(52,209)
Financial liabilities not measured at fair value			
Creditors and accruals	–	–	–
Amounts due to related parties	–	–	–
Borrowings	–	–	–
	–	–	–

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----- Carrying amount -----			----- Fair value -----			
FVOCI – equity instruments \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
16,782	–	16,782	604	6,741	9,437	16,782
–	–	23,328	–	17,481	5,847	23,328
–	–	19,386	–	19,386	–	19,386
16,782	–	59,496	604	43,608	15,284	59,496
–	–	1,247,549				
–	–	40,467				
–	–	122,294				
–	–	453,230				
–	–	1,863,540				
–	–	(55,276)	–	(55,276)	–	(55,276)
–	(2,043,504)	(2,043,504)				
–	(70,007)	(70,007)				
–	(2,337,707)	(2,337,707)				
–	(4,451,218)	(4,451,218)				

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C15 Classification and fair value of financial instruments (continued)

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3).

Group	2020 \$'000	2019 \$'000
Associate		
At 1 January	5,847	–
Transfer from Level 2	20,296	7,825
Total unrealised losses recognised in profit or loss, other expenses	(5,285)	(1,978)
At 31 December	20,858	5,847
Equity instruments (unquoted)		
At 1 January	9,437	–
Transfer from Level 2	13,701	9,437
At 31 December	23,138	9,437
	43,996	15,284

Recognition and measurement

(a) Non-derivative financial assets and liabilities

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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C15 Classification and fair value of financial instruments (continued)

(a) Non-derivative financial assets and liabilities (continued)

Financial assets	Classification	Subsequent measurement
Amortised cost	<ul style="list-style-type: none"> The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. 	Measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	<ul style="list-style-type: none"> The asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. 	Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.	Measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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C15 Classification and fair value of financial instruments (continued)

(a) Non-derivative financial assets and liabilities (continued)

Financial assets	Classification	Subsequent measurement
FVTPL*	<p>All other financial assets are classified as measured at FVTPL. Financial assets that are held-for-trading or are managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL.</p> <p>* On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.</p>	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model and how those risks are managed;
- How managers of the portfolio are compensated; and
- The frequency, volume and timing of disposals in prior periods, the reasons for such disposals and its expectations about future activity.

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C15 Classification and fair value of financial instruments (continued)

(a) Non-derivative financial assets and liabilities (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest

For assessment purposes, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contingent events, leverage features, modifications of the time value of money and other limiting terms in the contractual terms of the instrument, which change the timing or amount of contractual cash flows such that the cash flows of the instrument would not be reflective of solely payments of principal and interest.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing those financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

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C15 Classification and fair value of financial instruments (continued)

(b) Fair value

The Group has an established approach with respect to the measurement of fair values.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table shows the levels of fair value hierarchy and the respective valuation technique used in measuring the fair values, as well as significant unobservable inputs:

	Types of financial instruments	Valuation method
Level 1	FVOCI – Equity investments (quoted)	Determined by reference to their quoted bid prices for these investments as at reporting date.
Level 2	FVOCI – Equity investments (unquoted)	Determined by reference to the most recent purchase price.
	Derivatives – Forward currency contracts – Interest rate swaps – Embedded derivatives	Determined based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
	FVTPL – Investment in associates	Determined by reference to the most recent purchase price.
Level 3	FVOCI – Equity investment (unquoted)	Determined based on latest funding round.
	FVTPL – Investment in associates	Determined based on valuation performed using adjusted market multiples. The market multiples used is 7.9. Changing one or more of the inputs to reasonable alternative assumptions is not expected to have a material impact on the changes in fair value.

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C15 Classification and fair value of financial instruments (continued)

(b) Fair value (continued)

Measurement of fair values

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I)s, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. In 2020 and 2019, other than transfers from Level 2 to Level 3, there were no other transfers between the different levels of fair value hierarchy.

The following methods and assumptions are used to estimate the fair value of other classes of financial instruments:

Types of financial instruments	Valuation method
Bank balances, other liquid funds and short-term receivables	Carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.
Short-term borrowings and other current payables	
Long-term receivables	Estimated based on the expected cash flows discounted to present value.
Long-term payables	Estimated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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C16 Derivative financial instruments

Cash flow hedges

At 31 December 2020, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

Group	Maturity		
	Within 1 year	Between 1 to 5 years	More than 5 years
2020			
Foreign currency risk			
Nominal amount of forward exchange contracts (in thousands of SGD)	184,081	154,582	–
– Average EUR:USD forward contract rate	1.1736	1.1615	–
– Average EUR:SGD forward contract rate	1.6083	1.6785	–
– Average THB:SGD forward contract rate	22.99	23.04	–
Nominal amount of embedded derivatives (in thousands of SGD)	138,189	92,928	–
– Average EUR:SGD	1.6191	1.6602	–
– Average USD:SGD	1.3717	1.3891	–
– Average GBP:SGD	1.8169	1.8289	–
Interest rate risk			
Nominal amount of interest rate swaps	–	191,719	–
– Average fixed interest rate	–	2.6731	–
2019			
Foreign currency risk			
Nominal amount of forward exchange contracts (in thousands of SGD)	325,796	211,924	–
– Average EUR:USD forward contract rate	1.2039	1.1752	–
– Average EUR:SGD forward contract rate	1.6639	1.6752	–
– Average THB:SGD forward contract rate	0.0441	–	–
Nominal amount of embedded derivatives (in thousands of SGD)	99,680	147,862	–
– Average EUR:SGD	1.6405	1.6494	–
– Average USD:SGD	1.3766	1.3808	–
– Average GBP:SGD	1.8005	1.8222	–
Interest rate risk			
Nominal amount of interest rate swaps	134,810	–	195,475
– Average fixed interest rate	1.6325	–	2.6731

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C16 Derivative financial instruments (continued)

The amounts at the reporting date relating to items designated as hedged items were as follows:

Group	Change in value used for calculating hedge ineffectiveness \$'000	Cash flow hedge reserve \$'000
2020		
Foreign currency risk		
Sales	16,834	21,088
Receivables	(5)	(335)
Purchases	9,797	2,417
Payables	(89)	385
Embedded derivatives	11,520	(1,636)
Interest rate risk		
Variable rate borrowings	(19,136)	(24,316)
2019		
Foreign currency risk		
Sales	(12,300)	(8,370)
Receivables	129	(330)
Purchases	(8,844)	(5,938)
Payables	(566)	(268)
Embedded derivatives	(1,029)	(13,156)
Interest rate risk		
Variable rate borrowings	(9,832)	(7,001)

There are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied.

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C16 Derivative financial instruments (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

2020				
Group	Nominal amount \$'000	Assets \$'000	Liabilities \$'000	Line item in the statement of financial position where the hedging instrument is included
Foreign currency risk				
Forward exchange contracts	338,664	29,915	(492)	Derivative financial instruments, advances and other receivables and trade payables and accruals
Embedded derivatives	231,117	851	(3,645)	
Interest rate risk				
Interest rate swaps ^(a)	191,719	–	(12,222)	Derivative financial instruments
2019				
Group	Nominal amount \$'000	Assets \$'000	Liabilities \$'000	Line item in the statement of financial position where the hedging instrument is included
Foreign currency risk				
Forward exchange contracts	537,720	3,136	(21,180)	Derivative financial instruments, advances and other receivables and trade payables and accruals
Embedded derivatives	247,542	–	(13,489)	
Interest rate risk				
Interest rate swaps	330,285	12	(7,560)	Derivative financial instruments

^(a) The contractual notional amount of interest rate swaps held for hedging which is based on LIBOR is \$191,719,000 (2019: \$330,285,000).

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During the year 2020

Changes in the value of the hedging instrument recognised in OCI \$'000	Hedge ineffectiveness recognised in profit or loss \$'000	Line item in profit or loss that includes hedge ineffectiveness	Amount from hedging reserve transferred to cost of inventory \$'000	Amount reclassified from hedging reserve to profit or loss \$'000	Line item in profit or loss affected by the reclassification
26,537	3	Cost of sales / Finance costs, net	(1,890)	13,814	Revenue / Cost of sales / Operating expenses / Finance costs, net
11,520	–	–	–	–	–
(4,808)	–	–	–	(20)	–

During the year 2019

Changes in the value of the hedging instrument recognised in OCI \$'000	Hedge ineffectiveness recognised in profit or loss \$'000	Line item in profit or loss that includes hedge ineffectiveness	Amount from hedging reserve transferred to cost of inventory \$'000	Amount reclassified from hedging reserve to profit or loss \$'000	Line item in profit or loss affected by the reclassification
(21,581)	1,071	Cost of sales / Finance costs, net	3,700	(1,371)	Revenue / Cost of sales / Operating expenses / Finance costs, net
(1,029)	–	–	–	–	–
(9,832)	–	–	–	–	–

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C16 Derivative financial instruments (continued)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

Group	Hedging reserve	
	2020 \$'000	2019 \$'000
Balance at 1 January	(32,950)	(424)
Change in fair value:		
Foreign currency risk	38,057	(22,610)
Interest rate risk	(19,136)	(9,832)
Equity accounted joint ventures	763	(5,379)
Amount reclassified to profit or loss:		
Foreign currency risk	15,635	(1,371)
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	(1,890)	3,700
Tax movements on reserves during the year	(8,051)	2,966
Balance at 31 December	(7,572)	(32,950)

Derivative financial instruments and hedge accounting

The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

Designation of hedges

At inception or upon reassessment of the hedge arrangement, the Group documents the relationship between hedging instrument and hedged item, and the methods that will be used to measure the effectiveness of the hedged relationship, as well as risk management policies and strategies in undertaking various hedged transactions.

The Group also documents its assessment, both at inception and on an ongoing basis, the economic relationship between hedging instruments and hedged item, including whether derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged item.

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C16 Derivative financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Category	Subsequent measurement
(1) Cash flow hedges	<p>When a derivative is designated in a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income limited to the cumulative change in the fair value of the hedged item and presented in the fair value reserve. Any ineffective portion of changes in the fair value of the derivative (i.e. the extent to which changes in the fair value of the hedge instrument do not match the changes in fair value of the hedged item) is recognised immediately in profit or loss.</p> <p>The amount accumulated in equity is retained in other comprehensive income, and depending on the nature of the hedged item, will either be transferred to the profit or loss in the same period that the underlying transaction affects profit or loss or be capitalised in the initial carrying amount of the non-financial item.</p> <p>If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the fair value reserve remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.</p>
(2) Fair value hedges	<p>Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.</p>
(3) Net investment hedges	<p>The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.</p> <p>When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.</p>

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C16 Derivative financial instruments (continued)

Estimate and judgement: Interest rate benchmark reform

Following the global financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other inter-bank offered rates (IBORs) has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

To transition existing contracts and agreements that reference LIBOR to Secured Overnight Financing Rate (SOFR), adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

The Group's treasury function is managing the Group's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced interest rate swap and the corresponding update of the hedge designation.

Relief applied

The Group has applied the following reliefs that were introduced by the amendments made to SFRS(I) 9 Financial Instruments:

- When considering the 'highly probable' requirement, the Group has assumed that the variable interest rate on which the Group's hedged debt is based does not change as a result of IBOR reform;
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the variable interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by the IBOR reform; and
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Group has made the following assumptions that no changes to the terms of the floating rate debt are anticipated to reflect its current expectations.

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D. EMPLOYEE BENEFITS

The Group uses the following programs to reward and recognise employees and key executives, including key management personnel.

- Economic Value Added (EVA)-based Incentive Scheme
- Defined contribution plans
- Employee benefits
- Share plans

The Group believes that these programs reinforce the value of ownership and incentivise and drive performance both individually and collectively to maximise returns to the shareholders.

D1	Economic Value Added (EVA)-based Incentive Scheme	D3	Post-employment benefits
D2	Personnel expenses	D4	Share-based payment arrangements

D1 Economic Value Added (EVA)-based Incentive Scheme

The Group adopts an incentive compensation plan, which is tied to the creation of EVA, as well as attainment of individual and Group performance goals for its key executives. An EVA bank is used to hold incentive compensation credited in any year.

Typically a portion of EVA-based bonus declared in the financial year is paid out in cash each year, with the balance being deferred for payment in the following years.

Estimate and judgement: EVA-based Incentive Scheme (EBIS)

Estimates of the Group's obligations arising from the EBIS at the reporting date may be affected by future events, which cannot be predicated with any certainty. The assumptions and estimates are made based on management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Negative EVA will result in a clawback of EVA bonus accumulated in previous years.

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D2 Personnel expenses

Group	2020 \$'000	2019 \$'000
Wages and salaries*	1,464,167	1,837,969
Contributions to defined contribution plans	169,561	192,178
Defined benefit plan expenses	37,791	21,800
Share-based payments	21,226	23,925
Other personnel expenses	261,563	224,022
	1,954,308	2,299,894

- * \$353,233,000 (2019: Nil) of COVID-19 related government grants were recognised during the year, including amount received under the Jobs Support Scheme and various government grants received by the Group's subsidiaries in the countries they operate in.

Recognition and measurement

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund and will have no legal or constructive obligation to pay further amounts. The Group's contributions to the defined contribution plans are recognised in the income statement as expenses in the financial year to which they relate.

D3 Post-employment benefits

Group	2020 \$'000	2019 \$'000
Net defined benefit asset	319	–
Total post-employment benefit asset	319	–
Net defined benefit liabilities	460,724	377,987
Liability for staff benefits	9,820	13,339
Total post-employment benefit liabilities	470,544	391,326
Non-current	462,548	380,061
Current	7,996	11,265
	470,544	391,326

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D3 Post-employment benefits (continued)

Movement in net defined benefit liability/(asset)

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability/(asset) and its components.

