ST Engineering

ANNUAL REPORT 2021

CORPORATE PURPOSE

Harness technology and innovation to enable a more secure and sustainable world

It is the unifying purpose that aligns everything we do.

GROUP ASPIRATION

Become a global technology, defence and engineering powerhouse

It is the singular winning long-term goal that all our businesses follow.

CORE VALUES

Integrity | **Value Creation** | **Courage** | **Commitment** | **Compassion**

Our Core Values guide every aspect of our business and are embedded in our culture – from the people we hire, to the way we work with one another and how we engage our partners and customers.

Read more on our website

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, multidisciplinary and smart engineering solutions for our customers in the commercial, government and defence segments.

Headquartered in Singapore, we employ about 23,000 people across our network of subsidiaries and associated companies in Asia, Europe, the Middle East and the U.S.

We rank among the largest companies listed on the Singapore Exchange and are a component stock of the FTSE Straits Times Index, MSCI Singapore, iEdge SG ESG Transparency Index and iEdge SG ESG Leaders Index.

WHERE YOU SEE THESE ICONS

This directs you to further information online

This points to related information in the report

This directs you to an external video

Contents

FINANCIAL HIGHLIGHTS

→ ORDER BOOK

$19.3b ↑25%

2020: $15.4b

→ REVENUE

$7.7b ↑7.5%

2020: $7.2b

→ EBITDA

$1,071.7m ↑10%

2020: $975.0m

→ EVA

$313.0m ↑9%

2020: $286.4m

→ EARNINGS PER SHARE

18.30¢ ↑9%

2020: 16.74¢

→ DIVIDEND PER SHARE

15.0¢ –

2020: 15.0¢

→ TOTAL SHAREHOLDERS RETURN

2.4% ↑1.5pts

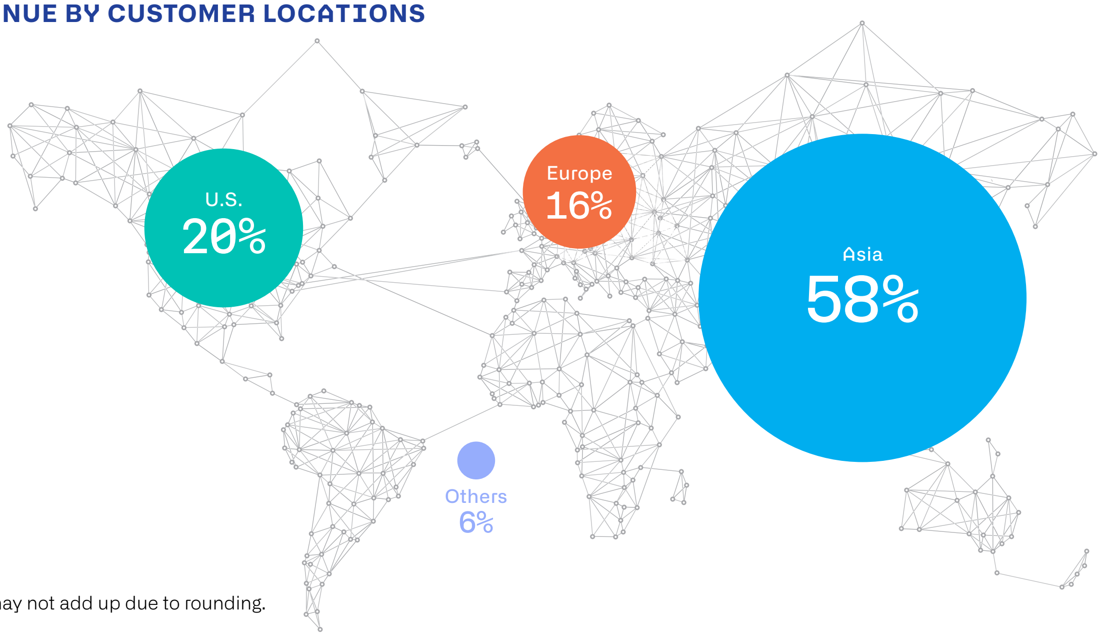
2020: 0.9%

→ RETURN ON EQUITY

23.6% ↑0.8pts

2020: 22.8%

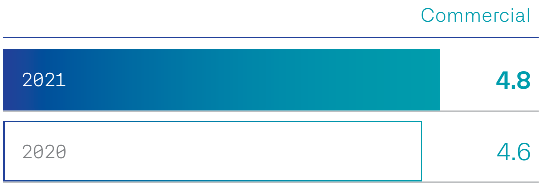
→ REVENUE BY CUSTOMER LOCATIONS

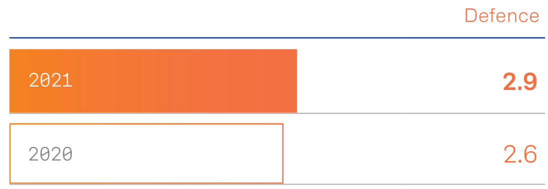


Amounts may not add up due to rounding.

FINANCIAL HIGHLIGHTS

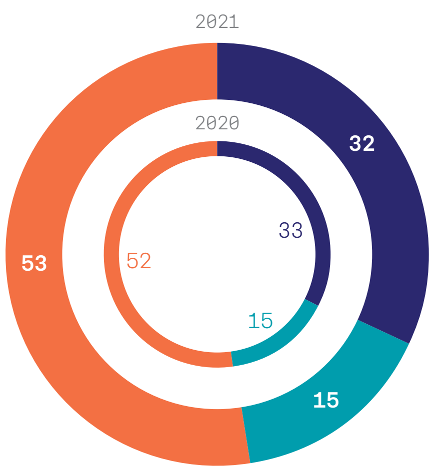
→ REVENUE BY TYPE ($b)





Refers to revenue by product and services type.

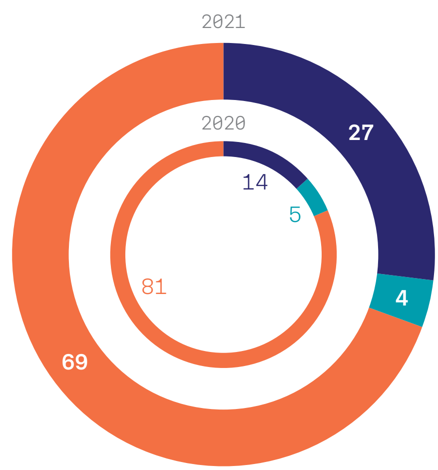
→ REVENUE BY SEGMENT (%)



$7,158m $7,693m

	2020 ($m)	2021 ($m)
Commercial Aerospace	2,332	**2,465**
Urban Solutions & Satcom	1,101	**1,191**
Defence & Public Security	3,725	**4,038**

→ EBIT BY SEGMENT (%)



$596.4m $673.6m

	2020 ($m)	2021 ($m)
Commercial Aerospace	80.9	**181.9**
Urban Solutions & Satcom	31.4	**25.8**
Defence & Public Security	484.0	**466.0**

→ PROFIT BEFORE TAX

$637.6m ↑19%

2020: $534.4m

→ NET PROFIT

$570.5m ↑9%

2020: $521.8m

LETTER TO SHAREHOLDERS

→ **KWA CHONG SENG**
Chairman
Non-Executive Independent Director

→ **VINCENT CHONG SY FENG**
Group President & CEO
Executive Director

Dear Shareholders

As a result of the ongoing COVID-19 pandemic, 2021 was a challenging year for ST Engineering, as it was for most companies around the world. However, 2021 was also a year of opportunity for the Group.

Our strategy was consistent and clear – we focused on creating long-term sustainable growth by investing in our people, our capabilities, and our business, both organically and by acquisition. Our commitment to invest across business cycles and to seek growth in select domains, as well as our strong balance sheet, afforded us the ability to evaluate M&As even in the midst of the pandemic.

Nowhere is this clearer than in our proposed acquisition of TransCore for US$2.68b (S$3.62b) in cash in October 2021. This is the biggest acquisition in our history. It will accelerate growth in our Smart City business, especially in the Smart Mobility segment.

The proposed TransCore acquisition illustrates the strength of our resources and our desire for growth. Well-considered acquisitions of strategic assets will help us emerge stronger in the post-pandemic world. Over time, the Group will achieve its aspiration of becoming a global technology, defence and engineering powerhouse, one that improves the lives of people around the world, supports sustainability, while at the same time ensuring our shareholders are rewarded.

DELIVERING ON OUR PLAN: 2021 FINANCIAL RESULTS

This year, we are presenting our financial results based on our new organisation structure. We previously highlighted that the goal of this new structure is to sharpen our focus on our customers through more effective organisation and deployment of resources.

LETTER TO SHAREHOLDERS

Under this new structure, the three reportable business segments are: Commercial Aerospace, Urban Solutions & Satcom, and Defence & Public Security. We appreciate that shareholders may take some time to get used to this new reporting framework. However, we will ensure that we deliver meaningful reporting output to enable our shareholders to understand our performance better.

While 2021 was the first year of operation for our new organisation, we already benefitted from how we are now structured to accelerate the development of deeper domain expertise and enhance the performance of our businesses. We are more focused than ever on turning ST Engineering into a sharper and more agile organisation that is highly attuned and responsive to evolving customers' needs.

In 2021, we delivered Group revenue of $7.7b, a 7.5% increase over the year before, contributed by all our business segments. Group EBIT grew 13% year-on-year (y-o-y) to $673.6m from $596.4m. This more than offsets the lower government support, which we had expected and guided for it to be lower than the $350m received in 2020. The reduction in government support for 2021 was $149m.

Also consistent with our guidance, the combination of cost savings, net of reinvestments in growth areas and partial business recovery more than offset the reduction in government support. Excluding government support, Group EBIT for 2021 improved by 93% y-o-y, reflecting a strong underlying performance amid continuing pandemic challenges.

While 2021 was the first year of operation for our new organisation, we already benefitted from how we are now structured to accelerate the development of deeper domain expertise and enhance the performance of our businesses.

The Group posted a Profit before tax (PBT) of $637.6m, 19% higher than the $534.4m the year before. Group Profit attributable to shareholders (Net Profit) grew 9% y-o-y to $570.5m from $521.8m. Net Profit growth was lower than PBT growth due to the unfavourable tax effect of lower non-taxable government grants received in 2021 compared to 2020.

The diversity of our business portfolio and our focus on seizing growth opportunities, coupled with productivity and cost management measures, helped us to achieve this balanced set of results in 2021.

With this, the Group generated earnings per share of 18.3 cents and a return on equity of 23.6%. The diversity of our business portfolio and our focus on seizing growth opportunities, coupled with productivity and cost management measures, helped us to achieve this balanced set of results. This performance was also lifted by the stronger underlying performance of our businesses and their resilience amid continued pandemic challenges.

Strong Underlying Performance from Business Segments

Revenue for the **Commercial Aerospace** segment was $2.46b, a 6% increase y-o-y from $2.33b, notwithstanding a strong 1Q2020 prior to the impact of COVID-19 being felt. This segment registered strong y-o-y quarterly revenue growth from the second quarter of 2021, and sequential quarterly revenue growth across 2021.

The revenue growth was contributed by Aerostructures & Systems, while Aerospace MRO continued to be impacted by the subdued aviation sector. Aviation Asset Management's AUM increased by 30% to US$1.05b (S$1.4b) as at end December 2021 from US$813m (S$1.1b) as at end December 2020. The Commercial Aerospace segment's EBIT grew 125% y-o-y to $182m from $81m as a result of higher revenue and cost savings initiatives.

Although the pandemic headwinds faced by our Commercial Aerospace business persist, we continued to invest in the business to position ourselves to thrive when recovery gets underway.

This is why we went ahead with the expansion of our airframe MRO facility in Pensacola, U.S., which has an existing two-bay widebody hangar. When completed, the expansion will add three hangars and associated support shops. We also ramped up the production of A320neo nacelles, our biggest nacelle programme, to keep pace with Airbus' production rate as the OEM had called on suppliers to prepare for the production of 64 aircraft

LETTER TO SHAREHOLDERS

Although the pandemic headwinds faced by our Commercial Aerospace business persist, we continued to invest in the business to position ourselves to thrive when recovery gets underway.

per month by mid-2023. At the same time, we expanded our Airbus freighter conversion (P2F) facilities across our global network in view of the strong demand for converted freighters as e-commerce and air cargo volumes expand globally. Besides Dresden, Germany and Singapore, new conversion sites include San Antonio, U.S., which was set up in end-2021, and Mobile, U.S. and Shanghai, China that will be set up in 2022. Demand for P2F was also supported by reduced 'belly capacity' because there were fewer passenger planes in operation.

To capture further growth, we entered into a new business in converted freighter aircraft leasing through a JV with Temasek. ST Engineering will provide the associated maintenance, repair and overhaul service options for these aircraft, and be the asset and lease manager to the JV, consistent with our Aviation Asset Management's business model.

The **Urban Solutions & Satcom** segment posted revenue of $1.19b, up 8% y-o-y from $1.10b, contributed by higher Smart City project deliveries, though partially offset by the impact of global semiconductor chip shortages on Smart City projects and Satcom product deliveries. Its EBIT was $26m, down 18% y-o-y from $31m largely due to $8m of TransCore-related M&A transaction expenses, lower government support and the impact of semiconductor chip shortages. This was partially offset by higher revenue and lower operating expenses.

This segment continued to be impacted by the pandemic and project executions outside of Singapore were disrupted by travel restrictions. Nevertheless, our Urban Solutions business was able to make some headway in growing scale with our existing customers and with new market penetration. For example, our Mobility Rail business made inroads into cities like Brisbane, 10th of Ramadan in Greater Cairo, and Bucharest. Likewise, the growing demand for IoT, smart utilities and infrastructure expanded business opportunities, such as the deployment of our Smart Street Light control solution to connect more than 300,000 streetlights in Rio de Janeiro.

Our Satcom business was affected by the global chip shortage, and its aviation and maritime cruise customer segments remained challenged from the COVID-19 impact. However, we continue to hold a positive long-term view of the satellite communications industry. As outlined previously, the launch of next-generation medium earth orbit (MEO) and low earth orbit (LEO) constellations presents numerous opportunities for us, and we will continue to push technological boundaries with our leading-edge satcom ground infrastructure solutions.

Revenue for the **Defence & Public Security** segment was 8% higher at $4.04b, from $3.72b a year ago, with contribution from all its sub-segments of Digital Systems & Cyber, Land Systems, Marine and Defence Aerospace. Its EBIT was down 4% y-o-y to $466m from $484m due to lower government support of $137m, but this was substantially offset by higher revenue and cost savings.

Our defence business made good progress internationally. We collaborated extensively, leveraging partnerships — including with local defence champions of our target markets — to deliver defence solutions that enhance the operational readiness of our customers.

Together with Oshkosh Defense, we were selected to build two Cold Weather All-Terrain Vehicle prototypes, based on the all-terrain capability of our Bronco family of vehicles for the U.S. Army. At the time of writing this letter, we had moved on from the successful prototype testing to the next phase of bidding for the production. We expect to know the outcome in mid-2022. Separately, we are contracted by Abu Dhabi Ship Building PJSC to design four Falaj 3-class Offshore Patrol Vessels for the UAE Navy, and to provide platform equipment and technical assistance in the vessel construction. Over in the U.S., we received a contract from the U.S. Navy to build the second Polar Security Cutter.

In terms of Group revenue breakdown by business segment, Commercial Aerospace, Urban Solutions & Satcom and Defence & Public Security accounted for 32%, 15% and 53% respectively. By geography, customers from Asia (including Singapore) accounted for 58%, and customers from the U.S. and Europe accounted for 20% and 16% respectively, with the remaining 6% contributed by customers from the rest of the world. By products and services type, Commercial sales was $4.8b and Defence sales was $2.9b.

LETTER TO SHAREHOLDERS

→ **TOTAL CONTRACT WINS**
$11.7b

→ **ORDER BOOK**
$19.3b

The Board of Directors has recommended a final dividend of 10.0 cents per share, bringing total dividend for 2021 to 15.0 cents per share, which represents a dividend yield of 4.0%.

Robust Order Book Driven by Strong Contract Win Momentum

Complementing our results, we achieved strong contract wins and a record order book in 2021. We have enhanced the way we disclose contract values to include the values of confidential projects not previously released. This will provide investors with a more complete view of our new contract wins, without compromising project confidentiality. In 2021, we secured $11.7b in new contract value, compared to the new contract values of $8.2b for 2020 (previously reported as $5.7b) and $9.5b for 2019 (previously reported as $8b). This means that our businesses won more contracts in 2021 compared even to pre-COVID 2019, pointing to a good business recovery momentum.

With these new contracts, and after adjustments of revenue delivery, the Group ended the year with a robust order book of $19.3b (was $15.4b at end-2020), providing a good pipeline of revenue visibility. In 2022, the Group expects to deliver about $6.6b from the order book.

We expect the delivery of our strong order book, our various business initiatives and further business recovery to position us well for 2022 business performance. This is an important starting point, as 2022 is the first execution year and foundation for our next phase of growth, which we will discuss later in this letter.

Disciplined Cost Management

We have always taken a disciplined approach to cost management. This helped us build resilience over the years, allowing us to weather the business challenges brought about by COVID-19.

Our operating expenses for 2021 were 4% lower than 2020 and 5% lower than 2019. Our unit operating expenses (per unit revenue) in 2021 declined by more than 10% compared to 2020 and was 3% lower than 2019. This performance was a result of the Group's continued structural cost and operational efficiency capture.

Healthy Operating Cash Flow

In 2021, we increased capital expenditure to about $320m after pulling it back for a year (was $196m in 2020) to keep pace with business activities and to support growth demand. These included the expansion of our meltblown and mask production facilities, the purchase of two aircraft and two engines for our Aviation Asset Management business, as well as overall IT infrastructure enhancement.

We generated a very healthy operating cash flow and do not expect any issues with our balance sheet strength in financing the proposed acquisition of TransCore. Our credit ratings remain high. Following our announcement of the TransCore acquisition, Moody's and S&P continued to rate us highly at Aaa and AAA respectively. The Group held $816m in cash and cash equivalents as at end December 2021.

Shareholder Returns

The Board of Directors has recommended a final dividend of 10.0 cents per share to shareholders for approval at the forthcoming Annual General Meeting. Together with the interim dividend of 5.0 cents per share paid to you in August 2021, the total dividend for 2021 will be 15.0 cents per share. This translates to a dividend yield of 4.0%, computed using the average closing share price of the last trading day of 2021 and 2020.

Recognising that returning value to shareholders is an important management objective, the Group has been distributing profits to shareholders by paying dividends based on sustainable business results.

In keeping to this commitment, the Board of Directors has approved a dividend policy to declare dividends every quarter instead of twice a year previously. For FY2022, the plan is for dividends to be paid four times a year, at 4.0 cents per share each time, resulting in total dividends of 16.0 cents per share payable for FY2022 (compared to the 15.0 cents per share paid or payable for FY2021).

LETTER TO SHAREHOLDERS

This change from declaring dividends semi-annually to quarterly will provide shareholders with a more frequent income stream. Notwithstanding the new dividend policy, we continue to have the financial strength and flexibility to invest in growth opportunities and to align with our strategic goals to achieve our 2026 targets, which we will touch on in the later part of this letter.

Read our
Operating Review & Outlook

ACCELERATING SMART CITY GROWTH

We have been focused on driving growth in Smart City, across our targeted segments in Smart Mobility, Smart Environment and Smart Security. To accelerate growth, we are consistently on a lookout for potential acquisition targets that fit our strategy.

In early 2021, we made a competing bid to acquire a U.S. company in the intelligent transportation solutions and payments industry, which is complementary to our Smart Mobility business. However, that did not come to fruition. As with any M&A transaction, there were many variables; the key was we had the discipline to know when to walk away. The discussion was terminated when the target company accepted another offer.

Later in the year, when the TransCore opportunity came up, we evaluated it and decided that it fitted our strategy and was attractive on many fronts. At US$2.68b (S$3.62b), the acquisition translates to an EV/EBITDA multiple of 16.2 times after accounting for tax benefits. This is well within the range of both precedent transactions and the market valuation of comparable public listed companies in this space.

We see TransCore as an excellent fit for our Smart Mobility business. Its road transportation solutions will enhance our suite of Smart Mobility solutions. In addition, its leading position in the end-to-end electronic toll collection and congestion pricing segments in North America represents a new business for ST Engineering. With TransCore, ST Engineering will also have access to an extensive Smart City channel in the North American market.

Learn more about
TransCore

We see TransCore as an excellent fit for our Smart Mobility business. With TransCore, ST Engineering will have access to an extensive Smart City channel in the North American market and an enhanced suite of Smart Mobility solutions.