Group	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at 1 January	714,844	113,361	(336,857)	(7,320)	377,987	106,041
Included in profit or loss						
Current service cost	21,321	12,809	–	–	21,321	12,809
Past service credit	5,241	–	–	–	5,241	–
Interest cost/(income)	19,906	15,130	(10,639)	(7,646)	9,267	7,484
Administrative expenses	634	243	1,328	1,264	1,962	1,507
	47,102	28,182	(9,311)	(6,382)	37,791	21,800
Included in OCI						
Remeasurement loss/(gain):						
• Actuarial loss/(gain) arising from:						
– demographic assumptions	(2,022)	16,504	–	–	(2,022)	16,504
– financial assumptions	75,028	74,847	478	(43)	75,506	74,804
– experience assumptions	1,565	720	72	(143)	1,637	577
• Return on plan assets excluding interest income	–	–	(10,210)	(27,110)	(10,210)	(27,110)
	74,571	92,071	(9,660)	(27,296)	64,911	64,775
Others						
Contributions paid by the employer	(570)	1,331	(26,954)	(26,420)	(27,524)	(25,089)
Contributions paid by the employee	–	51	–	(51)	–	–
Benefits paid	(21,322)	(15,875)	20,651	13,714	(671)	(2,161)
Acquisition of subsidiaries	–	505,988	–	(286,688)	–	219,300
Translation difference	7,803	(10,265)	108	3,586	7,911	(6,679)
Balance at 31 December	822,428	714,844	(362,023)	(336,857)	460,405	377,987

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D3 Post-employment benefits (continued)

The expenses are recognised in the following line items in profit or loss:

Group	2020 \$'000	2019 \$'000
Cost of sales	25,865	19,960
Administrative expenses	4,571	1,610
Other operating expenses	83	16
Finance cost, net	7,272	214
Defined benefit obligation expenses	37,791	21,800

The fair value of plan assets in each category are as follows:

Group	2020 \$'000	2019 \$'000
Equity securities	140,777	135,201
Government bonds	31,268	30,314
Corporate bonds	122,547	108,642
Derivatives	778	208
Cash/money markets	6,873	4,183
Property occupied by the Group	34,991	40,777
Funds managed by a trustee	2,216	2,234
Funds with insurance companies	22,573	15,298
Fair value of plan assets	362,023	336,857

All equity securities and government bonds have quoted prices in active markets. All government bonds have an average rating of A+.

In the case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

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D3 Post-employment benefits (continued)

Defined benefit obligation

(a) Actuarial assumptions

The following relates to the actuarial assumptions of significant post-employment defined benefit plans for subsidiaries in Germany and United States of America. The remaining defined benefit plans are not material to the Group and additional disclosures are not shown at the reporting date.

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Group	2020 %	2019 %
Discount rate	1.7	2.3
Future salary growth	3.2	3.2
Future pension growth	2.0	2.5

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

Group	2020		2019	
	Germany	U.S.	Germany	U.S.
Longevity at age 65 for current pensioners:				
Males	20.3	19.4	20.3	19.6
Females	23.8	21.4	23.8	21.6
Longevity at age 65 for current members aged 45:				
Males	23.1	19.9	23.1	20.1
Females	26.0	22.1	26.0	22.4

At 31 December 2020, the weighted average duration of the defined benefit obligation was 25.4 years (2019: 24.2 years) for the subsidiaries in Germany and 14.6 years (2019: 13.1 years) for the subsidiary in United States of America.

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D3 Post-employment benefits (continued)

(b) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Group	2020		2019	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Discount rate (0.5% movement)	(64,249)	72,501	(51,601)	58,782
Future salary growth (0.25% movement)	2,328	(2,111)	2,148	(2,060)
Future pension growth (0.25% movement)	2,632	(2,512)	2,350	(2,246)
Future mortality (10% movement)	(19,040)	26,264	(16,316)	21,499

Recognition and measurement

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The fair value of any plan assets is deducted. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

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D4 Share-based payment arrangements

PSP2010 and PSP2020 (PSP)

The PSP is established with the objective of motivating Senior Management Executive to strive for sustained long-term growth and performance in ST Engineering and its subsidiaries (ST Engineering Group or the Group). Awards of performance shares are granted conditional on performance targets set based on the ST Engineering Group corporate objectives.

The performance measures used in PSP grants are Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and Earnings Per Share (EPS) Growth against pre-determined targets. In addition to the PSP performance targets being met, final award for PSP is conditional upon satisfactory performance of the recipient.

RSP2010 and RSP2020 (RSP)

The RSP is established with the objective of motivating managers and above to strive for sustained long-term growth of ST Engineering Group. It also aims to foster a share ownership culture among employees within the ST Engineering Group and to better align employees' incentive scheme with shareholders' interest.

A minimum threshold performance is required for any shares to be released to the recipients at the end of the performance period. The shares will vest equally over a four-year performance period, subject to continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

Movement in the number of shares under the PSP and RSP are as follows:

Group	2020		2019	
	PSP	RSP	PSP	RSP
Outstanding awards				
Balance at 1 January	4,896,009	13,308,887	4,818,034	12,501,287
Granted	3,458,270	6,705,899	2,280,194	6,594,486
Lapsed	(430,932)	(790,203)	(160,722)	(580,892)
Released	(2,377,103)	(5,962,544)	(2,041,497)	(5,205,994)
Balance at 31 December	5,546,244	13,262,039	4,896,009	13,308,887

These shares were awarded by reissuance of treasury shares.

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D4 Share-based payment arrangements (continued)

Singapore Technologies Engineering Performance Share Plan (PSP) and Singapore Technologies Engineering Restricted Share Plan (RSP)

Group	PSP		RSP	
	Year of grant		Year of grant	
	2020	2019	2020	2019
Volatility of the Company's shares (%)	26.87	13.37	26.87	13.37
Risk-free rate (%)	1.13	1.92	0.99 – 1.21	1.91 – 1.93
Share price (\$)	2.80	3.75	2.80	3.75
Cost of equity (%)	7.2	7.0	N.A.	N.A.
Dividend yield	(–Management's forecast in line with dividend policy–)		(–Management's forecast in line with dividend policy–)	

The fair value of the performance and restricted shares is determined on grant date using the Monte Carlo simulation model.

During the current year, the Group met the pre-determined target performance level and hence, 2,377,103 performance shares were awarded in respect of the grant made in 2017 under PSP2010. In the prior year, 2,041,497 performance shares were awarded in respect of the grant made in 2016 under PSP2010.

Recognition and measurement

The Group operates a number of share-based payment plans. A description of each type of share-based payment arrangement that existed at any time during the period is described in the Directors' Statement.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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E. CAPITAL STRUCTURE AND FINANCING

This section provides information relating to the Group's capital structure and how they affect the Group's financial position and performance, and how the risks are managed.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy financial metrics in order to support its business and maximise shareholder value. Capital consists of total shareholders' funds and gross debts.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group.

E1	Capital management	E6	Share capital
E2	Finance costs, net	E7	Treasury shares
E3	Investments	E8	Capital reserves
E4	Borrowings	E9	Other reserves
E5	Commitments and contingent liabilities	E10	Dividends

E1 Capital management

The Group is currently in a net debt position and will continue to be guided by prudent financial policies of which gearing is an important aspect. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

Group	2020 \$'000	2019 \$'000
Gross debt		
Bank loans	115,525	477,409
Commercial papers	396,230	1,436,140
Medium term notes	987,841	–
Lease liabilities	527,734	424,158
Other loans	19,565	–
Financial guarantees	15,332	106,052
	2,062,227	2,443,759

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E1 Capital management (continued)

Group	2020 \$'000	2019 \$'000
Shareholders' funds		
Share capital	895,926	895,926
Treasury shares	(23,743)	(26,731)
Capital and other reserves	18,017	(36,882)
Retained earnings	1,402,414	1,389,966
	2,292,614	2,222,279
Non-controlling interests	282,175	268,722
	2,574,789	2,491,001
Gross debt/equity ratio	0.8	1.0
Cash and cash equivalents	729,479	452,095
Gross debt (excluding bank overdrafts)	(2,062,227)	(2,443,759)
Net debt position	(1,332,748)	(1,991,664)

E2 Finance costs, net

Group	2020 \$'000	2019 \$'000
Finance income		
Interest income		
– bank deposits	3,003	4,620
– staff loans	6	7
– finance lease	617	160
– others	2,117	4,700
Exchange gain, net	–	3,350
Fair value changes of financial instruments		
– gain on forward currency contract designated as hedging instrument	103	118
– gain on fair value changes of forward currency contract not designated as hedging instrument	863	–
– gain on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges	45	3
Fair value changes of hedged items	2,520	1,332
	9,274	14,290

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E2 Finance costs, net (continued)

Group	2020 \$'000	2019 \$'000
Finance costs		
Interest expense		
– bank loans and overdrafts	(7,974)	(18,988)
– medium term notes and commercial papers	(21,549)	(8,902)
– lease liabilities	(16,458)	(12,481)
– contracts with customers	(1,480)	(1,579)
– others	(2,122)	(2,803)
Exchange loss, net	(19,441)	–
Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions	(1,306)	(1,343)
Fair value changes of financial instruments		
– loss on forward currency contract designated as hedging instrument	(892)	–
– loss on fair value changes of forward currency contract not designated as hedging instrument	–	(2,841)
	(71,222)	(48,937)
Finance costs, net, recognised in profit or loss	(61,948)	(34,647)

Recognition and measurement

Finance income comprises interest income, dividend income, gains on disposal and fair valuation of financial assets and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

Finance costs comprise interest expense, losses on disposal and fair valuation of financial assets, and losses on hedging instruments that are recognised in profit or loss. Interest expense that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or finance cost.

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E3 Investments

Group	2020 \$'000	2019 \$'000
Equity shares, at FVOCI		
– quoted	–	604
– unquoted	23,138	16,178
Total investments, net of impairment losses	23,138	16,782
Represented by:		
Short-term investments	–	604
Long-term investments	23,138	16,178
	23,138	16,782

E4 Borrowings

Group	Note	Non-current \$'000	Current \$'000	Total \$'000
31 December 2020				
Bank loans	(a)	101,865	13,660	115,525
Commercial papers	(b)	–	396,230	396,230
Medium term notes	(c)	987,841	–	987,841
Lease liabilities	(d)	460,854	66,880	527,734
Other loans	(e)	–	19,565	19,565
		1,550,560	496,335	2,046,895
31 December 2019				
Bank loans	(a)	106,389	371,020	477,409
Commercial papers	(b)	–	1,436,140	1,436,140
Lease liabilities	(d)	362,506	61,652	424,158
		468,895	1,868,812	2,337,707

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E4 Borrowings (continued)

(a) Bank loans

	Currency	Effective interest rate		Maturity		Group	
		2020 %	2019 %	2020	2019	2020 \$'000	2019 \$'000
Bank loans	SGD	–	1.50	–	2020	–	350,000
	USD	5.01	5.01	2023	2020 – 2023	12,897	14,827
	RMB	–	4.35 – 4.75	–	2020 – 2021	–	17,302
	EUR	0.47 – 1.59	0.47 – 1.59	2026 – 2029	2025 – 2029	102,628	95,280
						115,525	477,409
						62,811	408,313
						52,714	69,096
						115,525	477,409

– Unsecured
– Secured
At the end
of the year

There are bank loans which are secured by assets as follows:

Secured by	Loan amount (\$)
Certain property, plant and equipment of subsidiaries	– \$35,043,000 (2019: \$35,388,000)
Subsidiary's land use right	– \$17,671,000 (2019: \$33,708,000)

All bank loans are denominated in the respective entities' functional currency.

(b) Commercial papers

Group	2020 \$'000	2019 \$'000
Principal	396,660	1,440,175
Unamortised interest	(233)	(3,687)
Unamortised costs	(197)	(348)
	396,230	1,436,140

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E4 Borrowings (continued)**(c) Medium term notes**

Group	2020 \$'000
Principal	991,650
Unamortised discount	(3,809)
	987,841
Unamortised discount:	
At beginning of the year	–
Additions	4,406
Amortisation for the year	(621)
Translation difference	24
At the end of the year	3,809

On 29 April 2020, the Group issued US\$750 million 1.50% Notes due 2025 under its S\$5.0 billion Multicurrency Medium Term Note Programme. The bonds bore interest at a fixed rate of 1.50% per annum and interest was payable every six months from the date of issue. The bonds were unconditionally and irrevocably guaranteed by the Company.

(d) Lease liabilities

The Group leases many assets including real estate leases, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Group	2020 \$'000	2019 \$'000
Maturity analysis – contractual undiscounted cash flows		
Within 1 year	71,307	65,836
Between 1 and 5 years	208,666	159,544
After 5 years	416,304	342,040
Total undiscounted lease liabilities at 31 December	696,277	567,420
Lease liabilities included in the balance sheet at 31 December	527,734	424,158
Repayable:		
Within 1 year	66,880	61,652
After 1 year	460,854	362,506
	527,734	424,158

The total cash outflow for leases recognised in the statement of cash flows is \$77,592,000 (2019: \$105,375,000).

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E4 Borrowings (continued)

(d) Lease liabilities (continued)

(i) Real estate leases

The Group leases land and buildings for its office space, hangar and production facilities. The leases of office space typically run for a period of 5 to 30 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

The Group sub-leases some of its properties under operating and finance leases.

Extension options

Some leases of office buildings contain extension options exercisable by the Group up to the day before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Key estimate and judgement: Extension options – Lease terms

Extension option is included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option. The leases for office buildings contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

Group	Lease liabilities recognised (discounted) \$'000	Potential future lease payments not included in lease liabilities (discounted) \$'000
2020		
Office buildings	40,092	102,713
2019		
Office buildings	26,388	48,231

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E4 Borrowings (continued)

(d) Lease liabilities (continued)

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group monitors the use of these vehicles and equipment, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets.