We thank our shareholders for approving this acquisition. Meanwhile, as we write this letter, we are expecting this proposed acquisition to close by the first quarter of 2022.

Our plan is for TransCore to be part of our Smart Mobility business line and for its financials to be subsumed under the Urban Solutions & Satcom business reporting segment. We expect TransCore to be cash flow positive from the first year and earnings accretive from the second year to the Group post acquisition. In time to come, we will provide updates on the transition of TransCore into the Group.

We will continue to search for growth opportunities and are constantly on the lookout to acquire good companies that are a strategic fit at a reasonable price. We are cognisant that M&As need to be strategic, synergistic and value accretive.

We will continue to search for growth opportunities, including acquisitions that are a strategic fit at a reasonable price.

LETTER TO SHAREHOLDERS

DRIVING OUR NEXT PHASE OF GROWTH: FIVE-YEAR PLAN (2022-2026)

We are mindful of the short-term pressure to deliver results, yet at the same time, we will stay focused in the execution of our strategic plan for greatest impact in the long term. Recent trends and developments have reinforced, and indeed, accelerated the strategy that we first shared in 2018.

In November, we presented our next five-year plan (2022-2026). Our strategy to achieve sustainable growth is built around these strategic areas:

1. Ride the recovery in Commercial Aerospace
2. Drive growth in Smart City
3. Expand International Defence business
4. Strengthen core businesses

The business environment today, however, is dynamic and ever evolving. COVID-19 has brought about digital transformation and wider sustainability adoption.

These are strategic business opportunities for the Group. As a result, we have overlaid our strategic objectives with our ambition to grow the digital business comprising Cloud, AI Analytics and Cyber — the value of which was demonstrated during the pandemic.

We actively evaluated what 'emerging stronger from the pandemic' means to the Group, and we have set specific financial targets: By 2026 (from 2020 as the base year), we expect revenue for our Commercial Aerospace business to exceed $3.5b, and our Smart City businesses to more than double to $3.5b. In addition, we are driving growth in digital businesses and we expect the Cloud, AI Analytics and Cyber businesses to triple to more than $500m. Along with other core businesses, we expect to drive total Group revenue to more than $11b, growing at a CAGR of two to three times global GDP growth rate, with net profits growing in tandem with revenue.

Read about our **five-year plan**

Five-year Targets (2022-2026)

Note:
[1] 2020 Base Year; TransCore closes in 1Q2022.

LETTER TO SHAREHOLDERS

Undergirding this target is a greater emphasis on moving forward with our ESG agenda. We have targeted to grow sustainability-linked businesses. We will pursue businesses that contribute towards the reduction of GHG emission, that solve urban and city issues and contribute towards the circular economy. We will also look at new opportunities such as in novel materials, products and system solutions.

We see the pursuit of this ESG agenda as both a business opportunity and as our responsibility as a corporate citizen. We are committed to a net zero economy and we will halve our absolute GHG emissions by 2030 (using 2010 as the base year). In addition, we are now a signatory to the UN Global Compact and we are committed to its Ten Principles. Furthermore, we have expanded our reporting, based on the Global Reporting Initiative (GRI), to start including disclosures against frameworks outlined by the Task Force on Climate-Related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB).

Read our
ESG Performance for FY2021

Our strategy execution sees continuous focus on disciplined capital allocation, as well as cost and efficiency drive. Consistent with our efforts in the last few years, we will continue to streamline and rationalise our business portfolio to sharpen our management focus, and reallocate capital to strategic and growth businesses that can yield us better returns. Concurrently, we will keep investing resources to strengthen our key assets and capabilities: our people and culture; and our global marketing and customer network.

To sustain our technology and engineering core, we will continue to spend up to 5% of our annual revenue on R&D, of which up to 75% will be on digital technologies.

To sustain our technology and engineering core, we will continue to spend up to 5% of our annual revenue on R&D, of which up to 75% will be on digital technologies. Additionally, we continue to strengthen our competency framework for engineering and technology staff, to better develop relevant skills, abilities and support career progression.

We now have an organisation structure that will better serve our customers and that is also more agile to meet business challenges and to pursue the growth paths we have laid out.

As you can see, we remained steadfast in advancing and meeting our strategic objectives. Our targets were developed based on vigorous reviews and assessments of how we can continue to deliver sustained, meaningful progress and results. We are intentional in the pursuit of our goals and therefore we have structured ourselves for success. We now have an organisation structure that will better serve our customers and that is also more agile to meet business challenges and to pursue the growth paths we have laid out.

BOARD RENEWAL

In 2021, we made changes to the Board as part of board renewal. In August, we welcomed Tan Peng Yam, as a non-independent, non-executive Director, and Teo Ming Kian as an independent, non-executive Director. In October, Kevin Kwok Khien joined as an independent, non-executive Director, and COL Cai Dexian was appointed as the Alternate Director to LG Ong Su Kiat Melvyn, in place of COL Xu Youfeng.

Quek Gim Pew, a director since August 2016, resigned in August from the Board as a non-independent and non-executive Director. During his term, he served as Chairman of the Research, Development and Technology Committee, and as a member of the Risk and Sustainability Committee.

We thank our directors for their invaluable contributions over the years and we welcome those who have just joined us.

LETTER TO SHAREHOLDERS

LEADERSHIP MOVEMENT

In 2021, we had leadership changes at the Executive Committee (EXCO) level. We made several appointments and movements as part of renewal at the senior management level too.

EXCO member Lim Serh Ghee retired from the Group in October. We are grateful for his contributions as an EXCO member and as Group Chief Operating Officer, as well as for his role in shaping and driving the growth of our aerospace business. We also welcomed Tan Lee Chew, who joined in September as a member of the EXCO, and took on the newly created role of President Commercial.

OUR APPRECIATION

As we continue to sharpen our focus, and grow in scale and scope, ST Engineering will continue to be a Group with global strengths across multiple industries – in aerospace, smart city, defence and public security.

While our short-term goals have been impacted by the pandemic and cannot be realised sooner, we have the vision, the roadmap and the wherewithal to achieve long-term sustainable growth. Most of all, we have our people – our most valuable asset – who will continue to be key to our success. Despite the unprecedented challenges they faced during the pandemic, they rose above every single one of them. The *Corporate Excellence & Resilience Award* given out by the Singapore Corporate Award in 2021 was a recognition of the Group – for staying tenacious and committed to our roles despite the difficult circumstances that prevailed. This spirit will continue to drive the Group forward and shape ST Engineering to become a truly global technology, defence and engineering powerhouse.

We thank all our shareholders, customers and employees for their unstinting support over the years and for continuing the exciting journey with the Group as we move towards a more sustainable, smarter and brighter future ahead.

Yours sincerely,

KWA CHONG SENG
Chairman
Non-Executive
Independent Director

VINCENT CHONG SY FENG
Group President & CEO
Executive Director

28 February 2022

致股东的信

尊敬的股东,

2021年新型冠状病毒肺炎的持续蔓延和变种造成全球经济复苏屡次挫败,许多公司仍萎靡不振,对ST Engineering来说也是颇具挑战的一年。然而,2021年对集团来说也是充满机遇的一年。

我们的战略维持一致且明确——专注于投资员工的技术与思维提升,开展自身能力建设和业务发展,创造长期的可持续增长,并通过收购提高我们的竞争优势。我们承诺为长期增长进行投资,并在选定的领域里寻求增长而我们强大的资产负债表将让集团在疫情期间继续提供评估并购的能力。

这一点明确体现在我们2021年十月以26.8亿美元(36.2亿新元)现金收购TransCore的提案中。这是我们有史以来最大的一次收购。这项收购将加快我们智能城市业务的增长,特别是在智能移动领域的增长。

TransCore收购提案证明了集团的资源实力和增长渴望。深谋远虑的战略资产收购将助我们在后疫情世界中变得更强大。未来,我们将实现集团的愿景:成为一个全球科技、国防与工程业的佼佼者。在过程中,我们将不断投资,加强我们有效推动世界可持续发展的能力,利用科技解决世界上最迫在眉睫的问题,从而帮助我们的客户应付人口都市化、气候变化等问题带来的影响。与此同时,我们将继续创造更高的股东价值。

我们专注于投资员工的技术与思维提升,开展自身能力建设和业务发展,创造长期的可持续增长,并通过收购增大我们的市场占有率及提高竞争优势。

落实我们的目标:2021年财务业绩

这一年,集团的财务业绩以重组后的架构来呈现。重组后的三大主要业务包括:**商业宇航、智慧城市和卫星通信**,以及**国防与防卫**。

2021年虽是集团新组织运作的第一年,我们已从新的架构中得到收获不但深层专业领域得到加速的发展,业绩表现也得到提高。领导团队现在更专注于将集团打造成一个更敏锐、更灵活的组织,以高度适应且响应不断变化的客户需求。

2021年,集团收入报77亿元,与前一年相比增长了7.5%,收入增长来自全体业务部门。集团息税前利润从5.96亿元增长至6.74亿元,年增长率达到13%,远远抵消了政府补贴的锐减(1.49亿元),兑现了我们一年来給投资界的指引。

通过节约成本、增长领域的扣除再投资,以及部分业务恢复,种种途径来抵消政府补贴减少带来的不利影响。若不考虑政府补贴,2021年集团息税前利润年增长达到93%,体现了集团在疫情的持续挑战下仍具有强劲的表现。

集团公布的税前利润为6.38亿元,比前一年的5.34亿元高出19%。集团股东应得利润(净利润)同比增长9%,从5.22亿元增至5.71亿元。净利润增长低于税前利润增长,原因是2021年收到的非税政府补贴比2020年少,产生了不利的税收影响。

因此,集团的每股收益为18.30分,股本回报率达到23.6%。我们多样化的业务组合,聚焦于抓住成长机遇的方法,实施生产力和成本管理措施,帮助自身实现均衡业绩。尽管疫情挑战持续存在,集团的业务表现更加强劲,复原力也增强,因此业绩也得到了提升。

强劲的部门业绩

商业宇航部门收入达到24.6亿元,比前一年的23.3亿元相比,同比增长6%。尽管前一年第一季业绩因未受疫情影响而表现强劲,该部门从2021年第二季度开始,季度收入同比持续增长。

致股东的信

尽管商业宇航业务所面临的疫情不利因素仍然存在，该部门在2021年一整年实现了连续的季度收入增长。

收入增长来源于航空结构和系统，而宇航维护、修理和操作（MRO）市场则持续受到航空业低迷的影响。航空资产管理部门的资产管理规模从2020年12月底的8.13亿美元（11亿新元）增加到2021年12月底的10.5亿美元（14亿新元），增幅达到30%。由于收入提高且实施了成本节约措施，商业宇航部门的息税前利润从8千100万元增至1.82亿元，同比增长125%。

尽管商业宇航业务所面临的疫情不利因素仍然存在，我们持续进行相关的业务投资，以便在业务反弹时抢占先机，迅速应对。我们不仅继续扩充在美国彭萨科拉的MRO产能及规模，也加快了A320neo短舱的生产能力，并在美国莫比尔和中国上海成立新的客机改装基地。为了获得进一步的增长，我们与淡马锡组成合资公司，开展了改装货机租赁的新业务。改装货机提供相关的维护、修理和大修服务，并成为合资公司的资产和租赁管理人。

智慧城市和卫星通信部门的收入为11.9亿元，比去年同期的11亿元增长了8%，主要得益于更高的智能城市项目交付量，但全球半导体芯片短缺对智能城市项目和卫星通信产品交付的影响抵消了部分利好。息税前利润因TransCore相关的并购交易费、较低的政府补贴且半导体芯片短缺产生的影响而同比下降 18%至2千600万元。虽然面对疫情的挑战，该部门仍在拓展市场增长机会和扩大客户规模方面取得了可观的进展。

卫星通信业务虽然受到疫情及全球芯片短缺的影响，我们仍对此业务秉持积极乐观的态度并坚信下一代中地球轨道（Medium Earth Orbit）和低地球轨道（Low Earth Orbit）卫星的发射将会带来众多商机。我们会继续利用领先的卫星通信技术和解决方案推动该业务的发展。

国防与防卫部门的收入为40.4亿元，与前一年的37.2亿元相比增长8%，收入增长来自数码系统和网络、陆路系统、海事、国防宇航等所有子部门。因政府补贴减少1.37亿元，该部门的息税前利润从4.84亿元下降到4.66亿元，但收入增加和成本节约大大抵消了其带来的不利影响。

我们的国防业务在国际上取得了良好进展，该部门通过广泛建立合作关系，积极寻求目标市场增长从而为客户提供高质量国防解决方案，确保最佳的战备状态。该部门在2021也赢得了几项重要的新合同。

总体而言，集团收入分类如按业务部门划分，商业宇航业务收入占集团总收入的32%、城市方案和卫星通信以及国防与治安分别占15%和53%。如以地域划分，来自亚洲（包括新加坡）的客户占集团总收入约58%，来自美国和欧洲的客户分别占20%和16%，其余6%来自世界其他地区的客户。如以产品和服务类型划分，商业销售额为48亿元，国防销售额为29亿元。

赢得合同势头迅猛，推动订单量稳步增长

为了让投资界对我们赢得的新合同有更全面的了解，集团在2021年加强了披露方式，在不影响项目保密性的前提下把前未公布的机密项目价值包括在新合同总价值里。至此，2021年签署的新合同总值为117亿元，相较于2020年的82亿元（原先汇报价值为57亿元）及2019年为95亿元（原先汇报价值为80亿元）。这就意味着，即便与2019年疫情爆发之前相比，我们的业务在2021年赢得了更多合同，体现了业务恢复的趋势。集团2021财年末总订单额为193亿元(2020年底为154亿元）。我们预期在2022年将从订单中交付约66亿元的收入，为2022年的业务提供稳健的销售额。

我们在2021年共签署了总价值为117亿元的新合同，建立了193亿元总订单额。

致股东的信

严谨的成本管理

集团得益于多年严格的成本管理，运营费用有所减少。2021的营业费用比2020降低了4%，也低于2019约5%。2021的单位营业费用（单位收入）比2020下降了10%以上，比2019降低了3%。

充沛的运营现金流

2021年，我们在节约一年后将资本支出增加到约3.2亿元(2020年为1.96亿元)，以便支持业务活动和增长需求。这些支出包括设立熔喷和口罩生产工厂，为航空资产管理部门购买两架飞机和两台引擎，以及加强集团整体IT基础设施。

我们的运营现金流非常健康，且握有强劲的资产负债表来应对收购TransCore的融资。在我们宣布收购TransCore之后，穆迪和标普继续给予我们高评级，分别为Aaa和AAA。截至2021年12月底，集团持有8.16亿元的现金和现金等价物。

股东回报

鉴于这些结果，董事会建议派发每股10分的末期股息。加上2021年8月派发的每股5分的中期股息，2021全年的总股息将为每股15分，代表4%的股息收益率[1]。

本着持续回馈股东的宗旨，董事会批准了一项股利政策，从每年两次派发股息到每季度派发股息。针对2022财年，这项政策计划每季度派发4分股息。2022财年的股息总额将为每股16分(2021财年派发的总股息为每股15分)。尽管制定了全新股利政策，我们仍然有足够的财务实力和灵活性用于增长机会的投资，并与我们的战略目标保持一致，以实现我们的2026年目标。

参阅
运营回顾与展望

[1] 股息收益率以2021年和2020年最后一个交易日的平均收盘价为基准。

加快智能城市的增长

我们一直专注于推动智能城市的成长，包括智能交通、智能环境和智能安全等目标领域。为加快成长，我们一直在寻找符合我们战略的潜在收购目标。2021年初，我们意图竞标收购一家位于美国的智能交通解决方案和支付行业公司。这项收购方案能与我们的智能交通业务形成互补。然而这笔收购交易最终没有达成。2021年后半段，我们对TransCore的收购案进行了评估，判定它符合我们的战略后开出26.8亿美元(36.2亿新元)的收购报价。考虑到税收优惠后，折算成16.2倍企业价值倍数(EV/EBITDA)，远在先例交易和该领域可比上市公司的市场估值范围之内。

我们认为TransCore与我们的智能交通业务互补性强。它的道路交通解决方案将强化我们的智能交通解决方案。此外，它在北美端到端电子收费和拥堵收费领域的领先地位能让集团更有效地开拓新业务和市场。我们感谢股东批准了这项收购。在我们撰写此函之时，我们预计这项拟议的收购将在2022年第一季度完成。我们计划让TransCore成为我们智能交通业务线的一部分，并将其财务数据归入智慧城市和卫星通信业务的汇报部门。我们预计TransCore将在第一年实现现金流正增长，并在第二年实现集团收购后的收益增长。届时，我们将定期提供TransCore过渡到集团的最新消息。

我们将继续寻找增长机会，包括具备战略性、协同性和价值增加性的并购活动。

董事会提议派发每股10分的末期股息来回馈股东。加上2021年8月支付给股东的每股5分的中期股息，2021全年的总股息将为每股15分，代表4%的股息收益率。

致股东的信

TransCore与我们的智能交通业务互补性强。其道路交通解决方案不但能强化我们的智能交通解决方案，也能为集团争取进军广大北美市场的机会。

参阅有关
TransCore
的公告

推动下一阶段的增长：五年计划（2022年至2026年）

我们在11月向投资界提出了实现可持续增长的下一个五年计划(2022-2026)。以下是我们的战略增长领域：

1. 充分利用商业宇航的复苏机遇
2. 推动智慧城市的发展
3. 拓展国际国防业务
4. 加强核心业务

参阅
集团五年计划详情

随着商业环境日新月异，疫情带来的数码化转型以及更广泛的可持续性采纳让我们意识到云计算、人工智能分析和网络在内的数码业务的商业价值。因此，我们设定了以下的2026年财务目标：

- 商业宇航业务的收入将增加超过35亿元
- 智能城市业务收入将增加一倍以上至35亿元
- 数码业务的增长，预计云计算、人工智能分析和网络业务收入将增长两倍，超过5亿元
- 再加上其他核心业务，集团总收入将超过110亿元，达到年复合增长率为全球GDP增长率的两到三倍
- 净利润与收入同步增长

迈向财务目标的同时，我们也拟定了推进环境、社会和治理(ESG)的议程。我们的目标是发展针对可持续发展的相关业务，包括有助于减少温室气体排放、解决城市问题、促进循环经济的业务。我们还将在新材料、新产品和新系统解决方案等方面寻找新的机会。我们致力于实现净零经济，并将在2030年前减半我们的温室气体绝对排放量（以2010年为基准年）。此外，我们现在是《联合国全球契约》的签署方，并承诺遵守十大原则。我们在全球报告倡议组织（GRI）的基础上扩大了我们的报告范围，开始按照气候相关的财务披露工作组（TCFD）以及与可持续发展会计准则委员会（SASB）制定的框架进行披露。

参阅
ESG重点表现

我们将在战略执行过程中继续进行严格的资本分配，并提高成本的使用效率。我们会像过去数年一样努力，继续精简和优化业务组合，强化管理重点，释放价值，并将资本循环用于战略性和成长性业务，为我们带来更高的回报。同时，我们将继续投入资源，加强我们的关键资产和能力，即员工和文化，以及全球营销和客户网络。

为了维持我们的科技和工程核心，我们将投入高达5%的年收入为研发用途，其中高达75%将用于开发及延伸数码科技。此外，我们将继续加强工程和科技人员的能力框架，以更好地发展相关技能和能力，并支持职业发展。

正如你们所看到的，我们在推进和实现我们的战略目标方面仍然坚定不移。我们的目标将推动持续、有意义的进展和成果。我们的集团结构现在能更有效地追求我们制定的增长路径。

为了维持我们的科技和工程核心，我们将继续投入高达5%的年收入为研发用途，其中高达75%将用于开发及延伸数码科技。

致股东的信

董事会更新 领导层变动

为了持续更新董事会的成员，我们做了一些人事更动。我们2021年迎来了以下几位董事：

- 陈炳炎担任非独立非执行董事
- 张铭坚担任独立非执行董事
- 郭骞先生担任独立非执行董事以及
- 蔡德贤上校代替徐友峰上校被任命为王赐吉中将的候补董事

郭锦彪先生于七月退任非独立非执行董事一职。郭先生于2016年加入董事会，并在其任期内担任研究、开发和技术委员会的主席，以及风险和可持续发展委员会的成员。我们在此向郭董事致上最深的谢意，感谢他的宝贵贡献，并在此期许我们的新任董事能够为董事会带来新的气象。

2021年，在高级管理人员方面也有所更新和调整。执行委员会成员林思義于十月退任执行委员会成员和集团首席运营长一职。我们感谢林先生他在位期间的杰出贡献与领导。我们在九月迎来陈丽洲女士加入执行委员会并担任新设立的商业总裁职务。