The Group also leases IT equipment and machinery with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(e) Other loans

Included in the other loans is a USD denominated promissory note of \$19,565,000 favouring the U.S. Department of the Treasury issued by a U.S. entity of the Group related to a Payroll Support Program agreement under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The promissory note has a 10-years' maturity with no prepayment penalties, unsecured and bears an effective interest at 4% per annum currently. The U.S. entity intends to repay the loan within the next twelve months.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E4 Borrowings (continued)**Reconciliation of movements of liabilities and assets to cash flows arising from financing activities**

Group	Liabilities			Assets	
	Borrowings \$'000	Trade payables and accruals \$'000	Amounts due to related parties \$'000	Deposits pledged \$'000	Total \$'000
Balance at 1 January 2020	2,337,707	2,043,504	70,007	(1,135)	4,450,083
Changes from financing cash flows					
Proceeds from bank loans	370,131	–	–	–	370,131
Proceeds from MTN issuance	1,058,400	–	–	–	1,058,400
Proceeds from commercial papers	524,092	–	–	–	524,092
Proceeds from other loans	19,565	–	–	–	19,565
Repayment of commercial papers	(1,570,209)	–	–	–	(1,570,209)
Repayment of bank loans	(743,080)	–	–	–	(743,080)
Repayment of lease liabilities	(61,271)	–	–	–	(61,271)
Interest paid	(45,401)	(10,499)	–	–	(55,900)
Deposit discharged	–	–	–	(10)	(10)
Total changes from financing cash flows	(447,773)	(10,499)	–	(10)	(458,282)
The effect of changes in foreign exchange rates	(51,621)	(1,989)	–	–	(53,610)
Change in fair value	14,328	–	–	–	14,328
Liability-related other changes					
Working capital changes	–	(355,557)	(46,314)	–	(401,871)
Other movements	28,045	–	–	–	28,045
New leases	128,213	–	–	–	128,213
Interest expense	37,996	11,447	140	–	49,583
Total liability-related other changes	194,254	(344,110)	(46,174)	–	(196,030)
Balance at 31 December 2020	2,046,895	1,686,906	23,833	(1,145)	3,756,489

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E4 Borrowings (continued)
Reconciliation of movements of liabilities and assets to cash flows arising from financing activities
(continued)

Group	Liabilities			Assets	
	Borrowings \$'000	Trade payables and accruals \$'000	Amounts due to related parties \$'000	Deposits pledged \$'000	Total \$'000
Balance at 1 January 2019	495,779	1,888,812	85,445	(1,380)	2,468,656
Adjustment on initial application of SFRS(I) 16	389,515	–	–	–	389,515
Changes from financing cash flows					
Proceeds from bank loans	1,079,911	–	–	–	1,079,911
Proceeds from commercial papers	1,440,175	–	–	–	1,440,175
Repayment of bank loans	(1,119,271)	–	–	–	(1,119,271)
Repayment of lease liabilities	(92,894)	–	–	–	(92,894)
Repayment of loan to a joint venture	–	–	(4,000)	–	(4,000)
Interest paid	(25,315)	(30,898)	–	–	(56,213)
Deposit discharged	–	–	–	245	245
Total changes from financing cash flows	1,282,606	(30,898)	(4,000)	245	1,247,953
Changes arising from obtaining or losing control of subsidiaries or other businesses	53,130	111,187	–	–	164,317
The effect of changes in foreign exchange rates	5,679	(5,387)	–	–	292
Liability-related other changes					
Working capital changes	(1,707)	57,332	(12,350)	–	43,275
New leases	91,322	–	–	–	91,322
Interest expense	21,383	22,458	912	–	44,753
Total liability-related other changes	110,998	79,790	(11,438)	–	179,350
Balance at 31 December 2019	2,337,707	2,043,504	70,007	(1,135)	4,450,083

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E5 Commitments and contingent liabilities

(i) Capital commitments

Group	2020 \$'000	2019 \$'000
Capital expenditure contracted but not provided in the financial statements	54,455	62,670

(ii) Leases – As lessee

As at 31 December 2020, the Group had certain non-cancellable future minimum lease payments for short-term leases or leases for low-value assets amounting to \$2,618,000 (31 December 2019: \$3,110,000).

(iii) Leases – As lessor

The Group has entered into non-cancellable operating leases on its aircraft, aircraft engines and certain property, plant and equipment. The lease terms range from 1 to 15 years.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Group	2020 \$'000	2019 \$'000
Less than 1 year	9,012	10,758
1 to 2 years	4,651	6,509
2 to 3 years	3,589	5,556
3 to 4 years	3,565	5,510
4 to 5 years	1,147	3,088
More than 5 years	848	9,725
Total undiscounted lease payments	22,812	41,146

(iv) Contingent liabilities (unsecured)

The Group is a party to various claims that arise in the normal course of the Group's business. The total liability on these matters cannot be determined with certainty. However, in the opinion of management, the ultimate liability, to the extent not otherwise provided for, will not materially impact the consolidated financial statements of the Group.

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E5 Commitments and contingent liabilities (continued)

Recognition and measurement

As a lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented in Note C2.

The lease liability is initially measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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E5 Commitments and contingent liabilities (continued)

Recognition and measurement (continued)

As a lessee (continued)

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

As a lessor

The Group leases equipment under finance leases and office spaces under operating leases to non-related parties.

Finance leases are leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in "Trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

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E5 Commitments and contingent liabilities (continued)

As a lessor (continued)

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

Operating leases are leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

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E6 Share capital

Company	2020 \$'000	2019 \$'000
Issued and fully paid, with no par value		
At beginning and end of the year 3,122,495,197 ordinary shares	895,926	895,926

Included in share capital is a special share issued to the Minister for Finance. The special share enjoys all the rights attached to the ordinary shares. In addition, the special share carries the right to approve any resolution to be passed by the Company, either in general meeting or by its Board of Directors, on certain matters specified in the Company's Constitution. The special share may be converted at any time into an ordinary share.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

Recognition and measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

E7 Treasury shares

Company	2020 \$'000	2019 \$'000
At beginning of the year	(26,731)	(9,030)
Purchased during the year	(29,154)	(43,768)
Reissue of treasury shares pursuant to share plans	32,142	26,067
At end of the year	(23,743)	(26,731)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the year, the Company purchased 8,550,000 (2019: 11,300,000) of its ordinary shares by way of on-market purchases. The shares, held as treasury shares, were included as deduction against shareholders' equity. 8,339,647 (2019: 7,247,491) treasury shares, at a cost of \$32,142,000 (2019: \$26,067,000), were reissued pursuant to its RSP and PSP.

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E7 Treasury shares (continued)

Recognition and measurement

When ordinary shares are reacquired by the Company, the consideration paid is recognised as a deduction from equity. Reacquired shares are classified as treasury shares. When treasury shares are sold, or re-issued subsequently, the cost of treasury shares is reversed from treasury shares account and the realised gain or loss on transaction is presented as a change in equity of the Company. No gain or loss is recognised in profit or loss.

Treasury shares have no voting rights and no dividends are allocated to them.

E8 Capital reserves

Included in capital reserve are:

- (a) an amount of \$115,948,000 (2019: \$115,948,000) relating to share premium of the respective pooled enterprises, namely ST Engineering Aerospace Ltd., ST Engineering Electronics Ltd., ST Engineering Land Systems Ltd. and ST Engineering Marine Ltd. classified as capital reserve upon the pooling of interests during the year ended 31 December 1997; and
- (b) an amount of \$8,914,000 (2019: \$3,385,000) relating to realised loss (2019: realised loss) on re-issuance of treasury shares under share-based payment arrangements as at 31 December 2020.

Capital reserves are non-distributable.

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E9 Other reserves

Group	2020 \$'000	2019 \$'000
Foreign currency translation reserve	(154,074)	(194,076)
Statutory reserve	1,494	1,323
Fair value reserve	(7,571)	(32,703)
Share-based payment reserve	74,298	79,175
Premium paid on acquisition of non-controlling interests	(3,164)	(3,164)
	(89,017)	(149,445)

Fair value reserve movement arising from other comprehensive income comprises of:

Net fair value changes on financial assets:

- Net fair value changes during the year for FVOCI equity instruments
- Reclassification to retained earnings on realisation

	(246)	182
	584	–
	338	182

Foreign currency translation reserve movement arising from other comprehensive income comprises of:

Foreign currency translation differences arising from:

- Translation of loans forming part of net investments in foreign entities
- Share of translation difference of associates and joint ventures
- Reserves released on disposal of subsidiaries and a joint venture
- Translation of foreign entities

	10,245	(4,926)
	1,819	(7,371)
	121	246
	27,817	(39,045)
	40,002	(51,096)

Other reserves are non-distributable.

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E9 Other reserves (continued)

Type of reserve	Nature
Foreign currency translation reserve	Comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.
Statutory reserve	Statutory reserve comprise transfers from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries and joint ventures operate, principally in the People's Republic of China where the subsidiaries and joint ventures are required to make appropriation to a Statutory Reserve Fund and Enterprise Expansion Fund. The laws of the countries restrict the distribution and use of these statutory reserves.
Fair value reserve	Fair value reserve comprises the cumulative fair value changes of financial instruments at FVOCI and the effective portion of hedging instruments, until they are disposed or impaired.
Share-based payment reserve	Represents the cumulative value of services received for the issuance of the options and shares under the share plans of the Company issued to employees and non-executive directors.
Premium paid on acquisition of non-controlling interests	Difference between the consideration paid on acquisition of non-controlling interests and the carrying value of the proportionate share of the net assets acquired.

E10 Dividends

Company	2020 \$'000	2019 \$'000
Final dividend paid in respect of the previous financial year of cents (2019: 10.0 cents) per share	312,147	312,164
Interim dividend paid in respect of the current financial year of cents (2019: 5.0 cents) per share	155,888	155,992
	468,035	468,156

The Directors propose a final dividend of 10.0 cents (2019: 10.0 cents) per share amounting to \$312.2 million (2019: \$312.2 million) in respect of the financial year ended 31 December 2020.

These dividends have not been recognised as a liability as at year end as they are subject to the approval by shareholders at the Annual General Meeting of the Company.

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F. GROUP STRUCTURE

This section explains significant aspects of ST Engineering's group structure, including joint arrangements that the Group has interest in, its controlled entities and how changes have affected the Group structure. It also provides information on business acquisitions and disposals made during the financial year as well as information relating to ST Engineering's related parties, the extent of related party transactions and the impact they had on the Group's financial performance and position.

F1	Subsidiaries	F4	Associates and joint ventures
F2	Acquisition and disposal of controlling interests in subsidiaries in 2020/2019	F5	Related party information
F3	Non-controlling interests in subsidiaries		

F1 Subsidiaries

Details of the significant subsidiaries of the Group are as follows:

	Country of incorporation	Effective equity interest held by the Group	
		2020 %	2019 %
ST Engineering Aerospace Ltd.	Singapore	100	100
Elbe Flugzeugwerke GmbH ¹	Germany	55	55
ST Engineering Aerospace Aircraft Maintenance Pte. Ltd.	Singapore	100	100
ST Engineering Aerospace Engines Pte. Ltd.	Singapore	100	100
ST Engineering Aerospace Services Company Pte. Ltd.	Singapore	80	80
ST Engineering Electronics Ltd.	Singapore	100	100
ST Engineering Advanced Networks & Sensors Pte. Ltd. (formerly known as ST Electronics (Info-Comm Systems) Pte. Ltd.)	Singapore	100	100
ST Engineering Land Systems Ltd.	Singapore	100	100
ST Engineering Marine Ltd.	Singapore	100	100
ST Engineering North America, Inc. ²	U.S.	100	100
MRA Systems, LLC (also known as Middle River Aerostructure Systems, LLC) ²	U.S.	100	100
ST Engineering RHQ Ltd. ³	United Kingdom	100	100
ST Engineering iDirect (Europe) NV ⁴	Belgium	100	100
ST Engineering Treasury Pte. Ltd.	Singapore	100	100

¹ Audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (2019: member firms of KPMG International) for consolidation purposes.

² Not required to be audited under the law in the country of incorporation.

³ Audited by Critchleys LLP.

⁴ Audited by PricewaterhouseCoopers Antwerp (2019: Ernst & Young LLP) for consolidation purposes.

All significant subsidiaries that are required to be audited under the law in the country of incorporation are audited by PricewaterhouseCoopers LLP Singapore and overseas practice of PricewaterhouseCoopers, except as indicated above.

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F2 Acquisition and disposal of controlling interests in subsidiaries in 2020/2019

Acquisition of controlling interest in subsidiaries in 2019

(i) Acquisition of controlling interests in MRA Systems, LLC (MRAS)

On 18 April 2019, the Group acquired 100% of MRAS for a net cash consideration of \$689 million. MRAS specialises in production of engine nacelle systems and thrust reversers, along with complex aerostructures for applications on commercial and military aircraft.

MRAS contributed revenue of \$728,601,000 and net profit of \$45,854,000 to the Group for the period from 18 April 2019 to 31 December 2019.

(ii) Acquisition of controlling interests in Glowlink Communications Technology, Inc (Glowlink)

On 17 September 2019, the Group acquired 100% of Glowlink for a net cash consideration of \$26 million. Glowlink provides innovative, affordable, and easy to use products aimed at improving the integrity of satellite communications, and mitigating interferences to enhance the quality of satellite signals received.

Glowlink contributed revenue of \$3,706,000 and net loss of \$825,000, after transaction costs, to the Group for the period from 17 September 2019 to 31 December 2019.

(iii) Acquisition of controlling interests in Newtec Group NV, subsequently renamed to ST Engineering iDirect (Europe) NV (iDirect Europe)

On 1 October 2019, the Group acquired 100% of iDirect Europe for a net cash consideration of \$335 million. iDirect Europe specialises in designing, developing and manufacturing equipment and technologies for satellite communications.

iDirect Europe contributed revenue of \$35,717,000 and incurred net loss of \$5,045,000 to the Group, after transaction costs, for the period from 1 October 2019 to 31 December 2019.

Had the above businesses been consolidated from 1 January 2019, consolidated revenue and net profit for the year ended 31 December 2019 would have been \$8,271,702,000 and \$614,922,000 respectively.

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F2 Acquisition and disposal of controlling interests in subsidiaries in 2020/2019 (continued)

Acquisition of controlling interest in subsidiaries in 2019 (continued)

Identifiable assets acquired and liabilities assumed

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Fair values recognised on acquisition
	2019 \$'000
Property, plant and equipment	148,094
Right-of-use assets	26,221
Intangible assets	565,503
Joint venture	851
Deferred tax assets	1,072
Contract assets	145,550
Inventories	181,022
Trade receivables	128,237
Advances and other receivables	10,045
Bank balances and other liquid funds	33,756
Contract liabilities	(16,393)
Trade payables and accruals	(113,271)
Provisions	(32,827)
Provision for taxation	(3,810)
Borrowings	(54,076)
Post-employment benefits	(227,030)
Deferred tax liabilities	(20,085)
Total identifiable net assets	<u>772,859</u>
Goodwill arising on consolidation	<u>311,018</u>
Total purchase consideration	<u>1,083,877</u>
Cash outflow on acquisition:	
Cash consideration paid	1,083,877
Less: cash acquired	<u>(33,756)</u>
Net cash outflow on acquisition	<u>1,050,121</u>

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F2 Acquisition and disposal of controlling interests in subsidiaries in 2020/2019 (continued)

Acquisition of controlling interest in subsidiaries in 2019 (continued)

Identifiable assets acquired and liabilities assumed (continued)

The goodwill recognised on the acquisitions of MRAS, Glowlink and iDirect Europe represent the synergies that the acquisition is expected to bring to the Group's businesses and products. Management assessed that the goodwill is allocated to two CGUs within the Group, amounting to \$311,018,000, based on the expected future economic benefits to be realised by these entities through the combination of their businesses. \$37,998,000 of goodwill recognised is expected to be deductible for tax purposes.

The Group incurred acquisition-related cost of \$16,475,000 on legal fees and due diligence cost, of which \$5,340,000 have been included in administrative expenses in the prior year. \$11,135,000 of acquisition-related costs have been included in administrative expenses in 2018.

De-consolidation of controlling interests in a subsidiary in 2020

During the year, the Group completed the liquidation of Silvatech Global Systems Limited as part of an effort to streamline its organisation structure. The subsidiary was dormant prior to disposal.

De-consolidation and disposal of controlling interests in subsidiaries in 2019

In the prior year, the Group dissolved VT Dimensions, Inc., VT Systems International, LLC, VT Systems Participacoes Ltda. and completed the liquidation of Kinetics Link Services Sdn. Bhd. (collectively Dissolved Entities) as part of an effort to streamline its organisation structure.

In July 2019, the Group divested its 51% equity interest in GFM Electronics S.A. de C.V. (GFME) and in November 2019, the Group completed the divestment of Aviation Training Academy Australia Pty Ltd and ST Aerospace Academy (Australia) Pty Ltd (collectively ATAA).

The disposed subsidiaries contributed loss before tax of \$417,000 and no revenue for the period from 1 January 2019 to the respective dates of disposal.

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F2 Acquisition and disposal of controlling interests in subsidiaries in 2020/2019 (continued)

De-consolidation and disposal of controlling interests in subsidiaries in 2019 (continued)

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

	GFME \$'000	ATAA \$'000	Dissolved Entities \$'000	Total \$'000
Property, plant and equipment	7	7,033	–	7,040
Right-of-use assets	–	937	–	937
Intangible assets	–	332	–	332
Trade receivables	354	57	–	411
Advances and other receivables	–	1,818	47	1,865
Bank balances and other liquid funds	–	227	–	227
Trade payables and accruals	(979)	(1,010)	(16)	(2,005)
Provision for taxation	–	(373)	–	(373)
Borrowings	–	(946)	–	(946)
Net assets disposed	(618)	8,075	31	7,488
Realisation of reserves	81	1,901	233	2,215
De-consolidation of non-controlling interest	304	–	–	304
Gain/(loss) on disposal	233	(894)	(264)	(925)
Sales consideration	–	9,082	–	9,082
Less: bank balances and other liquid funds in subsidiaries disposed	–	(227)	–	(227)
Net cash inflow on disposal	–	8,855	–	8,855

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F3 Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries with material non-controlling interests (NCI), based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences from the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by NCI.

Name of subsidiary	ST Engineering Aerospace Services Company Pte. Ltd. \$'000	Eco-Services, LLC \$'000
2020		
NCI percentage	20%	49.9%
Principal place of business/Country of incorporation	Singapore	U.S.
Revenue	239,538	23,032
Profit/(loss) after taxation	47,243	3,850
Other comprehensive income/(loss)	606	(852)
Total comprehensive income	47,849	2,998
Attributable to NCI:		
– Profit/(loss)	9,449	1,921
– Other comprehensive income/(loss)	121	(425)
– Total comprehensive income/(loss)	9,570	1,496
Non-current assets	93,570	16,893
Current assets	257,319	27,528
Non-current liabilities	(43,315)	(471)
Current liabilities	(97,402)	(3,457)
Net assets	210,172	40,493
Net assets attributable to NCI	42,034	20,206
Cash flows from operating activities	149,791	7,785
Cash flows from/(used in) investing activities	37,887	(279)
Cash flows used in financing activities*	(64,611)	(432)
Net increase in cash and cash equivalents	123,067	7,074
* including dividends to NCI	(16,760)	–

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ST Aerospace Technologies (Xiamen) Company Ltd \$'000	Elbe Flugzeugwerke GmbH \$'000	Other individually immaterial subsidiaries \$'000	Intra-group elimination \$'000	Total \$'000
20% China	45% Germany			
121,727	375,095			
5,387	(23,908)			
3,104	30,243			
8,491	6,335			
1,077	(10,759)	2,735	(640)	3,783
621	13,608	(20)	(1)	13,904
1,698	2,849	2,715	(641)	17,687
51,544	692,816			
72,577	260,683			
–	(441,795)			
(56,842)	(111,530)			
67,279	400,174			
13,456	180,078	26,574	(173)	282,175
20,550	43,569			
(559)	(29,762)			
(18,639)	(5,307)			
1,352	8,500			
–	–			

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F3 Non-controlling interests in subsidiaries (continued)

Name of subsidiary	ST Engineering Aerospace Services Company Pte. Ltd. \$'000	Eco-Services, LLC \$'000
2019		
NCI percentage	20%	49.9%
Principal place of business/Country of incorporation	Singapore	U.S.
Revenue	277,653	23,649
Profit after taxation	30,005	2,404
Other comprehensive income/(loss)	1,275	(2,287)
Total comprehensive income/(loss)	31,280	117
Attributable to NCI:		
Profit/(loss)	6,001	1,200
Other comprehensive income/(loss)	255	(1,141)
Total comprehensive income/(loss)	6,256	59
Non-current assets	91,963	20,674
Current assets	245,333	18,966
Non-current liabilities	(48,041)	(769)
Current liabilities	(108,778)	(2,669)
Net assets	180,477	36,202
Net assets attributable to NCI	36,095	18,065
Cash flows from/(used in) operating activities	32,664	29,635
Cash flows used in investing activities	(3,061)	(20,457)
Cash flows from/(used in) financing activities*	6,893	(3,873)
Net increase/(decrease) in cash and cash equivalents	36,496	5,305
* including dividends to NCI	(10,600)	(1,112)

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ST Aerospace Technologies (Xiamen) Company Ltd	Elbe Flugzeuwerke GmbH	Other individually immaterial subsidiaries	Intra-group elimination	Total
\$'000	\$'000	\$'000	\$'000	\$'000
20% China	45% Germany			
230,232	526,125			
8,019	16,312			
(1,689)	(36,852)			
6,330	(20,540)			
1,604	7,340	(940)	(476)	14,729
(338)	(16,583)	446	1	(17,360)
1,266	(9,243)	(494)	(475)	(2,631)
50,399	659,691			
132,892	262,879			
(9,578)	(391,236)			
(114,940)	(136,842)			
58,773	394,492			
11,755	177,521	24,423	863	268,722
(2,835)	37,981			
(834)	(60,177)			
(4,055)	16,268			
(7,724)	(5,928)			
–	–			

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F4 Associates and joint ventures

Group	2020 \$'000	2019 \$'000
Unquoted shares, at fair value	20,858	23,328
Unquoted shares, at cost	357,705	355,878
Goodwill on acquisition	38	38
Share of net assets acquired	357,743	355,916
Impairment in associates	(8,000)	(4,000)
Share of post-acquisition reserves	98,311	78,175
	448,054	430,091
	468,912	453,419
Represented by:		
Interest in associates	319,005	318,415
Interest in joint ventures	149,907	135,004
	468,912	453,419

During the year, an impairment loss of \$4,000,000 was recognised for an investment in associate and mainly relates to the shortfall between the carrying amount of the costs of investment and the recoverable amount of an investment in associate. The recoverable amount was determined based on the value-in-use method.

In the prior year,

- (i) the Group sold its entire 22.8% interest in WizVision Pte. Ltd. for a cash consideration of \$648,000 and a gain on disposal of \$648,000 was recognised.
- (ii) the Group sold its entire 49% interest in Takata CPI Singapore Pte Ltd for a cash consideration of \$5,338,000 and a gain on disposal of \$1,035,000 was recognised.
- (iii) the Group received cash proceeds of \$109,000 on the liquidation of Fortis Marine Solutions Pte. Ltd. and the carrying amount of \$69,000 was de-recognised. Consequently, a gain on disposal of \$40,000 was recognised.
- (iv) impairment loss of \$4,000,000 mainly relates to the shortfall between the carrying amount of the costs of investment and the recoverable amount of an investment in associate. The recoverable amount was determined based on the value-in-use method.

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F4 Associates and joint ventures (continued)

Details of significant associates and joint ventures are as follows:

Name	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2020 %	2019 %
Associates				
Shanghai Technologies Aerospace Company Limited ¹	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	49	49
ST Aerospace (Guangzhou) Aviation Services Company Limited ¹	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	44	44
Turbine Coating Services Pte Ltd ¹	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes	Singapore	24.5	24.5
Turbine Overhaul Services Pte Ltd ¹	Repair and service of gas and steam turbine components	Singapore	49	49
CityCab Pte Ltd ¹	Rental of taxis and the provision of charge card facilities	Singapore	46.5	46.5
Experia Events Pte. Ltd. ²	Organising and management of conferences, exhibitions and other related activities, including the biennial Singapore Airshow event	Singapore	33	33
Joint ventures				
Total Engine Asset Management Pte. Ltd. ¹	Leasing of engines	Singapore	50	50
Keystone Holdings (Global) Pte. Ltd. ²	Investment holding	Singapore	50	50
SPTel Pte. Ltd.	Running, operation, management and supply of telecommunications systems	Singapore	51	51

¹ Not audited by PricewaterhouseCoopers LLP Singapore (2019: KPMG LLP, Singapore and other member firms of KPMG International).

² Not audited by PricewaterhouseCoopers LLP Singapore (2019: audited by KPMG LLP, Singapore).

All significant associates and joint ventures that are required to be audited under the law in the country of incorporation are audited by PricewaterhouseCoopers LLP Singapore and overseas practice of PricewaterhouseCoopers, except as indicated above.

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F4 Associates and joint ventures (continued)

Associates

The following table summarises the information of each of the Group's material associates, which are equity-accounted, based on their respective financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisitions and differences with the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by the Group.

Name of associate	Shanghai Technologies Aerospace Company Limited \$'000	ST Aerospace (Guangzhou) Aviation Services Company Limited \$'000
2020		
Percentage of interest	49%	44%
Revenue	63,827	46,502
Profit/(loss) after taxation	3,761	(8,391)
Other comprehensive income/(loss)	6,267	5,461
Total comprehensive income/(loss)	10,028	(2,930)
Attributable to NCI	–	–
Attributable to investee's shareholders	10,028	(2,930)
Non-current assets	80,491	113,547
Current assets	64,415	25,698
Non-current liabilities	–	(20,333)
Current liabilities	(18,400)	(12,688)
Net assets	126,506	106,224
Attributable to NCI	–	–
Attributable to investee's shareholders	126,506	106,224
Group's interest in net assets of investee at beginning of the year	60,377	48,027
Group's share of:		
– Profit/(loss) for the year	1,843	(3,692)
– Total other comprehensive income/(loss)	3,071	2,404
Total comprehensive income/(loss)	4,914	(1,288)
Group's contribution during the year	–	–
Dividends received during the year	(3,303)	–
Impairment of an associate during the year	–	–
Carrying amount of interest in investee at end of the year	61,988	46,739

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Turbine Coating Services Pte Ltd	Turbine Overhaul Services Pte Ltd	CityCab Pte Ltd	Experia Events Pte. Ltd.	Immaterial associates	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
24.5%	49%	46.5%	33%		
20,030	240,797	67,099	48,123		
8,286	21,096	(7,110)	14,241		
(1,335)	(2,880)	–	–		
6,951	18,216	(7,110)	14,241		
–	–	320	–		
6,951	18,216	(7,430)	14,241		
22,747	34,105	112,981	47,064		
38,485	179,414	73,045	35,442		
(2,096)	–	(27,438)	(4,373)		
–	(89,485)	(19,415)	(11,045)		
59,136	124,034	139,173	67,088		
–	–	895	–		
59,136	124,034	138,278	67,088		
12,785	51,850	74,164	17,441	53,771	318,415
2,030	10,337	(3,306)	4,700	(366)	11,546
(327)	(1,410)	–	–	(4,659)	(921)
1,703	8,927	(3,306)	4,700	(5,025)	10,625
–	–	–	–	4,868	4,868
–	–	(6,557)	–	(1,043)	(10,903)
–	–	–	–	(4,000)	(4,000)
14,488	60,777	64,301	22,141	48,571	319,005