衷心感谢

随着我们不断精准聚焦，扩大发展规模和范围，ST Engineering将继续成为一个在航空航天、智能城市、国防或公共安全等多个行业具有全球优势的集团。

我们的短期目标因疫情影响不能如期完成，但我们有实现长期可持续增长的愿景、路线和必要资金。最重要的是，我们的员工没有畏惧疫情带来的挑战，勇往直前，超越了每一个挑战极限。2021年度新加坡企业奖颁发的企业卓越与弹性奖是对我们的认可，尽管在困难的情况下，我们仍然坚持不懈地致力于我们的角色。这种精神将继续推动集团向前发展，并塑造ST Engineering成为真正的全球科技、国防和工程领导者。

我们感谢所有股东、客户和员工多年来的不懈支持，也期望他们能继续与集团一起迈向更可持续、更智能、更光明的未来。

此致，

柯宗盛
主席

钟思峰
总裁兼首席执行长

2022年二月二十八日

CORPORATE INFORMATION

AS AT 28 FEBRUARY 2022

BOARD OF DIRECTORS

Kwa Chong Seng
(Chairman)
Vincent Chong Sy Feng
(Group President & CEO)
Kevin Kwok Khien
Joseph Leong Weng Keong
Lim Ah Doo
Lim Chin Hu
Lim Sim Seng
Ng Bee Bee (May)
Lieutenant-General
Ong Su Kiat Melvyn
Quek See Tiat
Song Su-Min
Tan Peng Yam
Teo Ming Kian
Colonel Cai Dexian
(Alternate Director to
Lieutenant-General
Ong Su Kiat Melvyn)

AUDIT COMMITTEE

Quek See Tiat
(Chairman)
Kevin Kwok Khien
Lim Ah Doo
Song Su-Min

EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE

Kwa Chong Seng
(Chairman)
Lim Chin Hu
Lim Sim Seng
Teo Ming Kian

NOMINATING COMMITTEE

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

RESEARCH, DEVELOPMENT AND TECHNOLOGY COMMITTEE

Tan Peng Yam
(Chairman)
Vincent Chong Sy Feng
Lim Chin Hu
Teo Ming Kian

RISK AND SUSTAINABILITY COMMITTEE

Quek See Tiat
(Chairman)
Vincent Chong Sy Feng
Kevin Kwok Khien
Lieutenant-General
Ong Su Kiat Melvyn
Song Su-Min

STRATEGY AND FINANCE COMMITTEE

Kwa Chong Seng
(Chairman)
Vincent Chong Sy Feng
Lim Ah Doo
Lim Chin Hu
Lim Sim Seng
Teo Ming Kian

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

BOARD OF DIRECTORS

AS AT 28 FEBRUARY 2022

KWA CHONG SENG
Chairman
Non-Executive & Independent Director

Date of first appointment as a Director:
1 September 2012

Date of appointment as Chairman:
25 April 2013

Date of last re-election as a Director:
15 May 2020

Academic & Professional Qualification

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

Other Directorships/Appointments – Present

- Defence Science & Technology Agency
- Public Service Commission, Singapore (Deputy Chairman)
- Singapore Exchange Limited* (Chairman)
- Judicial Service Commission (Member)

Other Directorships/Appointments – Past 5 years

- SeaTown Holdings Pte. Ltd.

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:
22 April 2021

Academic & Professional Qualification

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

Other Directorships/Appointments# – Present

- 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's Manufacturing, Trade and Connectivity Domain International Advisory Panel (Member)

Other Directorships/Appointments# – Past 5 years

- Committee on the Future Economy (Member)
- Emerging Stronger Taskforce (Member)
- Experia Events Pte. Ltd.
- International Advisory Panel for Advanced Manufacturing & Engineering, Ministry of Trade & Industry (Member)
- Singapore Airshow & Events Pte. Ltd.
- Singapore Quality Award Governing Council (Member)
- Temasek Defence Systems Institute (TDSI) Management Board, NUS (Member)

* Listed company
# Directorships excluded ST Engineering's subsidiary(ies)

BOARD OF DIRECTORS
AS AT 28 FEBRUARY 2022

KEVIN KWOK KHIEN
Non-Executive & Independent Director

Date of first appointment as a Director:
1 October 2021

Date of last re-election as a Director:
N.A.

Date of next re-election as a Director:
21 April 2022

Academic & Professional Qualification
- Bachelor of Arts (Honours) Economics, Accounting & Financial Management, University of Sheffield, UK
- Fellow, Institute of Chartered Accountants in England and Wales
- Fellow, Institute of Singapore Chartered Accountants

Other Directorships/Appointments – Present
- Singapore Exchange Limited*
- Mapletree North Asia Commercial Trust Management Ltd (Manager of Mapletree North Asia Commercial Trust*)
- Sentosa Development Corporation
- The Circadian Advisors Pte Ltd
- The Circadian Associates Pte Ltd
- The Circadian Group Pte Ltd
- Centre for Seniors (Advisor)

Other Directorships/Appointments – Past 5 years
- Wheelock Properties (Singapore) Limited^
- Keppel Offshore & Marine Ltd
- Accounting Standards Council (Chairman)

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

Date of next re-election as a Director:
21 April 2022

Academic & Professional Qualification
- Bachelor of Arts (Engineering), University of Cambridge, UK
- Master of Arts, University of Cambridge, UK
- Master of Business Administration, 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

* Listed company
^ Delisted from SGX-ST in 2018

BOARD OF DIRECTORS
AS AT 28 FEBRUARY 2022

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:
22 April 2021

Academic & Professional Qualification
- Honours degree in Engineering, Queen Mary College, University of London, UK
- Master in Business Administration, Cranfield School of Management, UK

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
- SembCorp Marine Ltd*
- SM Investments Corporation*
- STT GDC Pte. Ltd.

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

Date of next re-election as a Director:
21 April 2022

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

Other Directorships/Appointments# – Present
- Citibank Singapore Limited
- G-Able (Thailand) Ltd
- Heliconia Capital Management Pte. Ltd.
- Kulicke & Soffa Inc*
- Ministry of Health/ MOH Holdings Pte Ltd
  - ALPS Pte. Ltd.
  - Integrated Health Information Systems Pte. Ltd.
  - Singapore Health Services Pte Ltd
- Sentosa Development Corporation (Audit Committee Member)
- Singapore Exchange Limited*

Other Directorships/Appointments – Past 5 years
- Keppel DC REIT Management Pte. Ltd.
- Telstra Corporation Limited*

* Listed company
\# Directorships excluded ST Engineering's subsidiary(ies)

BOARD OF DIRECTORS

AS AT 28 FEBRUARY 2022

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:
22 April 2021

Academic & Professional Qualification

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

Other Directorships/Appointments – Present

- Building and Construction Authority (Chairman and Non-executive Board Member)
- DBS Securities (Japan) Company Limited
- DBS Vickers Securities Holdings Pte Ltd
- Federal Republic of Nigeria (High Commissioner)

Other Directorships/Appointments# – Past 5 years

- Resona Merchant Bank Asia Limited (formerly known as ASEAN Finance Corporation Limited)
- Nikko Asset Management Co., Ltd
- Singapore Land Authority

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:
22 April 2021

Academic & Professional Qualification

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

Other Directorships/Appointments – Present

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

Other Directorships/Appointments – Past 5 years

- Changshu Xinghua Port Co., Ltd.
- ZhuHai Port Development Pte Ltd (formerly known as Singapore Changshu Development Company Pte Ltd)
- ZhuHai Harbour (Singapore) Company, Limited (formerly known as Xinghua Port Holdings Ltd.) (formerly known as Xinghua Port Holdings Pte. Ltd.)
- Mercatus Co-operative Ltd*

* Listed company
\# Directorships excluded ST Engineering's subsidiary(ies)

BOARD OF DIRECTORS
AS AT 28 FEBRUARY 2022

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:
22 April 2021

Academic & Professional Qualification
- Bachelor of Science (Economics) (Honours), London School of Economics and Political Science, UK
- Master of Science (Development Studies), London School of Economics and Political Science, UK

Other Directorships/Appointments – Present
- Ascott Business Trust Management Pte. Ltd. (Manager of Ascott Residence Trust*)
- Ascott Residence Trust Management Limited (Manager of Ascott Residence Trust*)
- Defence Science & Technology Agency
- JTC Corporation (Board Member)

Other Directorships/Appointments# – Past 5 years
Nil

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

Date of next re-election as a Director:
21 April 2022

Academic & Professional Qualification
- Bachelor of Science (Economics) (Honours), London School of Economics and Political Science, UK
- Fellow of the Institute of Chartered Accountants in England and Wales

Other Directorships/Appointments – Present
- Accounting Standards Council Singapore (Chairman)
- Centre for Liveable Cities Limited
- Council of 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
- TF IPC Ltd.

Other Directorships/Appointments – Past 5 years
- Energy Market Authority (Board Member)

* Listed company
\# Directorships excluded ST Engineering's subsidiary(ies)

BOARD OF DIRECTORS

AS AT 28 FEBRUARY 2022

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

Date of next re-election as a Director:
21 April 2022

Academic & Professional Qualification
- LLB (Honours), University of Kent, Canterbury
- Singapore Bar
- Bar of England and Wales, Middle Temple

Other Directorships/Appointments – Present
Nil

Other Directorships/Appointments – Past 5 years
Nil

TAN PENG YAM
Non-Executive & Non-Independent Director

Date of first appointment as a Director:
1 August 2021

Date of last re-election as a Director:
N.A.

Date of next re-election as a Director:
21 April 2022

Academic & Professional Qualification
- Bachelor of Engineering (Electrical Engineering), University of Tasmania, Australia

Other Directorships/Appointments – Present
- Cap Vista Pte Ltd (Chairman)
- Defence Science & Technology Agency
- DSO National Laboratories
- D'Crypt Pte Ltd
- Land Transport Authority (Board Member)
- PUB Board Committee for Transformation (Member)
- Singapore Israel Industrial R&D Foundation
- Singapore University of Technology and Design Board of Trustees (Member)
- SMRT Technical Advisory Panel (Chairman)
- Temasek Defence Systems Institute (TDSI) Management Board, NUS (Chairman)

Other Directorships/Appointments – Past 5 years
- National Environment Agency (Board Member)
- Temasek Polytechnic Board of Governors (Board Member)
- Government Technology Agency (GovTech) (Board Member)
- Tech Vista Pte Ltd (Chairman)
- Temasek Laboratories, NTU (Member)

BOARD OF DIRECTORS

AS AT 28 FEBRUARY 2022

TEO MING KIAN
Non-Executive & Independent Director

Date of first appointment as a Director:
1 August 2021

Date of last re-election as a Director:
N.A.

Date of next re-election as a Director:
21 April 2022

Academic & Professional Qualification

- Bachelor of Engineering (First Class Honours) degree in Mechanical Engineering, Monash University, Australia
- Master of Science degree in Management Studies, Massachusetts Institute of Technology, USA

Other Directorships/Appointments – Present

- Global Innovation Index by World Intellectual Property Organization (Advisory Board Member)
- Interel Pte. Ltd.
- Temasek Foundation Ecosperity CLG Limited (Chairman)
- Temasek Foundation Ltd
- Temasek Holdings (Private) Limited
- Temasek Life Sciences Laboratory Limited (Chairman)
- Temasek Life Sciences Ventures Private Limited (Chairman)
- Temasek Lifesciences Accelerator Pte. Ltd. (Chairman)
- Temasek Trust Ltd.
- Tychan Pte Ltd (Chairman)
- TF IPC Ltd
- Vertex Venture Holdings Ltd (Chairman)
- Zinfinity Pte. Ltd. (Chairman)

Other Directorships/Appointments – Past 5 years

- Vertex Venture Management Pte. Ltd. (Chairman)
- Heptagon Advanced Micro-Optics Pte. Ltd.
- JOil (S) Pte. Ltd. (Chairman and Alternate Director)
- Tessa Therapeutics Pte Ltd (Chairman)

COLONEL CAI DEXIAN
Alternate Director to Lieutenant-General Ong Su Kiat Melvyn

Date of first appointment as an Alternate Director:
1 October 2021

Academic & Professional Qualification

- Bachelor of Arts in Economics and International Relations, Stanford University, USA
- Master in Business Administration (with Distinction), INSEAD, Singapore

Other Directorships/Appointments – Present

Nil

Other Directorships/Appointments – Past 5 years

Nil

DIRECTORS SEEKING RE-ELECTION

AT THE ANNUAL GENERAL MEETING ON THURSDAY, 21 APRIL 2022

→ Information Required Under Rule 720(6) of the Listing Manual of Singapore Exchange Securities Trading Limited

	LIM CHIN HU	QUEK SEE TIAT
Age	63	67
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	Mr Lim has decades of management experience with multinational technologies like Hewlett Packard and Sun Microsystems (now Oracle). An experienced director, he was CEO of a publicly listed IT services company with expertise in M&A and nurturing technology startups. His experience and knowledge will continue to help the management of ST Engineering steer towards the Company's growth vision.	With his qualifications and years of experience in an international audit firm, Mr Quek is able to provide invaluable and independent financial perspectives to Board deliberations. He is also appropriately qualified to discharge his responsibilities as Chairman of Audit Committee. Mr Quek has vast experience in audit and business advisory background. His experience and knowledge will ensure that Audit Committee has recent and relevant accounting or financial management expertise or experience.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director Chairman of • Nominating Committee Member of • Executive Resource and Compensation Committee • Research, Development and Technology Committee • Strategy and Finance Committee	Independent Director Chairman of • Audit Committee • Risk and Sustainability Committee Mr Quek See Tiat will, upon re-election as a Director of the Company, step down as Chairman/ Member of the Audit Committee.
Working experience and occupation(s) during the past 10 years	CEO, British Telecoms South East Asia (2008 – 2011) CEO, Frontline Technologies Corp. Ltd (2000 – 2008)	Deputy Chairman, Pricewaterhouse Coopers Singapore (1981 – 2012)

DIRECTORS SEEKING RE-ELECTION

AT THE ANNUAL GENERAL MEETING ON THURSDAY, 21 APRIL 2022

→ Information Required Under Rule 720(6) of the Listing Manual of Singapore Exchange Securities Trading Limited

	SONG SU-MIN	KEVIN KWOK KHIEN
Age	48	66
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	Ms Song's legal background will continue to provide a specialised legal perspective to board deliberations.	With Mr Kwok's broad experience in audits and M&A activities across various industries and in numerous jurisdictions, public listings and other fund-raising activities as well as his expertise in Corporate Governance and accounting practices, he will be able to provide stewardship and guidance on the Group's Accounting and Financial Management, M&A, Corporate Governance and Risk Management matters to ST Engineering Board's deliberations.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director Member of • Audit Committee • Risk and Sustainability Committee	Independent Director Member of • Audit Committee • Risk and Sustainability Committee Mr Kevin Kwok Khien will, upon re-election as a Director of the Company, assume the role of Audit Committee Chairman.
Working experience and occupation(s) during the past 10 years	Partner, Allen & Gledhill LLP (2006 – current)	Head of Assurance & Advisory Business Services - Singapore and ASEAN, Ernst & Young LLP Non-executive independent director of various listed companies

DIRECTORS SEEKING RE-ELECTION

AT THE ANNUAL GENERAL MEETING ON THURSDAY, 21 APRIL 2022

→ Information Required Under Rule 720(6) of the Listing Manual of Singapore Exchange Securities Trading Limited

TAN PENG YAM	**TEO MING KIAN**
63	70
Singapore	Singapore
Mr Tan has held various defence technology positions in the Ministry of Defence. He also has extensive experience working with many other Public Service organisations as well as tech organisations internationally. His experience and knowledge will complement the competencies and skills of the present Board members.	Mr Teo has wide network and broad perspective of both local and overseas economies which will benefit ST Engineering in addressing the changing and challenging needs of ST Engineering's operations. Mr Teo's leadership, appropriate qualification, skillsets and vast experience in the various fields will provide an all-rounded perspective to Board deliberations.
Non-Executive	Non-Executive
Non-Independent Director Chairman of • Research, Development and Technology Committee	Independent Director Member of • Executive Resource and Compensation Committee • Nominating Committee • Research, Development and Technology Committee • Strategy and Finance Committee Mr Teo Ming Kian will, upon re-election as a Director of the Company, assume the role of Deputy Chairman of the Board.
Chief Executive of Defence Science and Technology Agency	Advisor, Special Projects, Ministry of Finance (1 Oct 2009 - 2 Oct 2011) National Research Foundation, Prime Minister's Office Permanent Secretary, National Research and Development (1 Jan 2006 - 2 Oct 2011)

Mr Lim Chin Hu, Mr Quek See Tiat, Ms Song Su-Min, Mr Kevin Kwok Khien, Mr Tan Peng Yam and Mr Teo Ming Kian, has each:

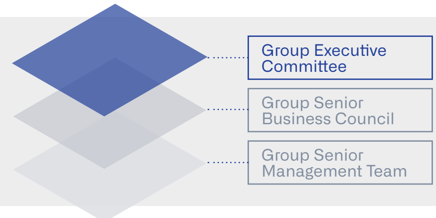
- confirmed that he/she has no relationship (including immediate family relationships) with an existing director, exlsting executive officer, the Company and/or any substantial shareholder of the Company or any of its principal subisdiaries.
- confirmed that he/she has no conflict of interest (including any competing business).
- provided an undertaking in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST).
- Confirmed that all responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual to be "No".

The other information as required under Rule 720(6) of the SGX-ST Listing Manual are disclosed in the "Board of Directors" section on pages 18 to 24.

The shareholding interest in the Company and its subsidiaries (if any) of each of these Directors are disclosed in the "Directors' Statement" on pages 122 and 136.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee (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

Mr Vincent Chong Sy Feng, 52, 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. He was a member of the Ministry of Trade and Industry's International Advisory Panel for Advanced Manufacturing and Engineering, and served 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. He is a fellow of the Academy of Engineering Singapore and was conferred the Distinguished Engineering Alumni Award by National University of Singapore in 2021.

Mr Cedric Foo Chee Keng, 61, 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 of JTC Corporation from 2008 to 2012 and of 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.

CEDRIC FOO CHEE KENG
Group Chief Financial Officer

GROUP EXECUTIVE COMMITTEE

RAVINDER SINGH
Group Chief Operating Officer (Technology & Innovation)
President Defence & Public Security

Mr Ravinder Singh, 57, holds concurrent appointments as the Group Chief Operating Officer (COO) (Technology & Innovation), and President Defence & Public Security, at ST Engineering.

Mr 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 of Defence & Public Security.

With over 30 years of technology and defence experience, Mr Ravinder has held various management and leadership positions. He was President of the Group's Land Systems sector, then President, Defence Business and President of the Group's Electronics sector before he assumed his concurrent appointments on 1 January 2021. Prior to ST Engineering, Mr 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.

Mr Ravinder is Deputy Chairman of National Environment Agency, and both a board member and Executive Committee of the Agency for Science, Technology and Research (A*STAR). He is also a board member of DSO National Laboratories, and the Temasek Defence Systems Institute Management Board of National University of Singapore, the independent review panel of Ministry of Home Affairs and the Data Protection Appeal Panel for Ministry for Communications and Information Singapore.

Mr 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.

TAN LEE CHEW
President Commercial

Ms Tan Lee Chew, 58, is President, Commercial of ST Engineering.

Ms Tan oversees and drives growth for the Commercial cluster, which comprises three business areas: Commercial Aerospace, Urban Solutions and Satellite Communications and accounts for close to 50% of Group revenue as at 30 June 2021.

Before joining ST Engineering in September 2021, Ms Tan was the Managing Director, Worldwide Public Sector (ASEAN) from Amazon Web Services, responsible for leading new business growth through the adoption of AWS services as an enabler to deliver technology transformation at scale for organisations.

Prior to that, Ms Tan was with Hewlett-Packard Enterprise for more than 20 years, last serving as the Senior Vice President of global Hybrid IT Sales and Category Management based in Palo Alto, California, where she led the go-to-market planning and execution of product sales strategies for the company's Data Center Infrastructure and Software Defined technology portfolio globally.

Ms Tan is the President for the Women in Tech Chapter at the Singapore Computer Society, and serves as the Vice Chairperson on the Board of the Singapore Heart Foundation.

Ms Tan holds a Bachelor of Arts (Hons) in Philosophy from National University of Singapore.

TECHNOLOGY & INNOVATION

→ Technology and innovation lies at the core of what we do as a global technology, defence and engineering Group. From sustainable innovations to disruptive technologies that push the envelope, we harness innovation and technology to improve lives and make the world more secure and sustainable.