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F4 Associates and joint ventures (continued)

Associates (continued)

Name of associate	Shanghai Technologies Aerospace Company Limited \$'000	ST Aerospace (Guangzhou) Aviation Services Company Limited \$'000
2019		
Percentage of interest	49%	44%
Revenue	90,581	70,700
Profit/(loss) after taxation	7,643	7,336
Other comprehensive loss	(4,746)	(3,043)
Total comprehensive income/(loss)	2,897	4,293
Attributable to NCI	–	–
Attributable to investee's shareholders	2,897	4,293
Non-current assets	79,281	110,790
Current assets	65,348	32,379
Non-current liabilities	–	(15,059)
Current liabilities	(21,410)	(18,958)
Net assets	123,219	109,152
Attributable to NCI	–	–
Attributable to investee's shareholders	123,219	109,152
Group's interest in net assets of investee at beginning of the year	68,577	46,138
Group's share of:		
– Profit/(loss) for the year	3,745	3,228
– Total other comprehensive loss	(2,326)	(1,339)
Total comprehensive income/(loss)	1,419	1,889
Group's contribution during the year	–	–
Dividends received during the year	(9,619)	–
Impairment of an associate during the year	–	–
Carrying amount of interest in investee at end of the year	60,377	48,027

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Turbine Coating Services Pte Ltd	Turbine Overhaul Services Pte Ltd	CityCab Pte Ltd	Experia Events Pte. Ltd.	Immaterial associates	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
24.5%	49%	46.5%	33%		
40,329	339,928	115,748	9,088		
12,527	41,108	14,332	(10,010)		
(722)	(1,326)	–	–		
11,805	39,782	14,332	(10,010)		
–	–	176	–		
11,805	39,782	14,156	(10,010)		
29,096	35,908	148,668	49,522		
32,207	188,426	69,067	49,150		
(1,534)	–	(23,555)	(4,104)		
(7,584)	(118,517)	(33,300)	(41,718)		
52,185	105,817	160,880	52,850		
–	–	1,392	–		
52,185	105,817	159,488	52,850		
13,910	52,442	74,649	24,044	48,200	327,960
3,069	20,143	6,583	(3,303)	(594)	32,871
(177)	(650)	–	–	(1,748)	(6,240)
2,892	19,493	6,583	(3,303)	(2,342)	26,631
–	–	–	–	13,813	13,813
(4,017)	(20,085)	(7,068)	(3,300)	(1,900)	(45,989)
–	–	–	–	(4,000)	(4,000)
12,785	51,850	74,164	17,441	53,771	318,415

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F4 Associates and joint ventures (continued)

Joint ventures

The following table summarises the information of each of the Group's material joint ventures, adjusted for any differences with the Group's accounting policies and reconciles the carrying amount of the Group's interest in joint ventures and the share of profit and other comprehensive income of equity-accounted investment (net of tax). The summarised financial information is not adjusted for the percentage ownership held by the Group.

Name of joint venture	Keystone Holdings	Total Engine Asset	SPTel	Immaterial joint ventures	Total \$'000
	(Global) Pte. Ltd. \$'000	Management Pte. Ltd. \$'000	Pte. Ltd. \$'000	\$'000	
2020					
Percentage of interest	50%	50%	51%		
Revenue	26,520	103,257	23,738		
Profit/(loss) after taxation ^a	3,924	42,660	(13,134)		
Other comprehensive loss	(3,440)	(400)	–		
Total comprehensive income/(loss)	484	42,260	(13,134)		
^a Includes:					
– Depreciation and amortisation of:	14,282	16,049	8,571		
– Interest expense of:	5,435	12,965	636		
– Income tax expense of:	975	3,224	(1,537)		
Non-current assets	204,150	266,273	91,955		
Current assets ^b	26,796	58,615	27,872		
Non-current liabilities ^c	(95,316)	(161,733)	(13,173)		
Current liabilities ^d	(62,879)	(42,226)	(37,767)		
Net assets excluding goodwill	72,751	120,929	68,887		
^b Includes cash and cash equivalents of:	21,610	36,977	17,732		
^c Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	95,316	161,733	13,173		
^d Includes current financial liabilities (excluding trade and other payables and provisions) of:	62,065	42,226	7,253		
Group's interest in net assets of investee at beginning of the year	36,821	40,117	44,617	13,449	135,004
Share of total comprehensive income/(loss)	242	21,130	(6,741)	2,642	17,273
Dividends received during the year	(687)	(783)	–	(900)	(2,370)
Carrying amount of interest in investee at end of the year	36,376	60,464	37,876	15,191	149,907

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Joint ventures (continued)

Name of joint venture	Keystone Holdings (Global) Pte. Ltd. \$'000	Total Engine Asset Management Pte. Ltd. \$'000	SPTel Pte. Ltd. \$'000	Immaterial joint ventures \$'000	Total \$'000
2019					
Percentage of interest	50%	50%	51%		
Revenue	22,900	49,563	27,789		
Profit/(loss) after taxation ^a	4,042	9,446	(3,769)		
Other comprehensive loss	(1,852)	(10,662)	–		
Total comprehensive income/(loss)	2,190	(1,216)	(3,769)		
^a Includes:					
– Depreciation and amortisation of:	11,324	19,059	6,515		
– Interest expense of:	4,358	14,595	722		
– Income tax expense of:	386	2,096	(1,557)		
Non-current assets	222,099	593,133	67,589		
Current assets ^b	19,761	34,562	67,610		
Non-current liabilities ^c	(76,776)	(433,556)	(20,952)		
Current liabilities ^d	(91,442)	(113,905)	(32,235)		
Net assets excluding goodwill	73,642	80,234	82,012		
^b Includes cash and cash equivalents of:	15,308	16,699	56,387		
^c Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	76,776	433,556	20,952		
^d Includes current financial liabilities (excluding trade and other payables and provisions) of:	90,867	113,905	7,527		
Group's interest in net assets of investee at beginning of the year	26,000	40,725	46,539	14,479	127,743
Share of total comprehensive income/(loss)	1,095	(608)	(1,922)	962	(473)
Group's contribution during the year	10,476	–	–	2,597	13,073
Acquisition of subsidiary	–	–	–	851	851
Disposal of joint ventures	–	–	–	(4,340)	(4,340)
Dividends received during the year	(750)	–	–	(1,100)	(1,850)
Carrying amount of interest in investee at end of the year	36,821	40,117	44,617	13,449	135,004

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note C3.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, any subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (NCI) that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustment is made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Basis of consolidation (continued)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Consistent accounting policies are applied to like transactions and events in similar circumstances. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

(iii) Acquisitions of entities under amalgamation

The Company's interests in ST Engineering Aerospace Ltd., ST Engineering Electronics Ltd., ST Engineering Land Systems Ltd., and ST Engineering Marine Ltd. (collectively referred to as the Scheme Companies) resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 in 1997.

As the amalgamation of the Scheme Companies constitutes a uniting of interests, the pooling of interests method has been adopted in the preparation of the consolidated financial statements in connection with the amalgamation.

Under the pooling of interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is recorded as capital reserve.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset at FVOCI, depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Basis of consolidation (continued)

(v) Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for by the Group using the equity method (except for those acquired by the Group's Corporate Venture Capital Unit) and are recognised initially at cost, which includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

For investments in associates acquired by the Group's Corporate Venture Capital Unit, the Group has elected to measure its investments in associates at FVTPL in accordance with SFRS(I) 9 *Financial Instruments*.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost, less accumulated impairment losses.

(vi) Transactions eliminated on consolidation

All significant inter-company balances and transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Recognition and measurement

Goodwill that forms part of the carrying amount of an investment in an associate and/or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and/or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate and/or joint venture may be impaired.

Estimates and judgements: Judgements made in applying accounting policies

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relates to assessing whether the Group has control over its investee companies.

During the year, the Group assessed the terms and conditions of the shareholders' agreement of subsidiaries that are not wholly-owned by the Group. The Group made critical judgements over:

- (a) its ability to exercise power over its investees;
- (b) its exposure or rights to variable returns for its investments with those investees; and
- (c) its ability to use its power to affect those returns.

The Group's judgement included considerations of its power exercised at the board of the respective investees and rights and obligations arising from matters reserved for the board as agreed with the other shareholders.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F5 Related party information

Key management personnel compensation

Group	2020 \$'000	2019 \$'000
Short-term employee benefits	36,599	37,330
Contributions to defined contribution plans	688	761
Share-based payments	12,106	10,620
	49,393	48,711

In addition to related party information disclosed elsewhere in the financial statements, the Group has significant transactions with the following related parties on terms agreed between the parties.


Group	2020 \$'000	2019 \$'000
Associates of the Group		
Sales and services rendered	8,074	4,749
Purchases and services received	(22,398)	(53,142)
Dividend income	10,903	45,989
Joint ventures of the Group		
Sales and services rendered	41,481	25,705
Purchases and services received	(22,300)	(29,552)
Dividend income	2,370	1,850
Other related parties*		
Sales and services rendered	45,066	41,045
Purchases and services received	(19,378)	(31,672)
Rental expense	(4,633)	(5,641)
Rental income	538	40

* Other related parties refer to subsidiaries, associates and joint ventures of the immediate holding company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

 G. OTHERS			
G1	Events occurring after balance sheet date	G3	Impact of COVID-19
G2	Comparatives	G4	New or revised accounting standards and interpretations

G1 Events occurring after balance sheet date

On 17 November 2020, the Group announced organisational changes that will position the Group for its next phase of growth and propel it towards its aspiration to become a global technology, defence and engineering powerhouse.

Effective 1 January 2021, the Group has reorganised as Commercial and Defence & Public Security clusters, replacing the sector-structure of Aerospace, Electronics, Land Systems and Marine.

G2 Comparatives

The following prior year comparatives have been reclassified to conform to changes in the presentation on the current year. The reclassifications have been made to better reflect the nature of the balances.

Group	Reclassified \$'000	Previously reported \$'000
Presented in Consolidated Income Statement		
Cost of sales	(6,222,888)	(6,232,814)
Gross profit	1,645,388	1,635,462
Distribution and selling expenses	(263,583)	(263,990)
Administrative expenses	(579,917)	(583,600)
Profit from operations	673,079	653,989
Other operating expenses	(128,809)	(133,883)
Other income	25,303	44,393
Other income, net	19,807	38,897
Presented in Consolidated Balance Sheet		
<u>Current assets</u>		
Advances and other receivables	339,709	345,744
Derivative financial instruments	6,035	–
<u>Current liabilities</u>		
Trade payables and accruals	1,985,521	2,012,897
Derivative financial instruments	27,376	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

G2 Comparatives (continued)

Group	Reclassified \$'000	Previously reported \$'000
Presented in Consolidated Statement of Cash Flows		
Other receivables, deposits and prepayments	(55,260)	(54,041)
Loans to staff and third parties	–	(1,219)
Presented in the Notes to Financial Statements		
<u>Note B4:</u>		
Other income, net		
Government grants	–	13,180
Grant income from Wage Credit Scheme	–	5,910
Other expense		
Fair value changes of investment in associates	(1,978)	–
<u>Note E2:</u>		
Finance costs, net		
Fair value changes of investment in associates	–	(1,978)
<u>Note C7:</u>		
Derivative financial instruments	–	6,035
Receivable:		
Within 1 year	339,709	345,744
<u>Note C9:</u>		
Derivative financial instruments	–	27,376
Payable:		
Within 1 year	1,985,521	2,012,897

G3 Impact of COVID-19

The COVID-19 pandemic has significantly affected countries around the world, resulting in recessions in many economies. Businesses have been impacted by demand reduction, supply chain challenges and workforce disruptions. The Group, with its global presence is not spared, with the effect more pronounced in the Group's Aerospace sector. Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the year ended 31 December 2020:

- (i) The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.
- (ii) In 2020, reduction in customer demand, supply chain challenges, and workforce disruption have negatively impacted business volume and operations, resulting in a negative impact on the Group's financial performance for 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

G3 Impact of COVID-19 (continued)

- (iii) The Group has received financial support packages provided by governments in locations where the Group's locally incorporated businesses operate. The effects of the government support received are disclosed in Note D2.
- (iv) The Group has considered the market conditions and outlook including the impact of COVID-19 as at the balance sheet date, in making estimates and judgements on the recoverability of assets and provisions for onerous contracts as at 31 December 2020.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, future developments in relation to the COVID-19 pandemic and their impact on the operating and financial performance of the Group cannot be reasonably ascertained at the present moment.

G4 New or revised accounting standards and interpretations

Interpretations and amendments to published standards effective in 2020

On 1 January 2020, the Group has adopted the new or amended SFRS(I)s and Interpretations of SFRS(I)s ("INT SFRS(I)s") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s and INT SFRS(I)s.

The adoption of these new or amended SFRS(I)s and INT SFRS(I)s did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as follows.

Amendments to SFRS(I) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement and SFRS(I) 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020)

In accordance with the transition provisions, the Group has adopted the amendments to SFRS(I) 9 and SFRS(I) 7 effective 1 January 2020 retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. The reliefs will cease to apply when the uncertainties arising from interest rate benchmark reform are no longer present.

C14 provides information about the uncertainty arising from IBOR reform for hedging relationships for which the Group has applied the reliefs. No changes were required to any of the amounts recognised in the current or prior period as a result of these amendments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

G4 New or revised accounting standards and interpretations (continued)

Interpretations and amendments to published standards effective from 2021

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2021 and which the Group has not early adopted.

Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The Group does not expect any significant impact arising from applying these amendments.

Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

The Group does not expect any significant impact arising from applying these amendments.

BALANCE SHEET OF THE COMPANY

AS AT 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS)

	Note	2020 \$'000	2019 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	2,137	28,688
Right-of-use assets		3,558	5,511
Subsidiaries	3	1,363,251	1,327,608
Associates	4	17,657	17,657
Deferred tax assets		2,500	–
		1,389,103	1,379,464
Current assets			
Amounts due from related parties	5	70,030	58,732
Advances and other receivables		1,653	4,566
Bank balances and other liquid funds	6	7,372	16,271
		79,055	79,569
Total assets		1,468,158	1,459,033
EQUITY AND LIABILITIES			
Current liabilities			
Other payables and accruals	7	21,542	18,817
Amounts due to related parties	5	16,868	4,836
Provision for taxation		3,267	876
Lease liabilities		2,014	118
		43,691	24,647
Net current assets		35,364	54,922
Non-current liabilities			
Other payables and accruals	7	7,390	6,334
Amounts due to related parties	5	–	1,003
Deferred tax liabilities		–	2,268
Lease liabilities		1,504	5,434
		8,894	15,039
Total liabilities		52,585	39,686
Net assets		1,415,573	1,419,347
Share capital and reserves			
Share capital	8	895,926	895,926
Treasury shares	8	(23,743)	(26,731)
Capital reserves	8	(8,940)	(3,412)
Other reserves	8	64,054	68,952
Retained earnings		488,276	484,612
		1,415,573	1,419,347
Total equity and liabilities		1,468,158	1,459,033

NOTES TO THE BALANCE SHEET OF THE COMPANY

AS AT 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

1. Basis of preparation and significant accounting policies

The Balance Sheet of the Company is prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). The Balance Sheet of the Company has been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

The Balance Sheet of the Company are presented in Singapore dollars (SGD) which is the Company's functional currency. All values are rounded to the nearest thousand (\$'000) unless otherwise indicated.

Accounting policies, estimates and critical accounting judgements applied to the preparation of the Balance Sheet of the Company is consistent with the disclosures in the consolidated financial statements.

The Balance Sheet and the notes to the Balance Sheet of the Company as at 31 December 2020 were authorised and approved by the Board of Directors for issuance on 18 February 2021.

2. Property, plant and equipment

	Buildings and improvements \$'000	Furniture, fittings, office equipment and others \$'000	Construction-in- progress \$'000	Total \$'000
Cost				
At 1 January 2020	2,847	34,713	2,651	40,211
Additions	–	7,123	–	7,123
Disposals	(2,841)	(39,712)	(1,460)	(44,013)
At 31 December 2020	6	2,124	1,191	3,321
Accumulated depreciation				
At 1 January 2020	1,576	9,947	–	11,523
Depreciation charge	190	3,634	–	3,824
Disposals	(1,763)	(12,400)	–	(14,163)
At 31 December 2020	3	1,181	–	1,184
Net book value				
At 31 December 2020	3	943	1,191	2,137

NOTES TO THE BALANCE SHEET OF THE COMPANY

AS AT 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

2. Property, plant and equipment (continued)

	Buildings and improvements \$'000	Furniture, fittings, office equipment and others \$'000	Construction-in- progress \$'000	Total \$'000
Cost				
At 1 January 2019	2,841	22,020	622	25,483
Additions	6	12,910	2,029	14,945
Disposals	–	(217)	–	(217)
At 31 December 2019	2,847	34,713	2,651	40,211
Accumulated depreciation				
At 1 January 2019	1,293	6,061	–	7,354
Depreciation charge	283	3,931	–	4,214
Disposals	–	(45)	–	(45)
At 31 December 2019	1,576	9,947	–	11,523
Net book value				
At 31 December 2019	1,271	24,766	2,651	28,688

3. Subsidiaries

	2020 \$'000	2019 \$'000
Equity investments at cost		
At beginning of the year	1,327,608	1,328,153
Additions	35,643	–
Disposals	–	(545)
At end of the year	1,363,251	1,327,608

4. Associates

	2020 \$'000	2019 \$'000
Equity investments at cost		
Beginning and end of the year	17,657	17,657

NOTES TO THE BALANCE SHEET OF THE COMPANY

AS AT 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

5. Amounts due from/to related parties

Amounts due from/to related parties were non-trade related, unsecured, interest-free and repayable on demand.

6. Bank balances and other liquid funds

	2020 \$'000	2019 \$'000
Amount placed with a subsidiary	7,372	16,271

7. Other payables and accruals

	2020 \$'000	2019 \$'000
Other payables	6,913	8,890
Accrued operating expenses	22,019	16,261
	28,932	25,151
Payable:		
Within 1 year	21,542	18,817
After 1 year	7,390	6,334
	28,932	25,151

The Company has issued corporate guarantees to banks for borrowings of its related parties explained and disclosed in C14. These guarantees are financial guarantees as they require the Company to reimburse the banks if the related parties fails to make principal or interest payments when due in accordance with the terms of their borrowings.

8. Share capital, treasury shares, capital reserves and other reserves

- Share capital and treasury shares have been explained and disclosed in E6 and E7.
- Capital reserve is relating to realised gain or loss on re-issuance of treasury shares under share-based payment arrangements as explained and disclosed in E8.
- Other reserve is relating to share-based payment reserve as explained and disclosed in E9.

NOTES TO THE BALANCE SHEET OF THE COMPANY

AS AT 31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Financial risk management

- **Interest rate risk:** No interest rate risk exposure was disclosed as the Company had assessed that a reasonable change in the interest rates would not result in any significant impact on the Company's results.
- **Foreign exchange risk:** No foreign exchange sensitivity analysis was disclosed as the Company had assessed that a reasonable change in exchange rates would not result in any significant impact on the Company's results.
- **Liquidity risk:** It is not expected that the cash flows associated with the liabilities of the Company could occur at significantly different amounts.
- **Credit risk:** The Company limits its exposure to credit risk on amounts due from related parties which are mostly short-term in nature and bank balances and other liquid funds placed with reputable financial institutions.

Management actively monitors the credit ratings of its debtors and does not expect any counterparty to fail to meet its obligations.

Derivatives are entered into with financial institutions which have long-term rating of at least A3 by Moody's, A- by Standard & Poor's or the equivalent by a reputable credit rating agency.

Cash and bank deposits are placed with reputable financial institutions.

As at 31 December 2020, there were no significant concentrations of credit risk.

- **Financial instruments by category:** The carrying amount of the different categories of financial instruments are as follows:

	2020 \$'000	2019 \$'000
Financial assets, at amortised cost	79,055	79,569
Financial liabilities, at amortised cost	(49,318)	(36,542)

SECTORAL FINANCIAL REVIEW – AEROSPACE

(CURRENCY – SINGAPORE DOLLARS)

INCOME STATEMENT

	2020 \$'000	2019 \$'000
Revenue	2,715,700	3,455,022
Cost of sales	(2,231,140)	(2,850,633)
Gross profit	484,560	604,389
Distribution and selling expenses	(41,010)	(72,020)
Administrative expenses	(160,617)	(151,129)
Other operating expenses	(86,028)	(66,903)
Profit from operations	196,905	314,337
Other income*	6,721	13,965
Other expenses	(2,737)	(7,439)
Other income, net	3,984	6,526
Finance income	6,348	14,018
Finance costs	(39,261)	(40,336)
Finance costs, net	(32,913)	(26,318)
Share of results of associates and joint ventures, net of tax	34,501	38,227
Profit before taxation	202,477	332,772
Taxation	(8,351)	(48,914)
Profit after taxation	194,126	283,858
Attributable to:		
Shareholder of the Company	192,898	268,896
Non-controlling interests	1,228	14,962
	194,126	283,858

* Government grants in the prior year were reclassified from other income to underlying expenses in cost of sales and operating expenses in conformance with current year classification.

SECTORAL FINANCIAL REVIEW – AEROSPACE

(CURRENCY – SINGAPORE DOLLARS)

BALANCE SHEET

	2020 \$'000	2019 \$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,047,725	1,087,980
Right-of-use assets	262,895	244,797
Associates and joint ventures	284,446	253,884
Intangible assets	937,228	966,906
Advances and other receivables	54,417	9,085
Deferred tax assets	71,794	78,786
Derivative financial instruments	16,086	1,053
Employee benefits	319	–
	2,674,910	2,642,491
Current assets		
Contract assets	314,511	410,907
Inventories	532,802	526,098
Trade receivables	346,134	546,056
Amount due from related parties	27,112	103,832
Advances and other receivables	110,356	105,764
Derivative financial instruments	17,219	2,784
Bank balances and other liquid funds	646,794	331,674
	1,994,928	2,027,115
Total assets	4,669,838	4,669,606
EQUITY AND LIABILITIES		
Current liabilities		
Contract liabilities	292,701	272,523
Deposits from customers	3,710	5,232
Trade payables and accruals	550,373	775,840
Amount due to related parties	719,796	762,059
Provisions	94,977	57,941
Provision for taxation	63,898	115,113
Borrowings	56,791	45,532
Deferred income	49,533	2,249
Employee benefits	7,996	11,265
	1,839,775	2,047,754
Net current assets/(liabilities)	155,153	(20,639)
Non-current liabilities		
Contract liabilities	86,522	84,324
Trade payables and accruals	4,604	26,041
Provision	8,696	2,254
Deferred tax liabilities	154,354	136,698
Borrowings	325,673	263,569
Employee benefits	457,932	377,202
Derivative financial instruments	200	3,807
Amount due to related parties	866,345	839,367
	1,904,326	1,733,262
Total liabilities	3,744,101	3,781,016
Net assets	925,737	888,590
Share capital and reserves	668,781	642,553
Non-controlling interests	256,956	246,037
	925,737	888,590
Total equity and liabilities	4,669,838	4,669,606

SECTORAL FINANCIAL REVIEW – AEROSPACE

(CURRENCY – SINGAPORE DOLLARS)

STATEMENT OF CASH FLOWS

	2020 \$'000	2019 \$'000
Net cash from operating activities	649,671	345,312
Net cash used in investing activities	(103,682)	(865,741)
Proceeds from sale of property, plant and equipment	8,338	13,482
Dividends from associates and joint ventures	5,773	36,371
Purchase of property, plant and equipment	(91,866)	(175,132)
Investment in joint ventures and an associate	–	(13,073)
Acquisition of a subsidiary	–	(688,905)
Proceeds from disposal of subsidiaries	–	8,855
Additions to other intangible assets	(25,927)	(47,339)
Net cash (used in)/from financing activities	(451,168)	740,450
Capital contribution from non-controlling interests	13,260	375
Return of capital to non-controlling interests of a subsidiary	–	(8,652)
Proceeds from bank loans	18,149	32,198
Proceeds from other loans	19,565	–
Repayment of bank loans	(37,850)	(47,069)
Proceeds from lease liabilities	2,936	–
Repayment of lease liabilities	(27,999)	(64,601)
Proceeds from related party loans	–	1,283,629
Repayment of related party loans	(194,606)	(163,501)
Dividends paid to shareholder	(193,000)	(231,000)
Dividends paid to non-controlling interests	(17,319)	(12,247)
Interest paid	(34,304)	(48,682)
Net increase in cash and cash equivalents	94,821	220,021
Cash and cash equivalents at beginning of the year	227,552	10,185
Exchange difference on cash and cash equivalents at beginning of the year	(454)	(2,654)
Cash and cash equivalents at end of the year	321,919	227,552

SECTORAL FINANCIAL REVIEW – AEROSPACE

(CURRENCY – SINGAPORE DOLLARS)

FINANCIAL HIGHLIGHTS

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Income Statement					
Revenue	2,715,700	3,455,022	2,654,119	2,546,913	2,492,857
Profit					
Profit from operations*	196,905	314,337	277,457	277,636	250,780
PBT	202,477	332,772	319,995	318,465	300,318
Net Profit	192,898	268,896	244,627	244,840	234,385
Balance Sheet					
Property, plant and equipment and right-of-use assets	1,310,620	1,332,777	930,228	848,949	833,628
Intangible and other assets	1,354,204	1,407,245	845,352	800,038	730,305
Inventories	532,802	526,098	410,712	368,621	475,477
Trade receivables, contract assets and advance and other receivables	825,418	1,071,812	873,215	740,288	702,743
Bank balances and other liquid funds	646,794	331,674	294,210	322,896	272,683
Current liabilities	1,839,775	2,047,754	1,746,476	1,462,317	1,339,342
Non-current liabilities	1,904,326	1,733,262	648,205	658,740	691,214
Share capital	368,512	368,512	368,512	368,512	368,512
Capital and other reserves	1,057	(66,870)	(14,683)	(4,576)	(9,517)
Retained earnings	299,212	340,911	335,789	332,389	381,810
Non-controlling interests	256,956	246,037	269,418	263,410	243,475
Financial Indicators					
Earnings per share (cents)	41.17	57.39	52.21	52.26	50.03
Net assets value per share (cents)	142.75	137.15	147.19	148.62	158.12
Return on sales (%)	7.1	8.2	10.0	10.5	10.1
Return on equity (%)	25.2	36.4	31.2	30.9	28.1
Return on capital employed (%)	7.1	9.7	13.6	13.3	13.7
Productivity Data					
Average staff strength (numbers)	8,870	8,581	8,182	8,192	7,600
Revenue per employee (\$)	306,167	402,636	324,385	310,902	328,008
Net profit per employee (\$)	21,747	31,336	29,898	29,888	30,840
Employment costs*	674,040	910,155	758,423	751,194	742,539
Employment costs per \$ of revenue (\$)	0.25	0.26	0.29	0.29	0.30
Economic Value Added	105,799	122,026	150,859	141,259	154,055
Economic Value Added spread (%)	3.0	4.0	7.6	7.2	7.9
Economic Value Added per employee (\$)	11,928	14,220	18,438	17,244	20,270
Value added	1,159,910	1,545,979	1,209,185	1,190,984	1,178,284
Value added per employee (\$)	130,768	180,163	147,786	145,384	155,037
Value added per \$ of employment costs (\$)	1.72	1.70	1.59	1.59	1.59
Value added per \$ of gross property, plant and equipment (\$)	0.56	0.76	0.66	0.70	0.72
Value added per \$ of revenue (\$)	0.43	0.45	0.46	0.47	0.47

Figures for FY2016 were prepared in accordance with the previous FRS and were not restated on adoption of SFRS(I) in FY2018. The Group adopted SFRS(I) 16 effective on 1 January 2019 and applied the modified retrospective approach with no restatement of comparative information.