INNOVATION APPROACH: KEEPING INNOVATION ON THE FAST TRACK

Our innovation approach comprises driving synergy and deepening capability building in the Group, as well as leveraging external capabilities to accelerate innovation. We are focused on developing technologies that place us at the digital forefront.

Strong Technology, Engineering & Innovation Community

Drive Synergy & Deepen Capability Building
- Business-driven Product Development
- Core Engineering Capabilities
- Strategic Technology Centres

Broaden Outreach to Leverage External Capabilities
- Open Lab
- Corporate Venture Capital
- Corporate & Research Labs
- Industry Collaborations

Our R&D Investment

We believe in prudent but focused R&D investment, driven by business and product roadmaps that support our business growth.

R&D Spend

R&D Activity	Funding Sources	Classification in Financial Statement	2021 $m
Research Projects	Internal/ External	**Research, design and development expenses**	92.8[1]
Development Projects/ IP Rights and Licences	Internal/ External	**Capitalised development expenditure**	84.9[2]
Customer Funded R&D Projects	External	part of **Cost of Sales**	87.8
		Total R&D	265.5
		R&D Intensity over Revenue	3.5%

[1] see Note B3 in Notes to Financial Statements page 164
[2] see Note C3 in Notes to Financial Statements page 184

INVEST UP TO
5%
OF REVENUE IN R&D IN THE NEXT 5 YEARS

→

>75%
of R&D spent in Digital Technology

Research Translation @ ST Engineering
In 2021, we launched **Research Translation @ ST Engineering**, a first-of-its-kind collaboration research model partnering Institutes of Higher Learning, Resarch Institutes and A*STAR. Under this model, researchers will move their research out of campuses or laboratories into industrial environments on ST Engineering's premises, and collaborate with our technologists and engineers in a common space. This aims to speed up the translation of research into commercially viable offerings that will meet fast-evolving market needs and customer demands.

Learn more about our **innovation approach**

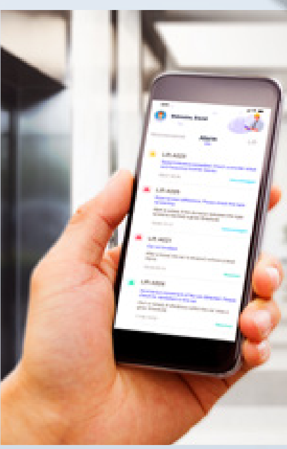
→ Secured Data Transmission

The smallest portable IP encryptor dongle ensures secure network access to corporate resources anytime, anywhere. It is designed to meet the needs of governments and enterprises.

Learn how it works

→ Boosting Drilling Efficiency

This automated robotic floor grid drilling arm helps to reduce manhours required per floor grid drilling during freighter aircraft conversion by 30%. It can also be used for milling and welding, and other manufacturing processes in our hangars.



→ Smart Lift Monitoring

Our cloud-based, non-intrusive AGIL Smart Lift Monitoring solution enables 24/7 lift status monitoring and diagnostics through the use of remote diagnostics and edge analytics, providing centralised, real-time visibility of lift operations to building owners, lift operators and technicians.

Learn how it works

→ Clean Cabin Air

The bipolar ioniser uses the existing airflow system of an aircraft to distribute a high concentration of positive and negative ions throughout the cabin to neutralise COVID-19 and other harmful viruses and bacteria.

→ Extended Reality Applications

MAK ONE is an open modular product suite with a whole world multi-domain synthetic environment that is a digital twin of planet Earth, thereby allowing end users, system integrators, and simulation designers to conduct training and experimentation exercises in any domain (air, land, sea, space) independently or collectively in multi-domain operations.

Learn how it works

→ Smart, Safe and Sustainable Ships

DigiShip's suite of technologies enables a wide range of smart functionalities such as advanced predictive monitoring and maintenance, autonomous operations, IoT sensorisation, digitised lifecycle support and more.

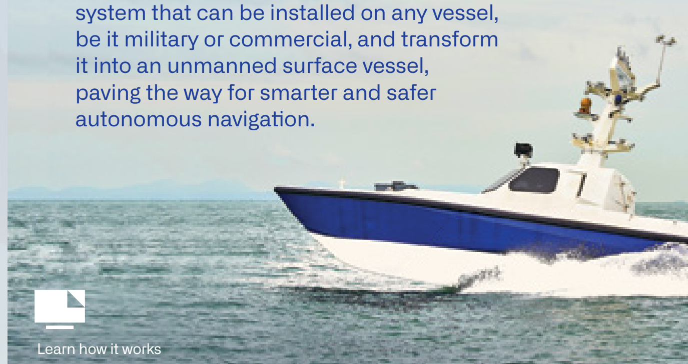
→ Intelligent Cyber Defence

This advanced security management platform can be integrated with existing intelligence-driven security operations centre architecture to offer 24/7 visibility of an enterprise's cloud, IT and OT infrastructures' security posture.

Learn how it works

→ Unmanned Vessels

The Autonomast is an all-in-one modular system that can be installed on any vessel, be it military or commercial, and transform it into an unmanned surface vessel, paving the way for smarter and safer autonomous navigation.



Learn how it works

CHAMPIONS OF INNOVATION

→ Our champions support, facilitate and enable innovation to thrive at ST Engineering. They are the inspirers, the connectors and the nurturers, and they continuously challenge the status quo to encourage a culture of innovation for our continued success.

5G: Empowering Future Connectivity ←

"5G promises a wide range of applications that will enable advancements and developments for businesses.

We are building and seeding several ideas in various sectors to address increasingly complex problems that will drive greater operational efficiency, better resource management and lower cost for our customers, given the multiple opportunities in 5G."

Gan Yeow Beng
Technology and Engineering
Digital Systems

→ Virtual Simulation & Training Technologies

"Today's military simulation requirements demand scenarios that are both larger-scale and more complex than ever. Our suite of innovative simulation and visualisation products is designed with flexibility in mind and can be tailored to meet training and experimentation needs in all domains. Our new scalability and interoperability framework - MAK Legion - enables the efficient exchange of information among cloud-based simulations of up to millions of entities using a standards-based approach."

Len Granowetter
Chief Technology Officer
MAK Technologies

→ Autonomous Bus Developments

"Our commitment and investment in autonomous technologies will shape future road public transport. We are especially focused on sustainable research and outcomes towards overcoming real-world challenges such as adverse weather, vulnerable road users, and ride comfort on autonomous shared transport like buses. This is because we believe autonomous transport must be proven to be safe and secure in order to gain public confidence and adoption."

Lee Kuok Ming
Urban Solutions

→ Smoother Urban Traffic Flow

"Emerging technologies impact the way new systems are delivered. Our urban traffic management system can run with microservices and on the cloud, using AI and data analytics to deliver real-time decision support systems and communicate with vehicles through 5G or V2X technologies. All these have enabled us to be more agile.

Furthermore, clients can now subscribe to our Software-as-a-Service, which eliminates the need for infrastructure building, and allows for scalability as needed."

Leong Hin Cheong
Urban Solutions

→ Multi-Cloud Governance & Management

“ Multi-Cloud environments are here to stay, and with that, a need for an integrated platform that our customers can design and implement to govern and monitor their cloud usage, manage workloads across multiple public clouds or hybrid cloud environments, and resolve potential data breaches in real-time. ”

Pradhan Abhishek
Digital Systems

AI-Powered Video Analytics ←

“ Machine Learning (ML) technologies allows us to offer AI-powered video analytics solutions by tapping our capabilities in computer vision and software engineering. Thus, we are building an ML Ops Platform and production line that would automate and parallelise all activities, to shorten production cycle and fulfill customers' complex needs. ”

Liew Hui Ming
Group Engineering Centre

→ Enabling Global Connections

“ Our model for ground infrastructure is fully digitised and virtualised and can dynamically configure space resources on the ground in real time. It advances key aspects of a satellite network from more powerful waveforms and more intelligent bandwidth allocation to more capable remotes. This enables service delivery to be seamless, economical, scalable, and support whatever data rate and functionality is needed for any possible application that satellite connectivity can support. ”

Frederik Simoens
Chief Technology Officer
ST Engineering iDirect

→ Autonomous System Security & IoT Security

“ IoT devices are increasingly adopted as they are lightweight, easy to deploy and have use cases across multiple industries such as land fleets, maritime, aerospace and manufacturing. However, as cybersecurity attacks on IoT are also increasing, it is critical to uncover vulnerabilities and security loopholes before deployment. Hence we developed a testing solution to offer comprehensive security testing of IoT devices at our Cybersecurity Strategic Technology Centre. ”

Dr Vrizlynn Thing
Cybersecurity Strategic Technology Centre

OPERATING REVIEW & OUTLOOK

Commercial Aerospace

WHAT WE ACHIEVED IN 2021

- → Boosted freighter conversion capacity with new conversion site in the U.S.
- → Built on MRO capabilities with new engine solutions and predictive maintenance programmes
- → Expanded aviation asset management business with freighter aircraft leasing joint venture

The recovery of the global aviation sector trudged along on an uneven footing due to the various waves of infection after an early rebound at the start of the year. Despite the stop-start characteristics of the pandemic, more countries opened up their borders by the end of the year with increasing vaccination rates.

Our airframe business saw the fastest recovery which was helped by the fact that freighter aircraft MRO demand remained strong during the pandemic. In comparison, recovery of our component and engine MRO businesses was slower as many operators were still using equipment with green time. Nevertheless, the overall utilisation rate of our MRO capacity remained above two-thirds on average throughout the year.

Our Original Equipment (OE) Manufacturing businesses saw improvements as well, with our biggest nacelle programme, the A320neo, experiencing a steady recovery in pace with Airbus' production rate.

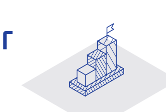
The freighter market and our freighter conversion business were bright spots in 2021. The heightened interest in dedicated freighters translated to a number of orders, with strong bookings of conversion slots for our Airbus programme.

In anticipation of a stronger recovery in 2022 and growth over the longer horizon, we continued to invest in our capabilities during the year, from constructing new aerospace facilities, to implementing smart technologies at our hangars to enhance productivity. These investments will help ensure that we maintain our competitive edge, emerge stronger and be better positioned to seize new opportunities.

AEROSTRUCTURES AND SYSTEMS

Our diverse businesses under Aerostructures and Systems saw several new developments during the year to help pave the way for continued growth, such as the expansion of integrated solutions for nacelles, setting up of new production sites for freighter conversions and the introduction of new cabin interior solutions to help protect air travellers from COVID-19.

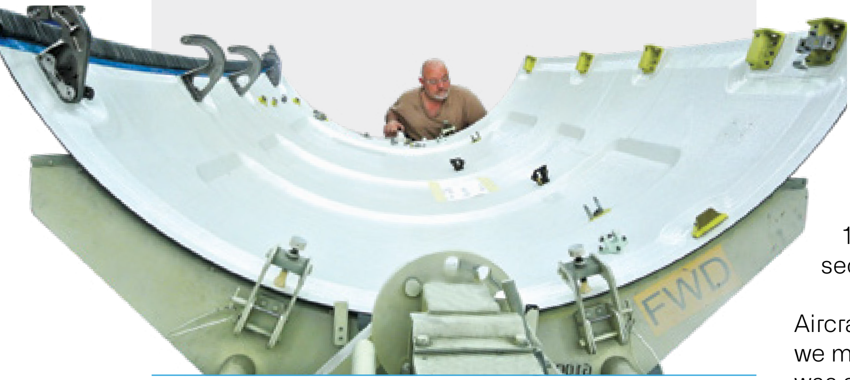
In anticipation of a stronger recovery in 2022, we continued to invest in our capabilities during the year.



OPERATING REVIEW & OUTLOOK

→ Commercial Aerospace

→ Production volume of our nacelle programmes remained healthy and in line with OEMs' requirements



Nacelle

We ramped up the production volume of our biggest nacelle programme, the A320neo, to be in line with the requirement of the OEM, Airbus. Orders for our other nacelle product lines such as the COMAC ARJ-21, Bombardier Global 7500 and Boeing 767 Tanker stayed at healthy levels in 2021. Overall, we saw steady growth in production volume for our current programmes, and expect the total order book for nacelles to remain strong in the mid to long term.

As part of our long-term growth plans to provide more integrated nacelle solutions, we continued to build our nacelle MRO capabilities at our Middle River facility in the U.S. by adding V2500 engine nacelles for A320 and nacelle inlets for Global 7500's Passport engines to its expanding list of MRO solutions.

Passenger-to-Freighter (P2F) Conversions

One of the few bright spots for the airline industry during the year had been the strong demand for freighters, which was largely driven by the robust e-commerce market.

In 2021, we inducted a total of 30 Boeing and Airbus aircraft for conversion, compared to 12 in 2020. Of the 30 conversions we carried out, 16 were for our Airbus P2F programmes, which we secured a number of new contracts during the year.

Aircraft leasing management company, BBAM, whom we made our first A321P2F redelivery in January, was among the growing list of customers who made additional orders for the A321P2F. The new orders by BBAM brought the total number of its A320/A321P2F to 26 units as of end 2021.

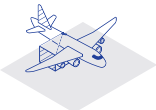
Our P2F customer base continued to grow when we welcomed new customers. This included Geodis, MNG Airlines and Air Transport Services Group which placed an order of 20 A330P2F to be redelivered from 2023.

With such strong interest, all slots for our A330P2F programme have been booked through 2025, while we are fully booked through mid-2024 for our A320/A321P2F programme.

Learn how we innovate and make our engine nacelles greener

Watch how we convert the world's first A321 passenger aircraft into a freighter

Our A330P2F slots are booked through 2025, while our A320/A321P2F slots are booked through mid-2024.



→ An A321P2F redelivered to BBAM in operation *(photo: Titan Airways)*

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To meet higher demand, we have been expanding our conversion capacity so that we will be able to induct over 60 aircraft for conversion per year for our Airbus P2F programme by 2024, compared to a capacity of just under 20 conversion slots in 2021. Our expansion plans include the setting up of a new conversion line in San Antonio, U.S. in end 2021, and new conversion lines in Shanghai, China and Mobile, U.S., in 2022. All these add to existing conversion sites in Singapore and Germany.

Cabin Interiors and Engineering Solutions

With the COVID-19 pandemic changing how we view and manage air travel, we continued to apply our design and certification expertise to develop solutions that meet the need for enhanced personal hygiene and social distancing measures during air travel.

During the year, we received the Approved Model List Supplemental Type Certificate from the Federal Aviation Administration to install Aviation Clean Air's cabin air purification solution on the Airbus A320/A321 platforms, which is proven to swiftly purify the air and surfaces as well as neutralise viruses and bacteria throughout an aircraft interior.

Apart from clean cabin solutions, we continued to support airlines that wish to capture the strong air freight demand using their underutilised passenger aircraft with our reversible cabin modification solution, Cargo Lite. So far, the solution has been implemented in aircraft operated by Scoot in Singapore, Royal Brunei Airlines and AirAsia in Thailand and Malaysia.

We also teamed up with Singapore Institute of Manufacturing Technology in a three-year research programme to co-develop additive manufacturing (AM) processes for applications in MRO. The collaboration will help us enhance our end-to-end AM processes to better address customers' increasing need for sustainable solutions in aerospace part replacement and manufacturing.

Unmanned Air Systems

Our DroNet solution continued to scale new heights as it notched up new contracts and applications, paving the way for wider use of end-to-end drone system solutions. Singapore's National Water Agency, PUB and Singapore Land Authority were among the new users, deploying the solution to monitor water quality and activities at reservoirs, as well as inspecting Singapore's Southern Islands.

Our DroNet solution continued to scale new heights as it notched up new contracts and applications.

Learn more about our **DroNet solution**

→ A drone taking off from DroPort, a critical component of our DroNet solution, to monitor water quality and activities at a reservoir in Singapore

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AEROSPACE MRO

Airframe Services

On the back of strong input from freighter companies and return of maintenance work from customers for their domestic aircraft, our airframe MRO business saw strong recovery in 2021 from 2020, with our global airframe facilities returning to near full capacity by the end of the year.

We continued to foster long-standing relationships with our customers and secured a number of multi-year contracts from new and existing customers to support their airframe MRO needs for the coming years. These contracts included a five-year Airbus A320 airframe heavy maintenance contract from a North American airline, a five-year Boeing 787 airframe heavy maintenance contract from an Asia-Pacific airline and a five-year heavy maintenance contract with an international air cargo carrier for multiple fleet types.

At the same time, we maintained our focus on capturing future growth, and embarked on our expansion plans by commencing the construction of an MRO complex in Pensacola, U.S. When fully completed, the expansion will add three state-of-the-art large hangars and around 1.5 million manhours to our annual airframe maintenance capacity to better serve the North American market.

To diversify and strengthen our talent pool, we are evaluating the creation of an Aviation Training Academy in Pensacola that would add 150 graduates a year to the local aviation maintenance programmes. We also entered into an agreement with airline customer, UPS, to collaborate on a skills progression programme that would provide on-the-job training to prospective aviation technicians.

We continued to foster long-standing relationships with our customers and secured a number of multi-year contracts from new and existing customers.

Component / Engine Services

Notwithstanding the slow recovery in the level of component and engine MRO activities, we secured a number of long-term contracts from airline customers to support them in their business activities and recovery.

New engine MRO contracts included a five-year heavy maintenance contract from Alaska Airlines and a 12-month heavy maintenance contract from an Asian airline. As for our component MRO business, we secured a five-year contract from Virgin Australia Airlines to support their growing Boeing 737NG fleet, a five-year contract from Japan Airlines to service their Boeing 787 fleet and a three-year contract from a South Korean airline to support their Boeing 737NG aircraft fleet.

Similarly, we broadened our service offerings and capabilities in engine and component MRO as part of our long-term strategy to achieve growth. We became the only licensed MRO service provider based in Asia Pacific for Honeywell components installed on LEAP-series engines. We also started setting up quickturn infrastructures to help idle engines restore optimal operational performance for LEAP-1B engines.

← Groundbreaking for an airframe MRO complex in Pensacola, the U.S.

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→ Commercial Aerospace

Aviation Asset Management

We took a significant step in growing our aviation asset management business by setting up a 50-50 joint venture (JV) for freighter aircraft leasing with Temasek on the back of growing demand for freighter aircraft.

The JV targets to build a portfolio valued at about US$600m (about S$800m) within five years, investing in passenger aircraft to be converted into highly efficient freighters. In the mid to long term, the JV intends to securitise the leasing income streams by way of a business trust to unlock capital.

This is a synergistic move for us as we will be able to provide the associated MRO services as options. In addition, ST Engineering will be the asset and lease manager to the JV, which is consistent with the Group's aviation asset management business model.

Apart from setting up the JV, we continued to build our customer base in aircraft leasing. For instance, Vaayu Group signed a letter of commitment with us to lease up to five A320P2F aircraft. We also reached a new milestone by delivering our first A321P2F to Qantas Group under a convert and lease arrangement.

We believe that the market has bottomed in 2021, and will be on a steady recovery trajectory.

OUTLOOK

Recovery of the global aviation market in 2022 depends on how quickly the world can further relax border control and resume flying activities. We believe that the market has bottomed in 2021, and will be on a steady recovery trajectory, provided that the COVID-19 situation does not take a turn for the worse.

As flying activities rise in volume, so will the demand for MRO services and aircraft orders. However, we expect operators to send in their components and engines for servicing only towards the later half of 2022 after their green time has been used up. As for aircraft production, strong global cargo demand and earlier-than-expected U.S. domestic travel recovery spurred a slew of orders for aircraft in 2021. A rebound in global economic growth in 2022 will add to the momentum for higher orders.

E-commerce, which is expected to be a big part of this overall economic growth, will continue boosting demand for freighter aircraft. This will in turn translate to further orders for freighter conversion, especially by operators looking for more cost effective and greener options in recycling retired passenger aircraft. We also anticipate higher demand for services in freighter leasing and MRO.

As we look forward to a stronger recovery by the industry in 2022, we can also expect competition to get more intense, with many market participants gearing up to ride the wave of recovery. To stay ahead of the pack, we will continue to build on the breadth and depth of our capabilities in nose-to-tail lifecycle solutions. At the same time, we will continue our focus on enhancing productivity through the use of technology and developing sustainable solutions.

→ The first A320 freighter to be included in our portfolio of aircraft leasing assets undergoing P2F conversion in Singapore

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→ Solar panels installed at our Singapore aerospace facilities help fulfil 30% of our electricity needs

Developing New MRO Capabilities

We are building on our suite of MRO solutions to make them even more comprehensive, such as setting up full LEAP-1B engine MRO services by end-2023. With the expansion of our integrated solutions in nacelles, we are also looking at nacelle MRO opportunities in countries such as the U.S., Europe and China.