* Government grants in the prior years were reclassified from other income to underlying expenses in conformance with current year classification.

SECTORAL FINANCIAL REVIEW – ELECTRONICS

(CURRENCY – SINGAPORE DOLLARS)

INCOME STATEMENT

	2020 \$'000	2019 \$'000
Revenue	2,319,222	2,364,646
Cost of sales	(1,651,306)	(1,722,367)
Gross profit	667,916	642,279
Distribution and selling expenses	(114,817)	(117,347)
Administrative expenses	(234,329)	(220,198)
Other operating expenses	(74,018)	(80,795)
Profit from operations	244,752	223,939
Other income*	10,618	11,353
Other expenses	(762)	(25)
Other income, net	9,856	11,328
Finance income	1,913	4,695
Finance costs	(20,576)	(22,234)
Finance costs, net	(18,663)	(17,539)
Share of results of associate and joint ventures, net of tax	(6,587)	(1,445)
Profit before taxation	229,358	216,283
Taxation	(23,832)	(32,984)
Profit after taxation	205,526	183,299
Attributable to:		
Shareholder of the Company	203,887	183,323
Non-controlling interests	1,639	(24)
	205,526	183,299

With effect from 1 January 2020, Miltope Corporation was re-organised from Others into Electronics sector and comparatives were restated in conformance with current year classification.

* Government grants in the prior year were reclassified from other income to underlying expenses in cost of sales and operating expenses in conformance with current year classification.

SECTORAL FINANCIAL REVIEW – ELECTRONICS

(CURRENCY – SINGAPORE DOLLARS)

BALANCE SHEET

	2020 \$'000	2019 \$'000
ASSETS		
Non-current assets		
Property, plant and equipment	267,508	281,302
Right-of-use assets	120,291	111,064
Associate and joint ventures	67,871	73,639
Investments	9,255	9,437
Intangible assets	778,268	768,833
Long-term trade receivable	1,524	1,668
Deferred tax assets	36,395	20,203
Advances and other receivables	1,348	–
Derivative financial instruments	581	206
	1,283,041	1,266,352
Current assets		
Contract assets	737,001	776,779
Inventories	109,372	139,367
Trade receivables	347,855	414,572
Amounts due from related parties	31,765	29,184
Advances and other receivables	87,422	106,143
Derivative financial instruments	1,361	1,818
Bank balances and other liquid funds	477,861	488,931
	1,792,637	1,956,794
Total assets	3,075,678	3,223,146
EQUITY AND LIABILITIES		
Current liabilities		
Contract liabilities	463,395	492,213
Deposits from customers	2,252	86
Trade payables and accruals	474,041	527,496
Amounts due to related parties	286,957	490,128
Provisions	75,103	61,388
Provision for taxation	52,206	42,394
Borrowings	22,295	20,631
Deferred income	9,433	154
Derivative financial instruments	616	1,356
	1,386,298	1,635,846
Net current assets	406,339	320,948
Non-current liabilities		
Contract liabilities	139,079	155,064
Deposits from customers	215	184
Trade payables and accruals	5,510	18,344
Provisions	6,065	3,259
Deferred tax liabilities	27,091	31,427
Borrowings	104,805	97,534
Employee benefits	4,616	2,859
Derivative financial instruments	247	145
Amounts due to related parties	795,759	778,429
	1,083,387	1,087,245
Total liabilities	2,469,685	2,723,091
Net assets	605,993	500,055
Share capital and reserves	593,377	489,124
Non-controlling interests	12,616	10,931
	605,993	500,055
Total equity and liabilities	3,075,678	3,223,146

SECTORAL FINANCIAL REVIEW – ELECTRONICS

(CURRENCY – SINGAPORE DOLLARS)

STATEMENT OF CASH FLOWS

	2020 \$'000	2019 \$'000
Net cash from operating activities	362,625	132,400
Net cash used in investing activities	(90,801)	(476,793)
Proceeds from sale of property, plant and equipment	35	109
Proceeds from sale of an investment	42	–
Proceeds from disposal of an associate	–	648
Purchase of property, plant and equipment	(35,438)	(60,851)
Investments in a joint venture	–	(13,813)
Acquisition of controlling interests in subsidiaries, net of cash acquired	–	(361,217)
Additions to other intangible assets	(55,440)	(41,669)
Net cash (used in)/from financing activities	(129,815)	358,043
Repayment of bank loans	(2,175)	(28,865)
Repayment of related parties loans	(22,582)	(4,676)
Repayment of loans by a related party	–	30,076
Repayment of loans to a joint venture	–	(4,000)
Proceeds from bank loans	2,175	–
Proceeds from related parties loans	23,480	424,330
Loans to a related party	(404)	(31,120)
Repayment of lease liabilities	(20,828)	(14,453)
Proceeds from finance lease receivables	223	–
Dividends paid to shareholder	(100,000)	–
Interest paid	(9,694)	(13,494)
Deposits (pledged)/discharged	(10)	245
Net increase in cash and cash equivalents	142,009	13,650
Cash and cash equivalents at beginning of the year	79,126	64,117
Exchange difference on cash and cash equivalents at beginning of the year	1,527	1,359
Cash and cash equivalents at end of the year	222,662	79,126

SECTORAL FINANCIAL REVIEW – ELECTRONICS

(CURRENCY – SINGAPORE DOLLARS)

FINANCIAL HIGHLIGHTS

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Income Statement					
Revenue	2,319,222	2,364,646	2,210,533	2,124,159	1,983,330
Profit					
Profit from operations*	244,752	223,939	214,608	200,104	185,704
PBT	229,358	216,283	211,869	197,200	186,955
Net Profit	203,887	183,323	176,874	163,022	162,660
Balance Sheet					
Property, plant and equipment and right-of-use assets	387,799	392,366	250,872	239,531	219,429
Intangible and other assets	925,496	903,320	521,265	496,569	480,169
Inventories	109,372	139,367	123,081	109,379	630,930
Trade receivables, contract assets and advances and other receivables	1,175,150	1,299,162	1,127,540	907,289	597,395
Bank balances and other liquid funds	477,861	488,931	314,615	301,827	242,081
Current liabilities	1,386,298	1,635,846	1,456,436	1,219,300	1,298,937
Non-current liabilities	1,083,387	1,087,245	557,670	542,730	582,844
Share capital	52,522	52,522	52,522	52,522	52,522
Capital and other reserves	(25,999)	(26,709)	(16,429)	(23,742)	9,147
Retained earnings	566,854	463,311	280,398	257,762	219,944
Non-controlling interests	12,616	10,931	6,776	6,023	6,610
Financial Indicators					
Earnings per share (cents)	194.10	174.52	168.38	155.19	154.85
Net assets value per share (cents)	564.88	465.63	301.29	272.78	268.09
Return on sales (%)	8.9	7.8	8.0	7.7	8.2
Return on equity (%)	25.7	26.6	34.3	33.5	33.8
Return on capital employed (%)	10.8	17.1	23.2	20.0	20.5
Productivity Data					
Average staff strength (numbers)	7,032	6,797	6,484	6,700	6,707
Revenue per employee (\$)	329,810	347,896	340,921	317,039	295,710
Net profit per employee (\$)	28,994	26,971	27,279	24,332	24,252
Employment costs*	658,757	692,234	615,373	644,303	629,213
Employment costs per \$ of revenue	0.28	0.29	0.28	0.30	0.32
Economic Value Added	108,474	140,839	155,155	131,504	122,507
Economic Value Added Spread (%)	6.1	11.2	17.0	13.9	14.4
Economic Value Added per employee (\$)	15,426	20,721	23,929	19,627	18,266
Value added	1,014,381	1,028,424	905,292	909,559	902,463
Value added per employee (\$)	144,252	151,306	139,619	135,755	134,555
Value added per \$ of employment costs	1.54	1.49	1.47	1.41	1.43
Value added per \$ of gross property, plant and equipment	1.42	1.58	1.54	1.68	1.82
Value added per \$ of revenue	0.44	0.43	0.41	0.43	0.46

Figures for FY2016 were prepared in accordance with the previous FRS and were not restated on adoption of SFRS(I) in FY2018. The Group adopted SFRS(I) 16 effective on 1 January 2019 and applied the modified retrospective approach with no restatement of comparative information.

* Government grants in the prior years were reclassified from other income to underlying expenses in conformance with current year classification.

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

(CURRENCY – SINGAPORE DOLLARS)

INCOME STATEMENT

	2020 \$'000	2019 \$'000
Revenue	1,440,638	1,457,644
Cost of sales	(1,150,742)	(1,177,170)
Gross profit	289,896	280,474
Distribution and selling expenses	49,974	58,566
Administrative expenses	83,107	96,915
Other operating expenses	33,112	35,191
Profit from operations	123,703	89,802
Other income*	3,114	5,731
Other expenses	(4,089)	(4,422)
Other expenses/income, net	(975)	1,309
Finance income	2,144	1,807
Finance costs	(9,166)	(9,937)
Finance costs, net	(7,022)	(8,130)
Share of results of associates and joint ventures, net of tax	(2,699)	5,579
Profit before taxation	113,007	88,560
Taxation	(10,711)	(11,459)
Profit after taxation	102,296	77,101
Attributable to:		
Shareholder of the Company	101,380	77,310
Non-controlling interests	916	(209)
	102,296	77,101

* Government grants in the prior year were reclassified from other income to underlying expenses in cost of sales and operating expenses in conformance with current year classification.

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

(CURRENCY – SINGAPORE DOLLARS)

BALANCE SHEET

	2020 \$'000	2019 \$'000
ASSETS		
Non-current assets		
Property, plant and equipment	215,164	224,102
Right-of-use assets	127,516	100,646
Associates and joint ventures	69,351	82,276
Intangible assets	230,574	244,396
Deferred tax assets	16,557	17,181
Amounts due from related parties	4,997	5,094
Derivative financial instruments	4,084	12,300
	668,243	685,995
Current assets		
Contract assets	15,166	10,994
Inventories	577,763	611,576
Trade receivables	280,105	222,799
Amounts due from related parties	27,909	28,751
Advances and other receivables	73,962	88,847
Derivative financial instruments	3,122	1,757
Bank balances and other liquid funds	455,037	153,508
	1,433,064	1,118,232
Total assets	2,101,307	1,804,227
EQUITY AND LIABILITIES		
Current liabilities		
Contract liabilities	244,681	195,202
Trade payables and accruals	266,337	284,839
Amounts due to related parties	32,936	191,700
Provisions	70,688	72,060
Provision for taxation	25,769	24,205
Borrowings	14,769	10,905
Derivative financial instruments	3,832	8,370
	659,012	787,281
Net current assets	774,052	330,951
Non-current liabilities		
Contract liabilities	580,085	202,177
Amounts due to related parties	321,560	313,598
Provisions	11,063	7,607
Deferred tax liabilities	43,512	41,723
Borrowings	112,129	87,877
Deferred income	30	36
Derivative financial instruments	5,959	17,063
	1,074,338	670,081
Total liabilities	1,733,350	1,457,362
Net assets	367,957	346,865
Share capital and reserves	355,795	335,564
Non-controlling interests	12,162	11,301
	367,957	346,865
Total equity and liabilities	2,101,307	1,804,227

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

(CURRENCY – SINGAPORE DOLLARS)

STATEMENT OF CASH FLOWS

	2020 \$'000	2019 \$'000
Net cash from operating activities	574,210	75,372
Cash flows used in investing activities	(22,988)	(28,156)
Proceeds from sale of property, plant and equipment	120	121
Proceeds from disposal of a joint venture	–	5,338
Dividends from associates	6,600	7,068
Purchase of property, plant and equipment	(24,243)	(29,144)
Additions to other intangible assets	(5,465)	(11,539)
Cash flows used in financing activities	(249,035)	(36,530)
Interest paid	(6,706)	(9,459)
Repayment of leases liabilities	(12,345)	(8,768)
Repayment of related party loans	(167,648)	(48,810)
Proceeds from related party loans	22,664	147,083
Dividends paid to related parties	(85,000)	(116,576)
Net increase in cash and cash equivalents	302,187	10,686
Cash and cash equivalents at beginning of the year	153,508	143,079
Exchange difference on cash and cash equivalents at beginning of the year	(658)	(257)
Cash and cash equivalents at end of the year	455,037	153,508

SECTORAL FINANCIAL REVIEW – LAND SYSTEMS

(CURRENCY – SINGAPORE DOLLARS)

FINANCIAL HIGHLIGHTS

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Income Statement					
Revenue	1,440,638	1,457,644	1,302,809	1,262,659	1,405,316
Profit					
Profit from operations*	123,703	89,802	67,806	74,806	11,868
PBT	113,007	88,560	62,261	85,039	38,758
Net Profit	101,380	77,310	52,860	87,420	25,461
Balance Sheet					
Property, plant and equipment and right-of-use assets	342,680	324,748	235,445	296,739	298,689
Intangible and other assets	356,594	391,755	390,756	399,148	370,929
Inventories	577,763	611,576	605,464	521,923	547,476
Trade receivables, contract assets and advances and other receivables	369,233	322,640	343,882	285,862	328,146
Bank balances and other liquid funds	455,037	153,508	143,079	135,700	173,782
Current liabilities	659,012	787,281	807,427	595,097	836,529
Non-current liabilities	1,074,338	670,081	532,333	720,265	635,037
Share capital	194,445	194,445	194,445	194,445	194,445
Capital and other reserves	(3,046)	(6,897)	69	(2,537)	5,911
Retained earnings	164,396	148,016	172,770	120,667	35,769
Non-controlling interests	12,162	11,301	11,582	11,435	11,331
Financial Indicators					
Earnings per share (cents)	19.27	14.70	10.05	16.62	4.84
Net assets value per share (cents)	67.65	63.80	69.83	59.43	44.89
Return on sales (%)	7.1	5.3	4.1	7.0	1.2
Return on equity (%)	16.8	13.3	9.0	16.5	6.0
Return on capital employed (%)	13.5	8.1	6.2	9.4	3.3
Productivity Data					
Average staff strength (numbers)	4,466	4,647	4,754	4,899	5,801
Revenue per employee (\$)	322,579	313,674	274,045	257,738	242,254
Net profit per employee (\$)	22,700	16,637	11,119	17,844	4,389
Employment costs*	315,880	388,745	361,354	361,723	365,111
Employment costs per \$ of revenue (\$)	0.22	0.27	0.28	0.29	0.26
Economic Value Added	77,811	21,987	1,337	24,347	(39,512)
Economic Value Added spread (%)	8.7	2.2	0.1	3.3	(6.0)
Economic Value Added per employee (\$)	17,423	4,731	281	4,970	(6,811)
Value added	504,534	543,295	473,196	489,184	512,960
Value added per employee (\$)	112,972	116,913	99,536	99,854	88,426
Value added per \$ of employment costs (\$)	1.60	1.40	1.31	1.35	1.40
Value added per \$ of gross property, plant and equipment (\$)	0.73	0.81	0.72	0.67	0.72
Value added per \$ of revenue (\$)	0.35	0.37	0.36	0.39	0.37

Figures for FY2016 were prepared in accordance with the previous FRS and were not restated on adoption of SFRS(I) in FY2018. The Group adopted SFRS(I) 16 effective on 1 January 2019 and applied the modified retrospective approach with no restatement of comparative information.