Creating Value through Synergy

Using our strengths as an integrated aviation solution provider, we are able to bring unique and bespoke solutions to the market that no pure OEM or MRO provider can. For instance, we are building on our leasing business to provide total lifecycle asset management services that can bring greater value proposition to the market. These value-added solutions include aircraft and cabin reconfiguration, maintenance and freighter conversion that will give operators the support they need to focus on their core business and grow.

Capturing Growth with Higher Capacity

Capacity expansion is a critical component of our long-term strategy in capturing opportunities arising from the growth of the aviation industry. We have identified the North American region as a key growth market, which we aim to further with a new MRO complex in Pensacola. In addition to airframe MRO, we are also expanding our freighter conversion capacity such that by 2024, we will be able to induct over 60 Airbus aircraft for conversions per year, compared with just under 20 conversions in 2021.

Enhancing Productivity with Technology

Our operations will be even more automated and digitised so that we can be more nimble and adaptable, especially when operating under dynamic market conditions. Smart technologies are increasingly deployed across our MRO and OE manufacturing operations, enabling us to do more with less, and also ensuring that we can manage any cadence with agility. For instance, we automated the floor grid drilling process in freighter conversion to make the process less labour-intensive.

Stepping Up Sustainability Efforts

We are stepping up our sustainability efforts and reducing our carbon footprint by continuing to make our solutions and operations greener. For instance, through the development of engine nacelles for increasingly integrated propulsion systems, we help bring about lower overall weight, better performance, and reduction in fuel consumption. In our daily operations, we are using more solar energy. In 2021, we installed more solar panels at our aerospace facilities in Singapore to generate enough clean energy to meet about 30% of our electricity needs, up from 10% the year before. Our other facilities in regions such as China and the U.S. are similarly stepping up efforts to adopt the use of solar energy.

KEY FOCUSES FOR 2022

- → Build on value proposition with integrated OE manufacturing, MRO and asset management solutions
- → Gain bigger share in freighter market by building up freighter conversion capacity and leasing business
- → Accelerate digitalisation and automation to achieve higher productivity and cost efficiencies

Urban Solutions & Satcom

WHAT WE ACHIEVED IN 2021

- → Expanded Smart Mobility capabilities and global track record through new partnerships and key wins
- → Secured landmark Smart City projects in Singapore and around the world
- → Continued to lead in satellite ground segment with technology innovation

With the pandemic continuing to play out in 2021, the global economy saw cautious and uneven recovery across geographies and industries. This contributed to delays in Smart City projects around the world, a situation exacerbated by the global semiconductor chip shortage.

However, with land transport and utilities projects deemed as critical infrastructure projects, our Smart Mobility and Smart Utilities and Infrastructure businesses saw a gradual resumption in business activities and continued to secure contracts with new and existing customers across the world. We also announced our intention to acquire TransCore, a leader in the electronic toll collection and congestion pricing segments in the U.S.

With the pandemic highlighting the fragility of global supply chains, we set up Singapore's first meltblown filter production facility to produce medical-grade polypropylene filter material, the critical layer in masks, to ensure ready access to the critical raw material needed for our mask production.

Despite softened demand in travel-related segments, our Satcom business continued to secure contracts to enable cost effective, high-speed connectivity across the world, helping customers expand and move into new business areas.

We believe that our strategic ecosystem partnerships and continued efforts to invest in, and develop our capabilities will accelerate our growth and advance our Smart City leadership position. This will bring us closer to achieving our vision of enabling connected, resilient and sustainable cities that enhance the quality of life for communities around the world.

SMART MOBILITY

Smart Mobility is a key focus area in our Smart City growth strategy and we continually strive to be at the forefront of mobility technologies to help cities tackle their mobility challenges. Amid a challenging business landscape, our Mobility Rail business continued its momentum, strengthening its foothold in Singapore and Asia while making inroads into new markets.

In Singapore, our consortium with Siemens Mobility secured a $180m contract to renew and modernise the communications system for Singapore's North-South and East-West Lines and the Bukit Panjang LRT, the first of its scale since the lines started operations. We also secured contracts to implement various smart metro solutions for other lines in Singapore including the Jurong Region Line and the Downtown Line.

We continued to strengthen our presence in existing rail markets while making forays into new ones. Our consortium with Hyundai Rotem was awarded a $445m contract to provide turnkey rail services for the Kaohsiung MRT Red Line Extension in Taiwan. In Australia, Egypt and Romania, we secured contracts to deploy our smart metro solutions on

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Australia's Cross River Rail, Egypt's 10th of Ramadan City Railway and Romania's Bucharest Metro Line 5. These add to our growing Mobility Rail track record of over 200 projects in 50 cities across Asia, the Middle East and the U.S.

To extend our Smart Mobility expertise to new markets, we entered into an MOU with MSI Global, a subsidiary of Singapore's Land Transport Authority (LTA), to foster future collaboration in rail projects overseas. The complementary capabilities and synergies from both organisations will strengthen our combined rail offerings and position us as a strong global contender.

In land transport, we developed the Smart Traffic Junction solution that leverages Artificial Intelligence (AI), data analytics and Internet of Things (IoT) for enhanced urban traffic management. This will help pave the way for Vehicle-to-Everything (V2X) communications to improve road safety, traffic efficiency and a more sustainable transport network.

We also provided our fleet management and operation services to support the LTA's public bus operations in Singapore, and contributed our expertise to the development of a Smart Mobility masterplan for a city in the Philippines.

As part of Singapore's goal to have its entire bus fleet run on clean energy by 2040, we delivered to the LTA 20 new single-deck, three-door electric buses that can be charged quickly during short layovers at interchanges and depots via overhead pantograph chargers.

← We will be providing our Passenger Information System solution for Egypt's 10th of Ramadan City Railway

→ We signed an MOU with Envision Digital to co-develop net zero carbon digital building innovations

SMART UTILITIES AND INFRASTRUCTURE

We continued to deploy best-in-class IoT technologies, data and video analytics, and advanced network solutions to help cities move to real-time data-driven management systems to provide a connected, safer and more sustainable environment for communities.

In one of the largest scale deployments of its kind, our AGIL Smart Lift Monitoring solution will be installed on lifts in Singapore starting this year. Through 24/7 remote lift status monitoring and centralised real-time visibility of lift operations across brands, models and locations, the solution is set to transform the upkeep of lifts and improve reliability, safety and productivity.

Further afield, our Telematics Wireless T-Light Galaxy Smart Street Lighting solution with AGIL IoT platform will manage over 300,000 street lights and 25,000 sensors and devices in Rio de Janeiro, making it one of the world's largest single deployments of a city-wide public smart street light control project. Besides providing reliable public street lighting to enhance safety and quality of life for residents, the solution will reduce operational and energy costs, and help the city lay the foundation for a smart future. At the same time, we continued to extend our Water Advanced Metering Infrastructure (AMI) solution to help cities in the U.S. better manage their water operations and reduce supply disruptions. These projects contribute to our growing track record of over 15 million wireless nodes and IoT solutions in cities worldwide.

Supporting the Singapore Green Plan 2030, we entered into an MOU with Envision Digital to co-develop an end-to-end net zero carbon urban infrastructure solution. The collaboration includes building a cloud-based, Integrated Net Zero Carbon Digital Building Suite that connects and facilitates real-time data flows across our smart digital building solutions.

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→ AGIL Smart Junction Suite optimises the efficiency of urban road networks to improve travel experiences

In Smart Security and Automation, we continued to incorporate advanced technologies such as machine learning, AI and robotics across our solutions to help organisations boost responsiveness, operational performance and efficiency in dynamic environments. During the year, we secured contracts to deploy our Smart Security solutions for various public agencies in Singapore, including an Access Control System at the Jurong Island Checkpoint.

AUTONOMOUS SOLUTIONS AND ROBOTICS

To help Singapore build a thriving mobility value chain, we served as the AV Bus Consortium and Programme Lead for the pilot deployment of an autonomous transport revenue service, in an initiative led by Singapore's Emerging Stronger Taskforce's Alliance for Action on Robotics. The revenue service, the first of its kind in the Asia-Pacific, successfully demonstrated Singapore's ability to operationalise paid autonomous vehicle (AV) services that meet commuters' need for safe, reliable and efficient transport.

We also delivered and commissioned 10 autonomous shuttles designed to transport personnel and supplies at security installations in Singapore. The autonomous shuttles increase efficiency, allowing manpower to be redeployed for ops and training support.

Furthermore, we started our delivery of fully electric Automated Guided Vehicles (AGV) and automated chargers to PSA Corporation for the new Tuas Mega Port, a landmark development in Singapore's maritime history.

URBAN ENVIRONMENT SOLUTIONS

We made strides in respiratory protection and started operations at our new facility to produce medical-grade polypropylene filter material, the critical filter layer in masks. The first such facility in Singapore, the local production of meltblown filter material ensures ready access to the critical raw material needed for our production of medical-grade and industrial-grade Personal Protective Equipment such as surgical masks and N95 masks. This allows us to vertically integrate our mask production operations to strengthen Singapore's mask supply chain resilience, ensuring our healthcare and frontline workers are protected.

Extending our range of respiratory protection innovations, we launched our new high performance AIR⁺ Reusable Mask with anti-microbial and anti-haze protection. The AIR⁺ Reusable Mask provides a sustainable and ergonomically designed option for consumers seeking enhanced respiratory protection.

SATELLITE COMMUNICATIONS

We saw progressive pick-up in business activities across most of our satcom market segments. However, recovery in the aviation and maritime cruise segments remained the weakest due to continued restrictions on global travel.

Despite the challenging environment, including the global shortage in semiconductor chips impacting our supply chains, our Satcom business continued to lead in our key market segments and remained steadfast in our vision of shaping the future of how the world connects.

We continued to achieve breakthroughs in ground infrastructure solutions that enable satellite connectivity around the globe in new and innovative ways. Our satellite-based IoT solution enabled customers to leverage their existing hub infrastructure and deploy our portfolio of compact, lightweight IoT terminals. Featuring a tightly integrated satellite modem and flat-panel antenna design, these terminals allow quick activation of fixed and mobile IoT applications across the transportation, energy, mining, utilities, agriculture and construction markets. We were also selected by Eutelsat as the platform-of-choice for their new ADVANCE network-as-a-service offering which provides flexibility and cost effectiveness for satellite service providers.

Through our comprehensive solutions portfolio, we expanded network connectivity in emerging markets and helped customers capture growth opportunities. In the cellular backhaul segment, our Dialog® platform

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with Mx-DMA® return technology was selected by a leading mobile network operator in Latin America to support its network expansion to deliver 3G, 4G and corporate internet services across Brazil. We partnered with Gilat Telecom to enable Vodacom to deliver 3G cellular backhaul services across the Democratic Republic of Congo and enabled satellite operator Kacific to deliver high-speed, low-cost and ultra-reliable broadband connectivity to rural and suburban areas in the Pacific and Southeast Asia.

Our satellite imagery and geospatial analytics business continued to drive new collaborations to grow its solutions portfolio, while maintaining its focus on R&D to deepen domain capabilities.

We partnered with BlackSky, a leading provider of real-time geospatial intelligence and global monitoring services to offer customers in Southeast Asia an expanded portfolio in satellite imaging and insights solutions. We also entered into an MOU with the National University of Singapore's Centre for Remote Imaging, Sensing and Processing (NUS-CRISP) to collaborate on R&D and to commercialise advanced remote sensing technologies and geospatial imagery analytics solutions. These have applications in areas such as urban planning, infrastructure development, maritime safety and security, environmental monitoring and agricultural growth tracking.

With our end-to-end capabilities in supporting space missions, our teams are working to prepare two satellites for launch in 2022, namely the DS-EO satellite which is co-owned with Singapore's Defence Science and Technology Agency, and the NeuSAR satellite built by DSO National Laboratories.

With higher resolution and multispectral imaging, the DS-EO satellite will support whole-of-government applications and better meet needs in areas such as maritime security and oil spill detection, while enhancing our commercial satellite imagery services. Singapore's first small satellite pathfinder, NeuSAR, aims to explore the commercial potential of a micro-satellite constellation to better support growing customer demand for varied satellite imagery needs.

We continued to achieve breakthroughs in ground infrastructure solutions that enable satellite connectivity around the globe in new and innovative ways.

→ Satellite imaging and geospatial analytics enable more effective decision-making in agriculture, environmental protection, land planning and disaster management

OUTLOOK

Smart Cities
Cities today experience the benefits of high density living, but along with those advantages come challenges like congestion, security threats, pandemic spread and increasing carbon emissions.

Smart and green technologies are presenting new opportunities for cities to pivot to the 'new normal' of living with the pandemic, and to become more sustainable. Post-pandemic economic recovery plans will centre around accelerating digitalisation and technologies that improve efficiency and strengthen resilience, to enhance the quality of life for communities.

Mitigation measures to the impact of climate change will increasingly define smart city agendas. The increased focus on sustainability and shift towards electrification will create opportunities in areas like smart infrastructure and electric vehicles.

With our comprehensive and integrated suite of Smart Mobility, Smart Utilities and Infrastructure, and Urban Environment solutions powered by deep technology capabilities and expertise, we are well-poised to help cities navigate the new normal and transform into connected, resilient and sustainable spaces.

Smart Mobility
With over two-thirds of the world's population projected to live in urban areas by 2050, mobility remains an integral component of cities. While COVID-19 has led to plummeting demand for urban transport, it is set to pick up with workforces returning to workplaces and the gradual reopening of international borders.

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Sustainable transport will be the focus of transport authorities and technology like AI and data analytics in transport infrastructure will enable governments to better support complex operations as well as deliver enhanced commuter travel experiences. Increasingly, efficient and affordable options for seamless point-to-point journeys via a combination of public transport, shared mobility and even autonomous rides facilitated by Mobility-as-a-Service applications, are being favoured. This trend further necessitates the demand for more connected public transport and intelligent road systems.

Our comprehensive suite of mobility rail and road products spanning smart metro solutions, intelligent transportation and congestion charging solutions, coupled with ongoing capability developments and strategic partnerships, place us in a strong position to help transport regulators and operators tackle their mobility challenges now and in the future.

The growing demand for more fuel-efficient and low-emission vehicles, supported by tightening government regulations on emissions, is set to drive the burgeoning growth of the electric vehicle (EV) market.

In Singapore, the Green Plan 2030 will see all land vehicles running on cleaner energy by 2040. With accessibility to charging infrastructure critical to support the EV transition, 60,000 charging points will be installed across the country by 2030. Transport authorities have also started rolling out electric buses progressively since 2020 and are trialing various charging options at depots and interchanges.

Building on our experience in deploying over 2,000 EV charging stations overseas and supplying EV buses, we will continue to strengthen our EV capabilities to capture future opportunities in this emerging space.

Autonomous Solutions and Robotics
AVs are poised to lead the next chapter of urban mobility, opening doors for new applications and industry collaborations that will transform commuting. By providing first- and last-mile connectivity, shared autonomous transport can help commuters get around conveniently while supporting a car-lite society.

With AVs promising a more connected, efficient, safer and more sustainable transport mode, the industry is set to see strong interest from both private and public sectors. Governments, enterprises and research institutions are continuing to power autonomous developments, with many public-private tie-ups fueling AV ventures in cities and driving new opportunities in this space.

→ Our electric Automated Guided Vehicle provides automated container transport at the new Tuas Mega Port

As a key contributor to Singapore's AV ecosystem, we actively collaborate with industry players to accelerate AV development and adoption. We remain laser focused on enhancing our end-to-end AV solutions to help cities move towards an autonomous and more sustainable future.

Robotic automation will continue transforming the healthcare, logistics and manufacturing sectors. Gains in speed and accuracy, cost efficiencies, productivity, as well as health and safety will continue to spur automation adoption. Our experience in developing next-generation autonomous mobile robots for the healthcare segment, coupled with experience in delivering AGVs for seaport operations will stand us in good stead to leverage future opportunities in this segment.

Smart Utilities and Infrastructure
Climate change and the pandemic have shone a spotlight on the importance of IoT technologies in helping cities strengthen resilience and pave the way to sustainability.

Across cities, utility systems are increasingly modernised with smart sensor technologies to drive efficiencies and to optimise renewable energy injections to move cities closer towards net zero outcomes. Smart water grids help to reduce network leakage, while smart street lighting optimise operations and reduce energy consumption. With smarter buildings and infrastructure, on-demand utilities that adjust to prevailing traffic and facilitate predictive maintenance become viable. Open digital platforms which provide the overarching governance structure, ingest data from multiple sources and serve as the digital backbone of a city's smart infrastructure.

Pandemic-driven technology applications will continue to drive demand for IoT. For instance, contactless access controls with temperature sensing and vaccination e-certificate features can facilitate human traffic flow at mass events.

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We are well-placed to ride on the growing demand for IoT, smart utilities and infrastructure solutions. Our expertise and extensive suite of smart lighting management, water AMI, smart lift monitoring and smart security solutions will meet the diverse needs of customers across different verticals, supporting them on their sustainability journeys.

Satellite Communications

The industry is seeing significant investments in new satellite constellations which will bring about massive terabit level capacity that is set to change the dynamics of the industry. Besides the continued shift towards High-Throughput- and Very-High-Throughput-Satellites, we are seeing a transition from traditional GEO satellites to multi-orbit deployments of GEO, MEO and LEO constellations. Advances in technology have also enabled software-defined satellite payloads that can be dynamically reconfigured to specific use cases depending on demand.

At the same time, telecommunications is being significantly transformed with the introduction of 5G as the master platform leading the convergence of all access technologies. This presents a pivotal opportunity for satellites to blend seamlessly to create full interoperability as part of this end-to-end converged network, creating new possibilities, demand and use cases for the satcom industry.

The satcom ground infrastructure segment sits at the intersection of space assets and terrestrial 5G telecom. Technology enablers such as virtualisation, standardisation, orchestration and cloud, will serve as the key building blocks for the ground infrastructure segment to bring satellite, terrestrial and wireless solutions together. Furthermore, to unlock the full potential of the new capacity from new multi-orbit constellations, ground systems must be dynamic and tightly integrated for the orchestration and allocation of space resources as and where they are needed.

With our satcom leadership in ground segment, we are uniquely positioned to drive the industry forward through engineering ground infrastructure innovations that bring unique ecosystems and technologies together to work as a unified network. We are working to pioneer a fully digitised and virtualised ground infrastructure that will transform the economics, engagement models and technologies to rapidly expand global accessibility of satellite communications. We will also continue to focus on our core satellite innovation to improve the speed, scale, cost and flexibility of satcom service delivery to enhance value for our customers.

Applying satellite technology with deep tech to solve real-world problems continues to hold vast potential, especially for industries such as agriculture, environmental protection and land planning. The pandemic has also highlighted the importance of remote operations and asset monitoring in the agricultural and industrial sectors.

Growing demand for location-based technologies and the remote monitoring of business operations and critical assets will spur the growth of the earth observation industry. With our portfolio of satellite imagery and geospatial analytics services, continued focus on innovation and R&D, supported by strategic partnerships, we are well-positioned to capture growth opportunities in the thriving space industry.

→ Our satcom ground solutions help to bring affordable, life-changing cellular connectivity to Peru's remote and rural communities.

KEY FOCUSES FOR 2022

- → Accelerate Smart City growth through Smart Mobility market leadership, enabling smarter utilities and infrastructure for a connected, resilient and sustainable future.
- → Develop next-generation satcom platform and capabilities to capitalise on growth opportunities in hybrid and terrestrial cloud and 5G networks

OPERATING REVIEW & OUTLOOK

Defence & Public Security

WHAT WE ACHIEVED IN 2021

- → Forged industry collaborations with leading technology companies to grow and strengthen our digital capabilities
- → Continued to build international track record for our suite of defence and naval solutions
- → Recognised in Forrester's Now Tech Report: AI Consultancies in Asia Pacific, Q1 2021, for our breadth of services and market presence in AI and data analytics

The Defence and Public Security cluster, comprising Digital Systems and Cyber, Land Systems, Marine, and Defence Aerospace business areas integrates the Group's defence capabilities as one single cluster, and is better aligned to the integrated approach global defence customers are increasingly adopting for technology development and deployment. Since the Group's reorganisation and the setup of this cluster, we are in a better position to serve the evolving needs of our customers in defence, public security and critical infrastructure segments.

> **In keeping pace with digital transformation, we stepped up our digital capabilities and expanded our talent pool.**

At a time when businesses are 'living with' COVID-19, the various businesses under the cluster performed strongly as they sought to strengthen their core capabilities and offerings, gain access to target markets and pursue opportunities in international markets.

DIGITAL SYSTEMS & CYBER

Our Digital Systems & Cyber business performed well despite the continued disruption to its business lines and operations. We were able to capitalise on the accelerated digital transformation needs of our customers as well as strong demand for digital technologies and solutions for critical information infrastructure and enterprise systems.

Throughout the year, we focused on growing our defence and public security customer base in and outside of Singapore. As a result, we secured more turnkey projects compared to the year before, reaped higher sales of cybersecurity solutions and services, and secured new cloud managed services projects with government agencies, enterprise and defence customers.

Our Cloud Services business gained traction in the regulated industries and essential services sector, and secured new projects in the education sector.

We forged new strategic partnerships with technology leaders to help customers advance digital transformation and power complex workloads. For instance, collaborating with Google Cloud to deliver secure cloud solutions in our data centres adds to our suite of end-to-end cloud and data services that offers our customers seamless digital services on a resilient secure cloud that meets their requirements for compliance, risk mitigation, digital sovereignty, secure data storage and operational security. Our suite of services include cloud adoption and migration, hybrid and multi-cloud management, as well as data centre operations for mission-critical requirements.

OPERATING REVIEW & OUTLOOK

→ Defence & Public Security

We also partnered with software provider CogSim Technologies to expand our training and simulation offerings in Europe.

In keeping pace with digital transformation, we stepped up our digital capabilities and expanded our talent pool to include experienced data scientists, cyber experts, cloud specialists and AI engineers. Investment in our talent pool continued to be a central part of our growth plan and a large part of our workforce acquired new digital skills such as design innovation and certifications in AI, cloud and scrum methodology.

In the AI field, we were recognised in Forrester's Now Tech Report: AI Consultancies in Asia Pacific, 1Q 2021, for our breadth of services and market presence in AI and data analytics. We also partnered AI Singapore to integrate AI in the navigation autonomy of unmanned surface vessels to improve collision avoidance capabilities.

Strong momentum in our Cyber business was driven by new wins to deliver cybersecurity operations centres for critical infrastructure verticals in Singapore, as well as through the demand for our cybersecurity products and solutions.

We expanded our suite of cybersecurity solutions and tapped emerging technologies such as quantum cryptography to capture new markets. We launched NetCrypt Mini, a new-generation Data Diode, and CORVA, an advanced security posture management platform and service. Besides co-developing a quantum key distribution enabled encryptor with the National University of Singapore, we are building competencies in operational technology (OT) and IoT cybersecurity to help customers mitigate cyberattacks across IoT, IT and OT environments.

Read more on *NetCrypt Mini* in the **Technology and Innovation** section

We continued contributions to grow Singapore's cybersecurity ecosystem through partnerships with institutes of higher learning to build new training facilities for future cybersecurity professionals. These include the Malware Analysis Centre at Temasek Polytechnic together with Palo Alto Networks and Crowdstrike, as well as the Institute of Technical Education's new cybersecurity training centre. We also inked an agreement with the National University of Singapore's Institute of Systems Science to co-develop modular graduate courses, internships and joint research projects to grow our digital talent pool and upskill our workforce.

Across our lines of business, technology and innovation remained a key priority and we launched new solutions with the latest digital technologies to serve our government and enterprise customers. These new solutions include the MAK ONE training system for warfighters.

LAND SYSTEMS

Our Land Systems business remains focused on executing and delivering on its ongoing programmes. These include the Hunter Armoured Fighting Vehicle which is in full production and the final delivery of the Belrex Protected Combat Support Vehicle to Singapore's Ministry of Defence, as well as Next-generation Fast Response Cars in collaboration with Home Team Science and Technology Agency (HTX) for the Singapore Police Force.

We collaborated with reputable partners which enabled us to offer our customers highly competitive solutions. In April 2021, ST Engineering and our partner, Oshkosh Defense, were selected by the National Advanced Mobility Consortium (NAMC) to participate in the prototype phase of the U.S. Army's Cold Weather All-Terrain Vehicle (CATV).

We partnered Oshkosh Defense to deliver two prototypes for the testing and soldier evaluation phase of the U.S. Army's CATV programme ←

OPERATING REVIEW & OUTLOOK

→ Defence & Public Security

We partnered Oshkosh Defense to deliver two prototypes – one General Purpose and one Cargo vehicle, in the third quarter of 2021 for testing and soldier evaluation. The prototypes were evaluated on payload, mobility, crush resistance, swimming and transportability. The U.S. Army has announced plans to issue a follow-on production contract for up to 200 CATVs in 2022.

Land Systems also participated in its first international tradeshow at DSEI 2021 in London, after more than a year's absence due to global travel restrictions. Among its showcase of mobility and weapon solutions was the Finnish army's SISU GTP 4x4 general purpose armoured vehicle fitted with ST Engineering's ADDER Remote Weapon Station. Remotely operated below deck or from a control console, the ADDER provides greater protection for the operator. Lightweight and stabilised for better accuracy, the ADDER range can be mounted on tracked or wheeled armoured fighting or logistics vehicles and can be mounted with various weapon combinations for different user needs.

In 2022, we expect to deliver two units of ExtremV vehicles to the German Federal Armed Forces for the Meppen Fire Department in Germany. This is part of the cooperation agreement which we signed with DICOSY GmbH, a provider of disaster control systems, to exclusively distribute the ExtremV in several countries in Europe. The ExtremV will be fitted with DICOSY's roll-off containers and configured for various missions, from emergency rescue and medical evacuation, to logistics support roles and firefighting.

Learn more about ExtremeV

→ Lau Thiam Beng, President, Digital Systems inked a MOU with the NUS-ISS to co-develop modular graduate courses, interships and joint research projects to grow and upskill our digital talent pool

→ LeeBoy unveiled a limited edition paver with black-grey colour scheme as part of its "Raised on Blacktop" campaign

The German Federal Armed Forces selected the ExtremV after a more than two years' search for a vehicle with minimal ground pressure to drive through rugged and swampy terrain. With a ground pressure of about 200g/cm^2 and a high payload of up to 3,500kg, the ExtremV offers the same superior mobility and manoeuvrability of the proven Bronco All Terrain Tracked Carrier.

Tapping on our expertise to continually enhance our suite of products and capabilities, we signed agreements with NIMR, a manufacturer of combat-proven wheeled military vehicles and Finnish automotive manufacturer, Oy Sisu Auto Ab, to explore and work on integrating our hybrid electric drive (HED) systems for NIMR armoured vehicles and SISU GTP 4x4 hybrid vehicles respectively.

The HED kit converts a conventional engine-driven vehicle to an electric motor-driven vehicle. Comprising a driveline and hybrid electric engine with a small diesel engine as a range extender, the kit is capable of producing high export power with reduced fuel consumption of up to 15 – 20%. It also offers better acceleration and stealth mobility.

Besides offering improved range, a HED system also provides sustainability benefits such as lower emissions, compared to a typical diesel engine system.

We continued to receive orders for our 40mm solutions, including new orders from international customers as well as maintenance contracts for small and large calibre systems.

Our specialty vehicle business, Leeboy and Hackney, reported strong orders in 2021 despite challenging business conditions caused by disrupted operations and supply chains, as well as the global shortage of electronic chips.

OPERATING REVIEW & OUTLOOK

→ Defence & Public Security

During the year, we secured several key naval shipbuilding contracts, furthering our extensive track record in the design and construction of naval vessels.

LeeBoy unveiled a limited edition paver with a black-grey paint scheme as part of its "Raised on Blacktop" campaign to help promote the asphalt paving industry. Besides the dark grey paint scheme, the special edition paver had additional features such as weather-proof ticket box, phone holder and an engraved serialised badge. It also offers various shovel and rake carrier options.

Following its successful pivot to retrofitting dry freight trucks and trailers, Hackney continued to implement several key initiatives to emerge stronger and better from COVID-19. These initiatives included diversifying businesses to building and retrofitting truck bodies for non-food services and restaurant industries, as well as smaller class vehicles. Hackney also introduced new products for rental markets and strengthened its product features and reliability.

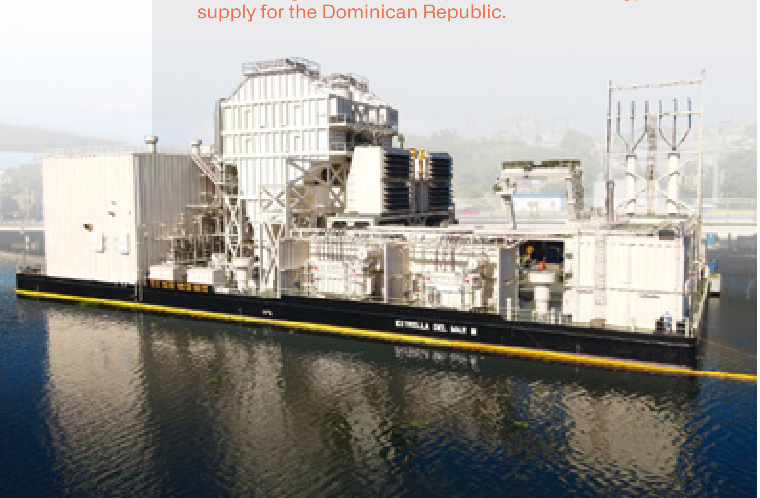
MARINE

The global maritime industry continued to face pressures from various challenges and disruptions from the evolving COVID-19 pandemic.

During the year, we secured several key naval shipbuilding contracts, furthering our extensive track record in the design and construction of naval vessels. The U.S. Navy awarded us a US$149m contract for the detail design and construction of the T-AGS 67 oceanographic survey ship. We had previously delivered seven Pathfinder class vessels to the U.S. Navy. The T-AGS 67 will be the eighth ship in the Pathfinder class and is a modified repeat design of the T-AGS 66 ship.

The U.S. Navy also exercised the option for the fifth Auxiliary Personnel Lighter-Small (APL(S)) Class berthing barges. The original contract awarded in 2018 was for the design and construction of two firm units, with an option for another four. We successfully delivered the first two vessels in 2021. The total contract value would be in excess of US$244m if the Navy exercises all the options.

→ Estrella del Mar III was successfully completed and delivered to Santo Domingo for hot commissioning. The floating power plant will provide reliable energy supply for the Dominican Republic.



We were also awarded a sub-contract by the Abu Dhabi Ship Building PJSC (ADSB) to design and supply platform equipment and technical assistance for the construction of four Falaj 3-class Offshore Patrol Vessels, which will be constructed in ADSB for the UAE Navy. The contract covers the basic design, detail design and production design of the vessels.

The Polar Security Cutter (PSC), a contract from the U.S. Coast Guard, is currently in the design and engineering phase and will be ready to start construction in 2022. Delivery of the first PSC is scheduled in 2025. In 2021, we were awarded the second PSC contract by the U.S. Department of the Navy.

We are making good progress in the Singapore's Police Coast Guard's Fast Patrol Boats programme to strengthen their coastal protection capabilities, as we look forward to complete delivery in 2022.

Watch the making of
Fast Patrol Boats

Ongoing commercial shipbuilding projects include the floating power plant, Estrella del Mar III, which was awarded jointly to ST Engineering and Siemens. We successfully completed the construction of the highly-efficient power plant in April. The plant was safely dry-towed to its destination at Ocoa Bay, Santo Domingo to undertake hot commissioning of its power generation facility before final delivery to the customer in 2022. This power plant will provide reliable energy supply for the people in the Dominican Republic.

Watch the making of
Estrella del Mar III

Our yards were also kept busy as we welcomed a range of naval and commercial vessels including patrol

OPERATING REVIEW & OUTLOOK
→ Defence & Public Security

→ An aerial view of the Jurong Island Desalination Plant which is expected to be completed in 2022. This will be Singapore's fifth desalination plant.

boats, offshore vessels, dredgers, chemical tankers, containers and yachts for repair, maintenance and conversion work. To better address our customers' needs, we took a comprehensive maintenance approach to provide turnkey services which include defect rectification, preventive maintenance, spares management and predictive analysis, thus improving the utilisation of their assets.

In the area of environmental engineering, work commenced for Singapore's Tuas Nexus Integrated Waste Management Facility (IWMF). As part of the long-term plan to meet Singapore's solid waste management needs, the first phase of IWMF is to be completed and fully operational in 2025. The Jurong Island Desalination Plant, the fifth desalination plant in Singapore, achieved the Certificate of Substantial Completion and completed its testing and commissioning activities, in preparation for Project Completion and Operation Date in early 2022.

Capitalising on our engineering, procurement, construction, operations and maintenance engineering expertise and experience, we are building on our track record in water and green technologies to expand our environmental engineering successes to other parts of Asia.

DEFENCE AEROSPACE

We continued to work closely with our customers, ensuring their operational readiness and achieved on-time redeliveries to our international customers despite the COVID-19 pandemic. These customers include the Royal Air Force of Oman, as well as Meta Aerospace and Lynden Air Cargo, to whom we delivered KC-135 and C-130s respectively.

As part of our ongoing R&D efforts, we also embarked on developing and assimilating Smart MRO technologies to position ourselves for the future.

OUTLOOK

With digitalisation playing a pivotal role in the post-pandemic future, we are optimistic that smart digital solutions such as smart mission critical systems (enabled by AI/data analytics), secured digital enterprise systems, cybersecurity, data centres and cloud-based solutions, will continue to see demand going forward.

We expect accelerated digital transformation and key technology trends to gain momentum, providing more opportunities that we can pursue. One example is Singapore's efforts to accelerate its Smart Nation journey and re-engineer government digital infrastructure which has spurred demand for cloud migration services. Our continued investment in digital and related technologies will drive growth in our Cyber, AI and Cloud businesses, with a target to triple revenues from these businesses to more than $500m by 2026.

The outlook for the defence sector remains stable and is likely to see positive growth, largely due to the volatile global security climate and geopolitical landscape. As such, countries are expected to continue to invest in and modernise their defence capabilities. We also expect to see MRO and modernisation opportunities for military aircraft fleets worldwide.

New areas of technology innovation include the use of 5G and cloud in emerging Future Warfighting Concepts. There is also an increasing push for modernising land platforms through digitalisation, data analytics and autonomy. Furthermore, we will

Our continued investment in digital and related technologies will drive growth in our Cyber, AI and Cloud businesses, with a target to triple revenues to more than $500m by 2026.

OPERATING REVIEW & OUTLOOK
→ Defence & Public Security

New areas of technology innovation include the use of 5G and cloud in emerging Future Warfighting Concepts, an increasing push for modernising land platforms as well as next-generation smart weapons.

see next-generation weapons and munitions that are smart, enabling the warfighter to be more precise and use fewer rounds. In addition to smartness, armed forces are also looking to "do more with less" as well as increasing R&D efforts to develop unmanned robots to augment existing troops and equipment.

Learn more about the **benefits of 5G**

We continually scan the technological horizon for the latest and newest. We are also leveraging the collective expertise of our Land Systems and Digital Systems businesses to select and embed relevant technologies in our solutions to support and future-proof the concept of operations for defence forces.

On the naval front, fleet modernisation and the upward trend of defence spending will drive demand for unmanned capabilities and integration of various digital technologies, in preparation for a digital fleet that is future-ready. We see opportunities in the use of unmanned systems for a myriad of missions, such as mine detection and neutralisation, force protection or manned-unmanned teaming operations.

Against the backdrop of energy transition and greener technologies, there is a shift in focus towards the renewables and offshore wind segments. We are well-positioned to capture the growth in these segments with our experience and expertise in design, build, maintenance and conversion of specialised vessels like the Service Operation Vessel, Crew Transfer Vessel, Wind Turbine Installation Vessel as well as various installation and support vessels.

With the extension of the deadline by the International Maritime Organisation for ballast water treatment systems, we see higher demand from ship owners rallying to the call of regulators and carrying out the retrofit of the ballast water treatment systems for marine environment protection. In line with the push for sustainability, innovations such as electric/hybrid propulsion, energy-efficient platform systems, eco-hull design for fuel efficiencies and the use of recyclable materials for shipbuilding are in the pipeline as we offer greener and more sustainable solutions to our customers.

The focus on digitalisation has also fuelled our culture of innovation and accelerated our digitalisation initiatives to enhance efficiencies, enable process improvements and develop new capabilities. These initiatives will transform the way we do business and power up the entire shipbuilding and ship repair end-to-end cycle. This cycle includes the visualisation of conceptual designs, model-based capabilities development, robotic automation, predictive maintenance and the digitalisation of work packages. At the heart of all this, is our model-based capability development concept that uses 3D models to do design and engineering, conduct design reviews with customers, facilitate automation of the production processes and supervise the fleet management and lifecycle support systems.

Overall, as we pursue international defence business growth, we will continue to explore options such as the localisation of manufacturing or support operations in-country, the setting up of more teaming and joint venture agreements, licensing and technology transfer, as well as local capability investments.

Our laser focus on technology and innovation, working alongside the Group's Engineering Centre and Technology Office to drive advanced technology and engineering applications to meet the requirements for defence and security, and critical infrastructure needs will put us in good stead. The Group has made clear its goal for the next five years till 2026, and the businesses across the Defence & Public Security cluster are well positioned to support this growth.

KEY FOCUSES FOR 2022

- → Leverage digital technologies across lines of business, e.g. AI, 5G & Satcom, cloud, AR/VR, to strengthen core capabilities
- → Expand product suite in growing segments, e.g. cybersecurity and cloud to expand market footprint
- → Pursue international opportunities in defence and public security through partnerships and collaborations in key markets

FINANCIAL REVIEW

GOOD SET OF FINANCIAL RESULTS FOR FY2021

In FY2021, the Group delivered a good set of results as all business segments registered growth despite persisting pandemic challenges.

The Group posted revenue of $7.7b, an increase of 7.5% from $7.2b a year ago. Profit before tax grew from $534.4m to $637.6m, an increase of 19% year-on-year (y-o-y). A combination of cost savings net of reinvestments in future growth areas and partial business recovery has more than offset a $149m y-o-y reduction in government support. Excluding government support, EBIT for FY2021 improved by 93% y-o-y, reflecting strong underlying performance amid continuing pandemic challenges. Profit attributable to shareholders grew 9% y-o-y to $570.5m from $521.8m.

Economic Value Added (EVA) increased by 9% y-o-y to $313.0m.

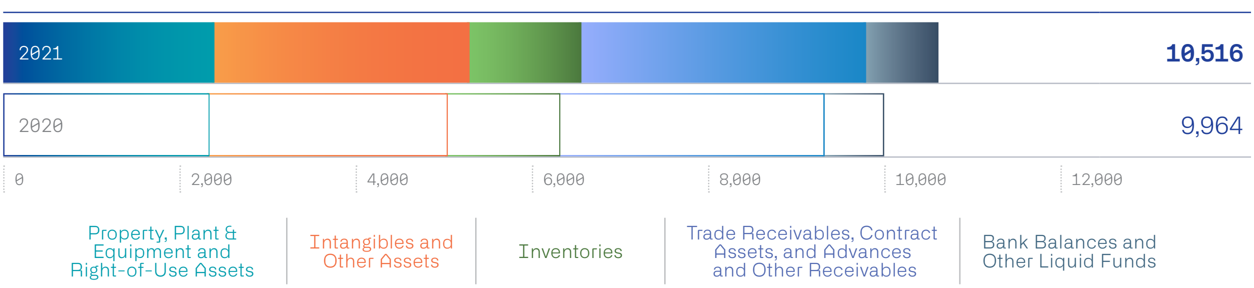
The Group ended the year with a robust order book of $19.3b, of which $6.6b is expected to be delivered in FY2022.

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 August 2021, total dividend for FY2021 is 15.0 cents per share.

FINANCIAL POSITION

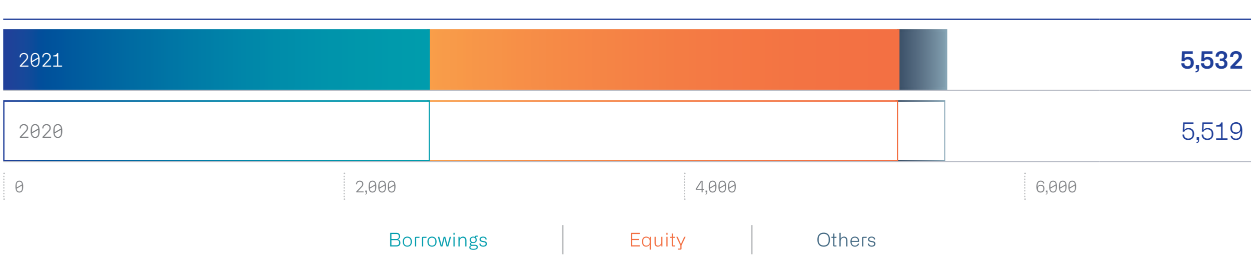
As at 31 December 2021, the Group's total assets at $10,516m were higher as compared to the prior year, due largely to increased business activities.