* Government grants in the prior years were reclassified from other income to underlying expenses in conformance with current year classification.

SECTORAL FINANCIAL REVIEW – MARINE

(CURRENCY – SINGAPORE DOLLARS)

INCOME STATEMENT

	2020 \$'000	2019 \$'000
Revenue	710,718	647,151
Cost of sales	641,870	540,205
Gross profit	68,848	106,946
Distribution and selling expenses	(10,398)	(9,735)
Administrative expenses	(35,082)	(31,853)
Other operating expenses	(9,002)	(8,966)
Profit from operations	14,366	56,392
Other income*	3,984	6,506
Other expenses	(30)	(83)
Other income, net	3,954	6,423
Finance income	3,072	3,782
Finance costs	(5,039)	(5,693)
Finance costs, net	(1,967)	(1,911)
Share of results of associate and joint ventures, net of tax	474	(75)
Profit before taxation	16,827	60,829
Taxation	11,467	(9,287)
Profit after taxation	28,294	51,542

* Government grants in the prior year were reclassified from other income to underlying expenses in cost of sales and operating expenses in conformance with current year classification.

SECTORAL FINANCIAL REVIEW – MARINE

(CURRENCY – SINGAPORE DOLLARS)

BALANCE SHEET

	2020 \$'000	2019 \$'000
ASSETS		
Non-current assets		
Property, plant and equipment	182,761	178,403
Right-of-use assets	17,631	22,975
Associate and joint ventures	4,244	2,850
Intangible assets	68	80
Advances and other receivables	1,731	1,820
Deferred tax assets	92,774	68,880
Amounts due from related parties	8,547	4,806
Derivative financial instruments	33	1,296
	307,789	281,110
Current assets		
Contract assets	103,641	56,060
Inventories	46,045	32,631
Trade receivables	61,890	62,186
Amounts due from related parties	15,639	16,947
Advances and other receivables	20,391	37,290
Bank balances and other liquid funds	306,871	321,922
	554,477	527,036
Total assets	862,266	808,146
EQUITY AND LIABILITIES		
Current liabilities		
Contract liabilities	155,348	109,604
Deposits from customers	4,789	3,833
Trade payables and accruals	303,766	327,967
Amounts due to related parties	256,610	192,716
Provisions	64,673	42,044
Provision for taxation	23,767	34,169
Borrowings	3,789	4,372
	812,742	714,705
Net current liabilities	(258,265)	(187,669)
Non-current liabilities		
Trade payables and accruals	1,653	7,080
Provisions	3,977	3,874
Borrowings	12,368	16,373
Deferred income	50,069	34,273
Amounts due to related parties	26,343	26,343
Derivative financial instruments	953	511
	95,363	88,454
Total liabilities	908,105	803,159
Net (liabilities)/assets	(45,839)	4,987
Share capital and reserves	(45,839)	4,987
Total equity and liabilities	862,266	808,146

SECTORAL FINANCIAL REVIEW – MARINE

(CURRENCY – SINGAPORE DOLLARS)

STATEMENT OF CASH FLOWS

	2020 \$'000	2019 \$'000
Net cash from operating activities	41,504	23,367
Net cash (used in)/from investing activities	(34,474)	97,057
Proceeds from disposal of property, plant and equipment	256	104,250
Purchase of property, plant and equipment	(29,548)	(8,402)
Dividends from joint ventures	900	1,100
Investment in an associate	(6,082)	–
Disposal of joint ventures	–	109
Disposal of other intangible assets	–	–
Net cash (used in)/from financing activities	(21,922)	37,828
Repayment of related party loans	(19,707)	–
Repayment of bank loans	–	–
Proceeds from related party loans	91,814	54,085
Loans to related parties	515	–
Repayment of loans by related parties	–	89,000
Dividends paid to shareholder	(85,000)	(95,000)
Interest paid	(5,029)	(5,000)
Repayment of lease liabilities	(4,515)	(5,257)
Net (decrease)/increase in cash and cash equivalents	(14,892)	158,252
Cash and cash equivalents at beginning of the year	321,922	164,006
Exchange difference on cash and cash equivalents at beginning of the year	(159)	(336)
Cash and cash equivalents at end of the year	306,871	321,922

SECTORAL FINANCIAL REVIEW – MARINE

(CURRENCY – SINGAPORE DOLLARS)

FINANCIAL HIGHLIGHTS

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Income Statement					
Revenue	710,718	647,151	574,354	637,531	841,160
Profit					
Profit from operations*	14,366	56,392	46,698	17,342	67,222
PBT	16,827	60,829	50,260	22,408	75,121
Net Profit	28,294	51,542	45,201	27,049	67,757
Balance Sheet					
Property, plant and equipment and right-of-use assets	200,392	201,378	303,001	319,653	315,031
Intangible and other assets	122,395	95,228	167,477	192,731	190,348
Inventories	46,045	32,631	43,412	81,004	239,936
Trade receivables, contract assets and advances and other receivables	186,563	156,987	126,281	224,658	148,699
Bank balances and other liquid funds	306,871	321,922	164,006	84,751	81,860
Current liabilities	812,742	714,705	665,309	683,368	715,617
Non-current liabilities	95,363	88,454	96,287	100,581	93,856
Share capital	50,856	50,856	50,856	50,856	50,856
Capital and other reserves	13,872	7,992	10,977	12,445	9,863
Retained earnings	(110,567)	(53,861)	(19,252)	55,547	105,656
Non-controlling interests	–	–	–	–	26
Financial Indicators					
Earnings per share (cents)	14.47	26.35	23.11	13.83	34.65
Net assets value per share (cents)	(23.44)	2.55	21.77	60.77	85.07
Return on sales (%)	4.0	8.0	7.9	4.2	8.1
Return on equity (%)	(145.1)	164.5	52.6	16.7	35.2
Return on capital employed (%)	3.1	16.8	12.5	7.5	25.3
Productivity Data					
Average staff strength (numbers)	1,558	1,371	1,368	1,522	1,690
Revenue per employee (\$)	456,173	472,028	419,849	418,877	497,728
Net profit per employee (\$)	18,160	37,594	33,042	17,772	40,093
Employment costs*	151,232	146,975	121,504	138,343	152,957
Employment costs per \$ of revenue (\$)	0.21	0.23	0.21	0.22	0.18
Economic Value Added	(2,901)	22,066	18,161	5,200	51,113
Economic Value Added spread (%)	(1.4)	11.2	6.8	1.8	19.7
Economic Value Added per employee (\$)	(1,862)	16,095	13,276	3,417	30,244
Value added	205,324	247,160	210,717	208,752	264,414
Value added per employee (\$)	131,787	180,277	154,033	137,156	156,458
Value added per \$ of employment costs (\$)	1.36	1.68	1.73	1.51	1.73
Value added per \$ of gross property, plant and equipment (\$)	0.34	0.43	0.28	0.28	0.37
Value added per \$ of revenue (\$)	0.29	0.38	0.37	0.33	0.31

Figures for FY2016 were prepared in accordance with the previous FRS and were not restated on adoption of SFRS(I) in FY2018. The Group adopted SFRS(I) 16 effective on 1 January 2019 and applied the modified retrospective approach with no restatement of comparative information.

* Government grants in the prior years were reclassified from other income to underlying expenses in conformance with current year classification.

SHAREHOLDING STATISTICS

AS AT 2 MARCH 2021

SHARE CAPITAL

Paid-Up Capital (including treasury shares)	:	S\$895,925,583.505
Number of issued ordinary shares (excluding treasury shares)	:	3,115,053,351
Number of ordinary shares held in treasury	:	7,441,846
Number of subsidiary holdings held	:	Nil
Percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares	:	0.24%
Class of Shares	:	Ordinary Shares One Special Share held by the Minister for Finance
Voting Rights	:	One vote per share

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 2 March 2021, approximately 48.06% of the issued ordinary shares (excluding treasury shares) of the Company are held by the public and therefore, Rule 723 of the SGX-ST Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares (excluding treasury shares)	%
1 – 99	986	2.58	24,029	0.00
100 – 1,000	6,498	16.98	5,046,748	0.16
1,001 – 10,000	24,477	63.95	107,955,403	3.47
10,001 – 1,000,000	6,280	16.41	240,030,516	7.70
1,000,001 and above	31	0.08	2,761,996,655	88.67
	38,272	100.00	3,115,053,351	100.00

Substantial Shareholder	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total Interest No. of Shares	%*
Temasek Holdings (Private) Limited	1,554,764,574	50,747,425 ⁽¹⁾	1,605,511,999	51.54 ⁽²⁾

Notes:

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 2 March 2021, excluding any ordinary shares held in treasury as at that date.

⁽¹⁾ Includes deemed interests held through subsidiaries and associated companies.

⁽²⁾ The percentage figure is rounded down to the nearest 0.01%.

SHAREHOLDING STATISTICS

AS AT 2 MARCH 2021

MAJOR SHAREHOLDERS LIST – TOP 20

No.	Name	No. of Shares Held	%*
1	Temasek Holdings (Private) Limited	1,554,764,574	49.91
2	Citibank Nominees Singapore Pte Ltd	426,541,958	13.69
3	DBS Nominees (Private) Limited	309,099,636	9.92
4	DBSN Services Pte. Ltd.	234,186,526	7.52
5	HSBC (Singapore) Nominees Pte Ltd	78,697,992	2.53
6	Raffles Nominees (Pte.) Limited	40,637,392	1.30
7	Vestal Investments Pte. Ltd.	28,501,000	0.91
8	BPSS Nominees Singapore (Pte.) Ltd.	20,750,105	0.67
9	United Overseas Bank Nominees (Private) Limited	11,976,127	0.39
10	OCBC Nominees Singapore Private Limited	8,047,377	0.26
11	Philip Securities Pte Ltd	7,144,030	0.23
12	Tan Pheng Hock	4,082,283	0.13
13	DBS Vickers Securities (Singapore) Pte Ltd	3,584,642	0.12
14	UOB Kay Hian Pte Ltd	3,108,094	0.10
15	OCBC Securities Private Limited	3,037,191	0.10
16	DB Nominees (Singapore) Pte Ltd	2,862,378	0.09
17	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,309,700	0.07
18	Vincent Chong Sy Feng	2,296,793	0.07
19	Heng Siew Eng	2,112,000	0.07
20	Shanwood Development Pte Ltd	2,077,000	0.07
		2,745,816,798	88.15

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 2 March 2021, excluding any ordinary shares held in treasury as at that date.

SGX LISTING RULES REQUIREMENT

31 DECEMBER 2020

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

INTERESTED PERSON TRANSACTIONS

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 15 May 2020. During the financial year, the following interested person transactions were entered into by the Group:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Transactions for the Sale of Goods and Services					
CapitaLand Limited and its Associates	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates.	–	–	691	–
CapitaLand Commercial Trust		–	–	125	–
SATS Ltd. and its Associates		–	–	51,860	12,425
SembCorp Industries Ltd and its Associates		–	–	151	–
Singapore Airlines Limited and its Associates		–	–	–	3,356
SIA Engineering Company Limited and its Associates		–	–	102	–
Singapore Telecommunications Limited and its Associates		–	–	2,637	828
StarHub Ltd and its Associates		–	–	2,125	612
Temasek Holdings (Private) Limited and its Associates (non-listed)		–	–	45,741	88,523
			–	–	103,432
Transactions for the Purchase of Goods and Services					
CapitaLand Limited and its Associates	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates.	–	–	143	–
Mapletree Industrial Trust		–	–	356	403
Mapletree Logistics Trust		–	–	–	11,851
SATS Ltd. and its Associates		–	–	3,841	3,211
SembCorp Industries Ltd and its Associates		–	–	2,264	17,546
Singapore Telecommunications Limited and its Associates		–	–	1,038	2,557
StarHub Ltd and its Associates		–	–	1,575	205
Temasek Holdings (Private) Limited and its Associates (non-listed)		–	–	55,826	17,397
			–	–	65,043
Total Interested Person Transactions		–	–	168,475	158,914

Save for the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its Group President and CEO, directors or controlling shareholder, which were either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.



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