→ TOTAL ASSET DEPLOYMENT ($m)



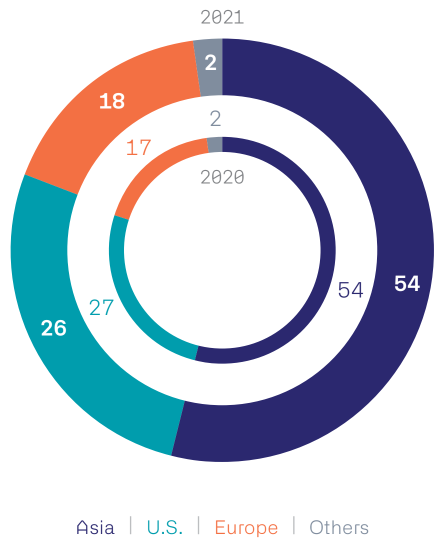
The average capital employed in 2021 was $5,532m, similar to FY2020.

→ CAPITAL EMPLOYED ($m)



FINANCIAL REVIEW

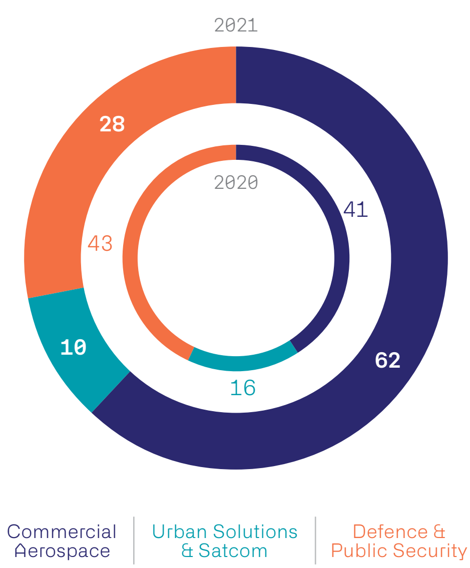
→ TOTAL ASSET BY GEOGRAPHY (%)



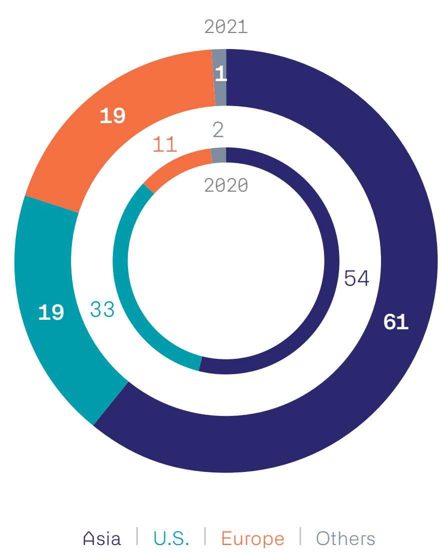
CAPITAL EXPENDITURE

In FY2021, the Group invested $320m (2020: $196m) in capital expenditure, attributable to Commercial Aerospace ($199m), Urban Solutions & Satcom ($31m) and Defence & Public Security ($90m). During the year, the Group invested in capacity and capability buildup to support customer programmes, aircraft and engines for the Aviation Asset Management business, mask production facility as well as IT infrastructure enhancements.

→ CAPITAL EXPENDITURE BY SEGMENTS (%)



→ CAPITAL EXPENDITURE BY GEOGRAPHY (%)



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., to ensure effective management of the Group's liquidity and financial risk exposures.

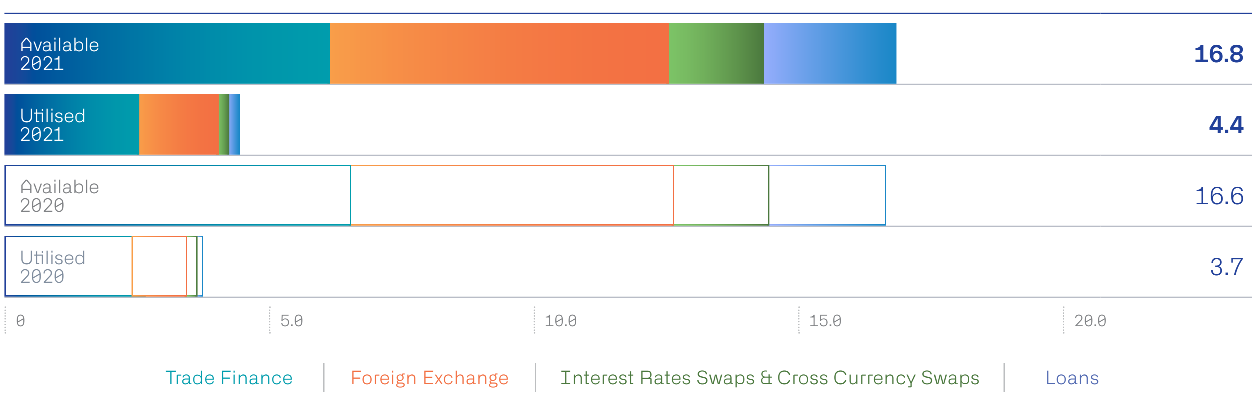
The Group, through its subsidiary, ST Engineering North America, Inc. has completed the update of the U.S. Commercial Paper (USCP) Programme established on 26 August 2019. With effect from 22 December 2021, the Programme limit has been increased from US$1.5b to US$3.0b. Under this Programme, ST Engineering may from time to time issue short-term unsecured promissory notes (Notes) for a range of tenors up to 397 days at competitive financing costs versus bank loans. Although the proceeds of the Notes issued under the Programme will continue to be used for general corporate purposes, they may also be used as bridge financing for the Group's proposed acquisition of TransCore (the completion of which is subject to satisfaction of all conditions precedent). ST Engineering North America has concurrently revised the committed revolving credit facility to US$3.0b to backstop the USCP.

Banking Facilities

The Group has banking facilities of approximately $16.8b (2020: $16.6b) as at 31 December 2021 to support business operations in the areas of trade finance, hedging and credit.

As at 31 December 2021, the Group has utilised $4.4b or 26% of its total available facilities (2020: $3.7b or 22%) with $12.4b or 74% (2019: $12.9b or 78%) remaining available.

→ BANKING FACILITIES* ($b)



* excludes US$3b committed revolving credit facility to backstop USCP

FINANCIAL REVIEW

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 2021 for the Group were USD and EUR.

During the year, the Group engaged in approximately $3.3b (2020: $4.2b) equivalent of foreign exchange transactions. As at 31 December 2021, $1.5b (2020: $1.1b) remained as outstanding foreign exchange transactions.

Liquidity

The Group's cash and cash equivalents, stood at $0.8b as at 31 December 2021 (2020: $0.7b).

Borrowings

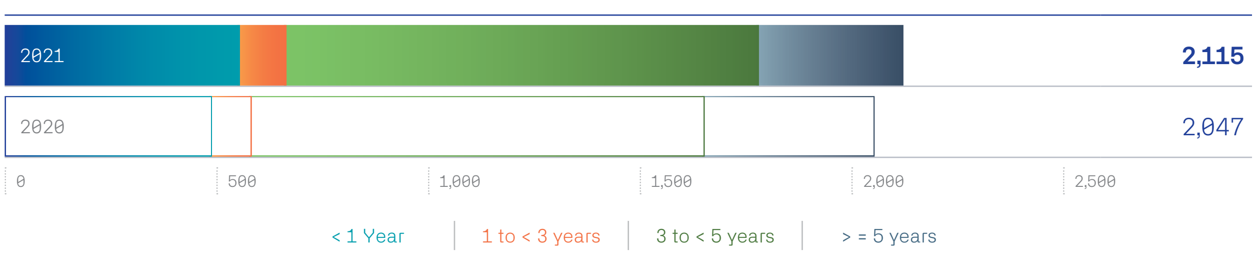
The Group's borrowings including lease obligations were higher at $2.1b as at 31 December 2021 (2020: $2.0b).

Apart from the lease obligations, the Group's borrowings comprised the US$750m 1.50% Medium Term Notes due in April 2025, USCP and short-term and long-term loans from banks.

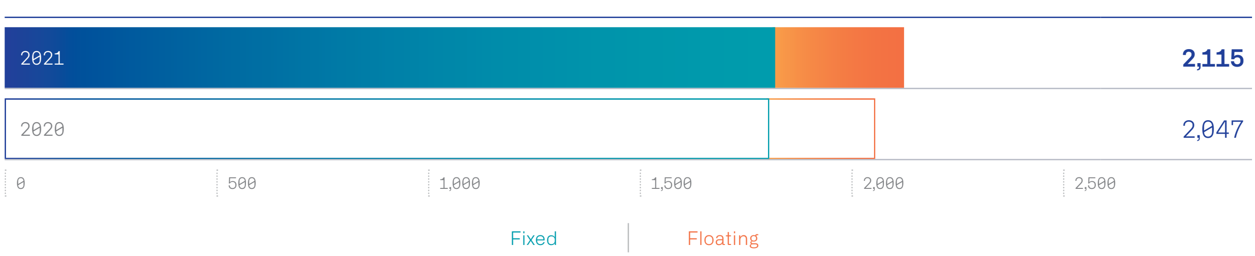
Gross debt/equity ratio and net debt/equity ratio in 2021 of 0.8 times and 0.5 times respectively were similar to 2020.

	2021	2020
Gross Debt ($m)	**2,115**	2,047
Gross Debt / Equity Ratio	**0.8**	0.8
Net Debt ($m)	**1,299**	1,317
Net Debt / Equity Ratio	**0.5**	0.5

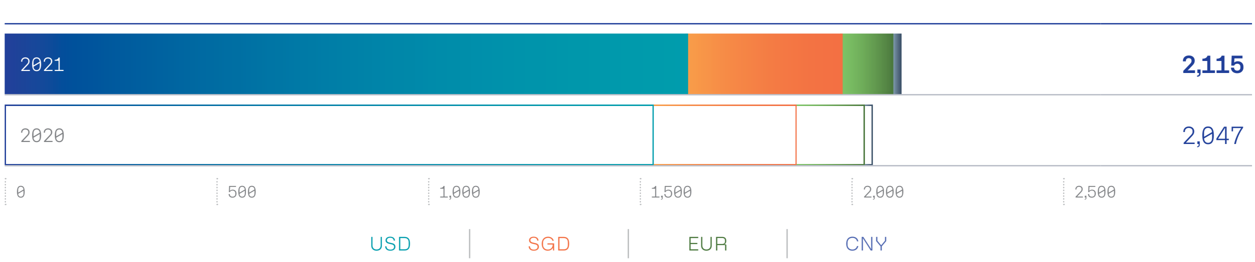
→ BORROWING PROFILE BY MATURITY ($m)



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



→ BORROWING PROFILE BY CURRENCY ($m)

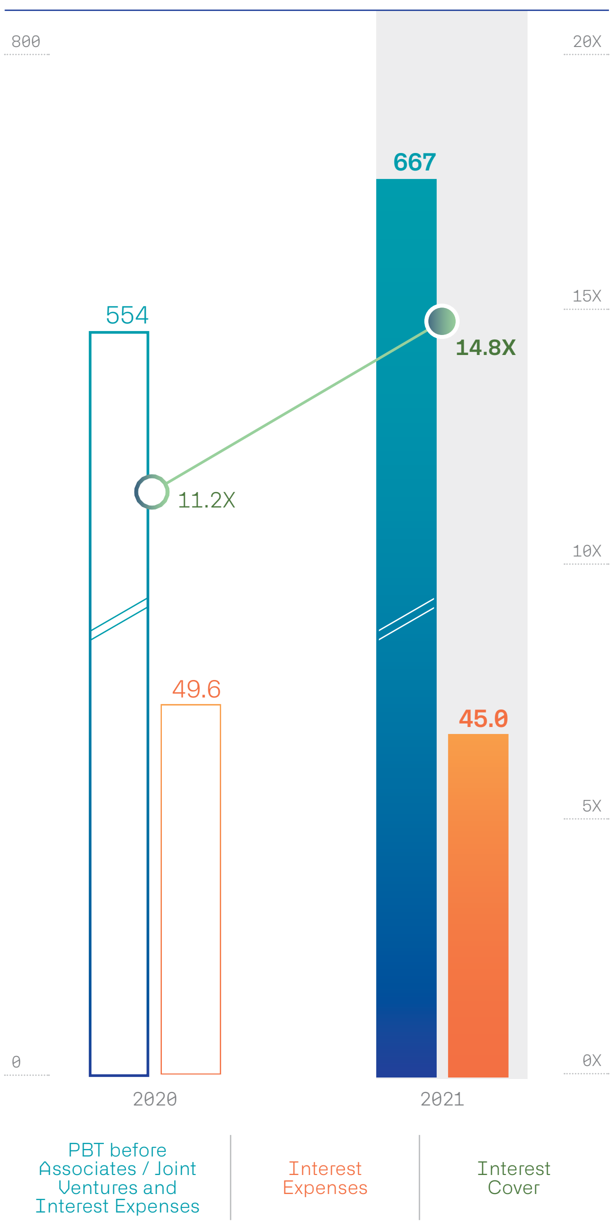


FINANCIAL REVIEW

INTEREST COVER RATIO

The Group's interest cover ratio increased to 14.8 times in FY2021 as compared to 11.2 times in FY2020. The higher interest cover was due mainly to higher profits as well as lower interest expense incurred in FY2021 from lower average borrowings and lower average interest rates.

→ **INTEREST COVER RATIO** ($m)



CASH FLOWS

In FY2021, the Group generated strong operating cash flow of $1,114m, used $414m and $615m in investing and financing activities respectively to end the year with cash and cash equivalents (CCE) of $816m.

Operating Activities

The Group generated cash of $1,114m from its operating activities in FY2021, in line with EBITDA of $1,072m. In FY2020, higher cash was generated from operating activities due largely to customer advances received.

Investing Activities

Net cash used in investing activities of $414m in FY2021 was attributable mainly to the Group's investment in property, plant and equipment ($312m) and additions to intangible assets ($117m).

Financing Activities

Net cash used in financing activities of $615m in FY2021 was mainly attributable to the payment of FY2020 final dividend and FY2021 interim dividend ($468m), repayment of lease obligations ($73m), net repayment of commercial papers ($54m) and interest paid ($34m), partially offset by net proceeds from bank loans ($97m).

TAX

The Group's effective tax rate for 2021 was 11% (2020: 2%). The higher effective tax rate was largely due to lower non-taxable government support received under the Jobs Support Scheme in Singapore.

FINANCIAL REVIEW

SIGNIFICANT ACCOUNTING POLICIES

The Group's financial statements 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 154 to 278).

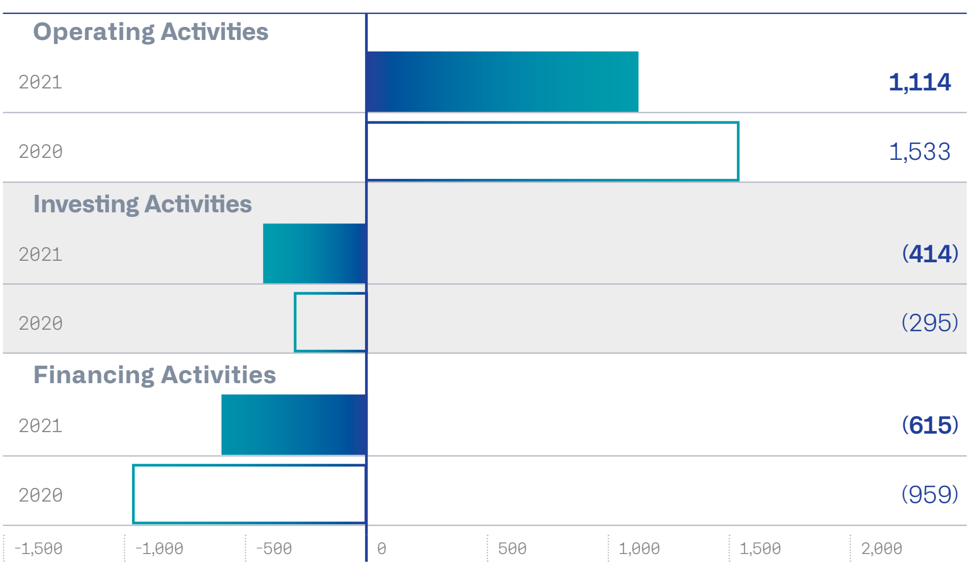
The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2020 except for the adoption of SFRS(I)s, amendments to and interpretations of SFRS(I) that are mandatory for financial year beginning on or after 1 January 2021. 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

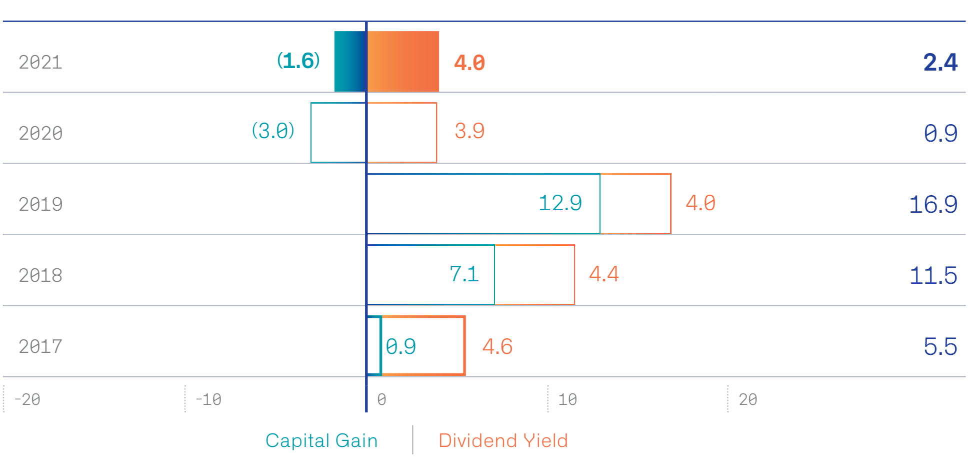
ST Engineering paid an interim ordinary dividend of 5.0 cents per share to shareholders in August 2021 and will recommend a final dividend of 10.0 cents per share to shareholders at the forthcoming Annual General Meeting. The total dividend per share (DPS) for 2021 would be 15.0 cents. Based on the average share price of $3.79, the DPS of 15.0 cents translates to a dividend yield of 4.0%.

ST Engineering's share price ended the year at $3.76, a 1.6% decrease y-o-y. With a dividend yield of 4.0%, ST Engineering generated a total positive shareholder return of 2.4%.

→ CASH FLOWS ($m)



→ TOTAL SHAREHOLDER RETURN (%)



FINANCIAL REVIEW

ECONOMIC VALUE ADDED (EVA)

The Group's FY2021 EVA attributable to shareholders of the Company of $313.0m was 9% or $26.6m higher than that of FY2020. The increase in EVA was mainly attributable to higher net operating profit after taxation, partially offset by higher capital charge.

EVA Statement	2021 ($m)	2020 ($m)
Profit before tax	**637.6**	534.4
Adjust for:		
Interest expense	**51.7**	57.4
Others	**(30.0)**	1.6
Adjusted profit before interest and tax	**659.3**	593.4
Cash operating taxes	**(81.8)**	(62.3)
Net operating profit after taxation - (a)	**577.4**	531.1
Average capital employed (Note 1)	**5,531.5**	5,519.0
WACC (Note 2) (%)	**5.0**	4.5
Capital charge	**(276.6)**	(248.4)
Adjustment to capital charge (Note 3)	**(12.0)**	(11.2)
Adjusted capital charge - (b)	**(288.6)**	(259.6)
EVA - [(a) - (b)]	**288.8**	271.5
Non-controlling interests' share of EVA	**24.2**	14.9
EVA attributable to shareholders of the Company	**313.0**	286.4

Note 1: Comprises monthly equity, interest bearing liabilities and others, including general provisions.

Major Capital Components:

	$m
Borrowings	**2,491.3**
Equity	**2,758.9**
Others	**281.4**
	5,531.5

Note 2: 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 1.52% (2020: 0.91%) based on yield-to-maturity of Singapore Government 10 years Bonds;
iii) Ungeared beta at 0.75 (2020: 0.72) based on observed betas of comparable companies; and
iv) Cost of debt at 2.23% (2020: 2.10%) based on actual interest rates of borrowings.

Note 3: Adjustment relates to deferred capital charge on some acquisitions.

FINANCIAL REVIEW

VALUE ADDED

The Group's total value added for FY2021 of $3,264m was 9% higher as compared to that of FY2020.

Value Added Statement	2021 ($m)	2021 %	2020 ($m)	2020 %
Value added from:				
Revenue earned	**7,692.9**		7,158.3	
Bought in materials and services	**(4,501.2)**		(4,180.5)	
	3,191.6		2,977.8	
Other income	**47.2**		5.1	
Finance income	**11.7**		9.2	
Finance costs (exclude interest expense)	**(2.7)**		(21.6)	
Share of results of associates and joint ventures, net of tax	**16.0**		30.4	
Total value added	**3,263.8**		3,000.9	
Distribution of total value added				
To employees in wages, salaries and benefits	**2,121.8**	65	1,941.5	65
To government in taxes and levies	**87.8**	3	30.4	1
To providers of capital on:				
• Interest paid on borrowings	**45.0**	1	49.6	2
• Dividends to shareholders	**467.9**	14	468.0	15
	2,722.5		2,489.5	
Balance retained in business				
Depreciation and amortisation	**398.1**		378.6	
Retained profits	**128.9**		103.4	
Non-controlling interests	**(3.6)**		3.8	
	523.4	16	485.8	16
Non-production costs	**17.9**	1	25.6	1
Total distribution	**3,263.8**	100	3,000.9	100

FINANCIAL REVIEW

5-Year Key Financial Data	2021	2020	2019	2018	2017
Income Statement ($m)					
Revenue	**7,693**	7,158	7,868	6,698	6,521
Profit					
EBIT	**673.6**	596.4	731.9	654.3	630.8
PBT	**637.6**	534.4	695.2	620.7	611.8
Net Profit	**570.5**	521.8	577.9	494.2	502.6
Balance Sheet ($m)					
Property, plant and equipment, and right-of-use assets	**2,352**	2,296	2,289	1,743	1,719
Intangible and other assets	**2,877**	2,686	2,622	1,753	1,707
Inventories	**1,261**	1,269	1,312	1,184	1,082
Trade receivables, contract assets, and advances and other receivables	**3,210**	2,982	2,845	2,477	2,166
Bank balances and other liquid funds and funds under management	**816**	731	453	416	1,350
Current liabilities	**4,680**	4,289	5,446	3,851	3,587
Non-current liabilities	**3,168**	3,100	1,584	1,187	1,941
Share capital	**896**	896	896	896	896
Treasury shares	**(33)**	(24)	(27)	(9)	(23)
Capital and other reserves	**2**	18	(37)	46	52
Retained earnings	**1,548**	1,402	1,390	1,313	1,290
Non-controlling interests	**255**	282	269	288	281
Financial Indicators					
Earnings per share (cents)	**18.30**	16.74	18.53	15.85	16.13
Net assets value per share (cents)	**77.49**	73.59	71.32	72.00	71.09
Return on sales (%)	**7.4**	7.3	7.5	7.7	8.1
Return on equity (%)	**23.6**	22.8	26.0	22.0	22.7
Return on capital employed (%)	**10.4**	9.6	12.3	13.6	12.7
Dividend					
Gross dividend per share (cents)	**15.0**	15.0	15.0	15.0	15.0
Dividend yield (%)	**4.0**	3.9	4.0	4.4	4.6
Dividend cover	**1.2**	1.1	1.2	1.1	1.1
Productivity Data					
Average staff strength (numbers)	**22,405**	23,103	22,494	21,418	21,541
Revenue per employee ($)	**343,355**	309,842	349,794	312,724	302,728
Net profit per employee ($)	**25,465**	22,588	25,693	23,076	23,334
Employment costs ($m)	**2,128.2**	1,948.1	2,291.7	1,999.1	1,944.6
Employment costs per $ of revenue ($)	**0.28**	0.27	0.29	0.30	0.30
Economic Value Added ($m)	**313.0**	286.4	317.0	306.0	303.8
Economic Value Added spread (%)	**5.2**	4.9	6.5	7.6	6.9
Economic Value Added per employee ($)	**13,972**	12,398	14,094	14,285	14,103
Value added per employee ($)	**145,673**	129,893	155,338	137,092	132,512
Value added per $ of employment costs ($)	**1.53**	1.54	1.52	1.47	1.47
Value added per $ of gross property, plant and equipment ($)	**0.75**	0.73	0.87	0.76	0.76
Value added per $ of revenue ($)	**0.42**	0.42	0.44	0.44	0.44

The Group adopted SFRS(I) 16 effective on 1 January 2019 and applied the modified retrospective approach with no restatement of comparative information.

FINANCIAL REVIEW

→ REVENUE ($b)

2021	**7.69**
2020	7.16
2019	7.87
2018	6.70
2017	6.52

$7.69b

→ PROFIT BEFORE TAX ($m)

2021	**637.6**
2020	534.4
2019	695.2
2018	620.7
2017	611.8

$637.6m

→ NET PROFIT ($m)

2021	**570.5**
2020	521.8
2019	577.9
2018	494.2
2017	502.6

$570.5m

→ ORDER BOOK ($b)

2021	**19.3**
2020	15.4
2019	15.3
2018	13.2
2017	13.4

$19.3b

INVESTOR RELATIONS

→ Over 60 institutional investors and sell-side analysts attended the Group's Investor Day in November.

In 2021, despite COVID-19 challenges, ST Engineering continued to proactively engage the global investment community through group and one-on-one meetings, conference calls, investor conferences and roadshows. We maintained strong links with sell-side analysts and continued to be well-covered by 14 analysts who issue regular reports. We monitor analyst, industry and media reports closely as part of our efforts to continuously improve disclosures and investor relations practices.

During the year, we held our half-yearly results briefings and market update briefings for the first and third quarters. In addition to financial performance, we regularly shared with the investment community how we were navigating the challenges posed by COVID-19, especially in the Commercial Aerospace as well as Urban Solutions & Satellite Communications business areas. We also shared more colour on our digital and cyber business and how it has grown in tandem with increasing demand for digitalisation due to the pandemic.

Apart from these quarterly sessions, we held an Investor Day in November to share our longer term growth strategy, with business leaders presenting and discussing our strategic focus areas and five-year plan (2022-2026). The Investor Day, attended in-person and virtually by over 60 investors and sell-side analysts, was an important engagement platform for us to reiterate and reassure that our management, while navigating disruption effectively, continues to focus on our long-term growth strategy. The Investor Day presentation materials were posted on SGXNet and continues to be available on our corporate website.

We also engaged proactively with the investment community after the announcement of our proposed acquisition of TransCore and conveyed how it provides strategic and financial benefits to the Group, as well as its minimal impact on our credit ratings and balance sheet.

ST Engineering goes beyond conveying a financial story, to cover ESG communications to meet investor expectations. In 2021, we engaged investors, ESG-related research and rating agencies to communicate the Group's sustainability framework, priorities and goals. Relevant functions and departments such as Sustainability, Human Resources and Risk & Assurance also participated in these exchanges. We value these exchanges as they help to sharpen our ESG disclosures.

Retail investors are an important stakeholder to us. We strongly encourage them to attend our annual general meetings and they are welcome to contact us directly via email or telephone. Our 24th Annual General Meeting (AGM) was held virtually in April due to COVID-19. Shareholders were encouraged to submit their questions ahead of the AGM and our responses were posted on SGXNet three days before the meeting. To cater to shareholders who did not submit their questions in advance or who had additional questions, we allowed time for 'live' Q&As at the meeting with many more questions posted, which the Board responded to candidly. We received several 'live' written messages at the meeting and emails from retail shareholders complimenting that the AGM was well organised and lively despite it being a virtual session.

Visit our **Investor Relations** webpage

INVESTOR RELATIONS

We adopted the same format for the Extraordinary General Meeting (EGM) that we called in December for shareholders to approve the acquisition of TransCore. Questions were submitted and our responses were posted on SGXNet and our corporate website two days prior to the closing date for the proxy form lodgment. We adopted real-time video conferencing and live chat to enable shareholders to raise questions and for our management to address them live at the EGM.

Read our Conduct of General Meetings in the **Corporate Governance Report**

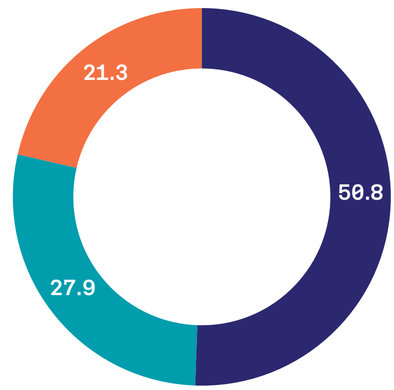
We maintain an updated corporate website that serves as the primary source of corporate information, financial data, sustainability as well as business updates and developments. A dedicated Investor Relations (IR) section contains a wealth of investor-related information including stock exchange announcements, investor presentations, financial results and annual reports, as well as information on Shareholder Meetings. Material information is posted on the IR section immediately after release to SGXNet to ensure fair, equal and prompt dissemination of information.

Our IR communication principles and mechanism of engagement are captured in our Investor Relations Policy, available in the 'Investor Relations' section of our website. We constantly review our level of disclosure to align with best practices, and to ensure that we provide information necessary for investors to make well-informed investment decisions.

SHAREHOLDER PROFILE

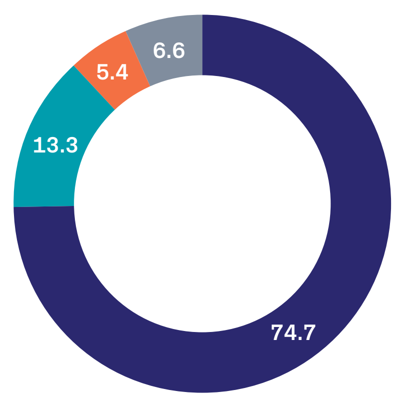
Temasek Holdings remains our largest shareholder with about 50.8% of total issued shares as at 31 December 2021. Another 28% was held by institutional shareholders and the remaining 21% held by retail shareholders. In terms of geographic distribution, Singapore shareholders held approximately 75%, followed by those in the U.S. (13%), UK (5%) and Europe and others (7%).

→ SHAREHOLDINGS BY TYPE[1] (%)



Temasek Holdings[2] | Institutional | Retail

→ SHAREHOLDINGS BY COUNTRY OF RESIDENCE[1] (%)



Singapore | U.S. | UK | Europe & Others

Notes

1 Shareholding profile was derived from analysis of ST Engineering's share register as at 31 December 2021.

2 Total shareholdings of Temasek Holdings and Vestal Investments as at 31 December 2021.

→ 2021 INVESTOR RELATIONS CALENDAR

1Q	2Q	3Q	4Q
• Annual management lunch with sell-side analysts • FY2020 results announcement and webcast • Post-results investor meetings	• 1Q2021 Market Update • 24th Annual General Meeting • Nomura Investment Forum Asia • SGX-Credit Suisse Singapore Corporate Day	• 1H2021 results announcement and webcast • Post-results investor meetings	• UOB Kay Hian Asian Gems Virtual Conference • 3Q2021 Market Update • Investor Day 2021 • Extraordinary General Meeting

Complemented by ongoing group and one-on-one IR meetings throughout the year

AWARDS

People Excellence

2021 Singapore 100 Women in Tech
→ By Singapore Computer Society, SG Women in Tech and Infocomm Media Development Authority
- Tan Lee Chew, President Commercial
- Chiang Yoke Fun, Senior Vice President, Head of Singapore Digital Business
- Dr Vrizlynn Thing, Senior Vice President, Head of Cybersecurity Strategic Technology Centre

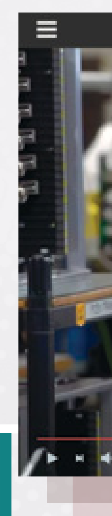
→ Han Meow Kwang received the prestigious Defence Technology Prize for his contributions in building up the indigenous capabilities for the design, development and production of the solid propellant rocket motor.

AMT Employer Diamond Award of Excellence
→ By U.S. Department of Transportation Federal Aviation Administration
- VT San Antonio Aerospace

Best Places to Work 2021 (Large Company)
→ By Washington Business Journal
- iDirect Government

Defence Technology Prize 2021 Individual (Engineering) Award Winner
→ By Ministry of Defence
- Han Meow Kwang, Head, Centre of Excellence at Land Systems

Top Five Most Attractive Engineering and Natural Science Employers in Singapore
→ By Universum



Business Excellence

Most Outstanding Company in Singapore (Industrials sector)
→ By Asiamoney

Most Profitable Company (Industrial Conglomerates sector)
→ By The Edge Singapore

Overall Sector Winner (Industrial Conglomerates sector)
→ By The Edge Singapore

Top Companies in Singapore 2021
→ By LinkedIn

Charity Platinum Award
→ By Community Chest

Total Defence Awards
→ By Ministry of Defence

Operations & Product Excellence

ASMI WSH Innovation Award (Silver & Bronze)
→ By Association of Singapore Marine Industries
- Marine

Defence Technology Prize 2021 Team (Engineering) Award Winner
→ By Ministry of Defence
- COVID-19 Command and Control (C2) Systems

Factory of the Future Award
→ By Agoria
- ST Engineering iDirect

Safety and Health Award Recognition for Projects
→ By Workplace Safety and Health Council and Ministry of Manpower
- Urban Solutions

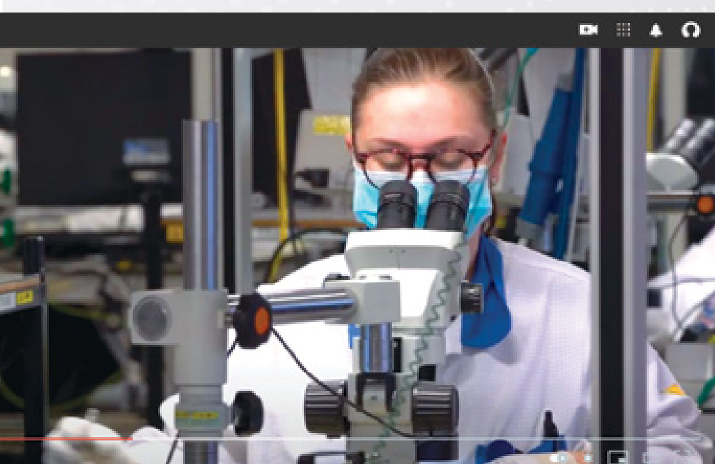
→ AIR⁺ was recognised for its distinctive brand identity and its ability to differentiate itself in a competitive market.

Singapore Good Design Award 2021 (SG Mark) – Branding
→ By Design Business Chamber Singapore
- AIR⁺ Reusable Mask

Top Mobile User Experience Innovation Award
→ By Mobile Satellite Users Association
- ST Engineering iDirect

WSH Innovation Award (Gold) 2021
→ By Singapore Manufacturing Federation
- Land Systems

WSH Innovation Award
→ By Workplace Safety and Health Council
- Land Systems



→ ST Engineering iDirect's Manufacturing Competence Center was awarded the Factory of the Future for its best-in-class, future-proof and sustainable manufacturing technologies and processes.

Learn more

Corporate Excellence & Resilience Award
→ By Singapore Corporate Awards 2021

ST Engineering Chairman, Kwa Chong Seng received the Corporate Excellence & Resilience Award from Ms Indranee Rajah, Minister, Prime Minister's Office and Second Minister for Finance and National Development at the Singapore Corporate Awards ceremony. →

(Photo: The Singapore Corporate Awards)

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 setting the Group's strategic direction.

We remain steadfast in positively impacting people's lives and the health of our planet by operating responsibly in our communities and the wider global ecosystem. We create value by addressing real-world problems, including those related to climate change, urbanisation and pandemics. We harness technology and innovation to enable a more secure and sustainable world.

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 sustainable and long-term success of the Group.

Responsible Global Citizen

Doing Our Part
Building Trust & Managing Risks

Enabler of a Sustainable World

Enabling Our Customers
Growing with Partners & Seizing Opportunities

Read our ST Engineering Sustainability Report

GROUP PRESIDENT & CEO MESSAGE

Dear shareholders,

ST Engineering is committed to sustainability.

2021 has been an eventful year for our sustainability journey, as we stepped up to decarbonise and better organise ourselves for sustainability across the Group.

Our efforts include:

- Setting a target to halve our absolute greenhouse gas (GHG) emissions by 2030 compared to 2010, as we continue our journey alongside global efforts towards net zero;
- Integrating sustainability considerations into our latest five-year business plans;
- Launching Group-wide Eco-Initiatives to further increase eco-consciousness in our workplaces and align our work habits and culture;
- Being accepted as a signatory of the UN Global Compact (UNGC) and committing to its 10 principles in the areas of Human Rights, Labour, Environment and Anti-Corruption;
- Launching a new innovation platform - In.Vent - as a pathway for the Group to build new ventures, with a strong emphasis on business and sustainability impact; and
- Incorporating Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) reporting elements in our Sustainability Report.

OUR APPROACH

We aim to positively impact people's lives and the health of our planet by being a responsible global citizen. We do this by harnessing technology and innovation to address real-world problems. We also incorporate ESG practices into our businesses globally.

DOING OUR PART

We continue to reduce our impact on the environment, bring value to our people and maintain a high standard of governance practices. These actions build trust and credibility with our wide range of stakeholders.

We increased the number of buildings with solar photovoltaic (PV) systems to 39 in our Singapore operations. In the spirit of the circular economy, we provided over 1,000 decommissioned laptops to be refurbished for school children from families in need, to help in their home-based education. We contributed $2.8m in our philanthropic efforts and community investments. This is to encourage volunteerism among our employees and positively impact our communities. We significantly enhanced our policies for export control and intermediaries and strengthened our governance processes and disclosures.

ENABLING OUR CUSTOMERS

We are committed to enabling a sustainable world through our products and solutions.

Our aerospace products and conversion solutions significantly extend the life of aircraft. Our first floating power plant enables a reduction in emissions. Our suite of Smart City solutions helps cities reduce energy consumption and traffic congestion.

A PURPOSE-DRIVEN GROUP

ST Engineering will continue to harness technology and innovation to enable a more secure and sustainable world. Our focus is on long-term resilience and sustainable value creation for all our stakeholders – customers, employees, communities, shareholders, regulators and suppliers.

Sincerely,

→ **VINCENT CHONG**
Group President & CEO

28 February 2022

Sustainability Highlights

→ GHG Emissions

30%

reduction in absolute GHG emissions over 2010 base year

→ Green Energy

8%

of electricity consumption from Singapore operations derived from solar PV systems on 39 buildings

→ Economic Contributions

$7.2b

by the Group

→ Corporate Community Contributions

$2.8m

worth of community contributions by the Group and employees

→ People Managers

15%

of male employees are people managers

14%

of female employees are people managers

→ Continuous Improvement

$23.5m

of realised productivity savings from continuous improvement programmes

→ Average Training Hours

21 hours

per employee

→ Safety Culture

112

workplace safety and health activities to promote a safety culture

→ Bribery and Corruption

Zero

cases

SUSTAINABILITY

SUSTAINABILITY FRAMEWORK

ST Engineering believes that creating sustainable value for our stakeholders is essential to the Group's success. Our business processes reflect long-term and multi-stakeholder considerations, balancing customers' needs today with longer-term developments. We strive to offer products and solutions that enable our customers to operate sustainably.

We are equally committed to conducting our business responsibly. As a responsible military technology manufacturer, we do not design, produce or sell anti-personnel mines, cluster munitions and white phosphorous munitions or any of their related key components.

OUR STAKEHOLDERS

- Customers
- Employees & Other Workers
- Local Communities
- Suppliers & Collaborators
- Shareholders & Investors
- Regulators & Governments

SUSTAINABILITY GOVERNANCE

The Board of Directors is collectively responsible for ST Engineering's long-term success. The Board provides strategic direction and considers sustainability issues, including the management of material ESG factors when formulating the Group's strategies and policies.

The Risk and Sustainability Committee (RSC) oversees risk, internal controls and sustainability matters. The RSC also reviews and approves the risk and sustainability workplan.

The Group Executive Committee (EXCO) is accountable to the Board for the implementation of these strategies and directions. The Group Chief Strategy & Sustainability Officer ensures that sustainability forms a core part of our business strategy, and that ESG considerations are integrated into our business strategies and plans.

We continue our journey to adapt and embed good sustainability practices. We do so progressively and systematically with strong leadership involvement and ownership, to ensure that managers and employees build a culture of sustainability.

Ultimate Accountability

Board of Directors

↓

Oversight on behalf of the Board

Risk and Sustainability Committee

↓

Leadership

Group Executive Committee

↓

Direction & Execution

Business Areas | **Group Functions**

↕ Coordination ↕

Technology & Innovation | **Operational Excellence** | **Sustainability**

Read our
ST Engineering Sustainability Report
page 06

SUSTAINABILITY

MATERIAL ESG FACTORS

	Why it is Material
ENVIRONMENT	**Environmental Protection** Climate change is an issue of urgency and importance. A low carbon business strategy is not only good for the environment, but also enables us to better respond to climate change related regulations and price volatilities of hydrocarbon resources.
	Productivity Staying lean, efficient and effective in our systems and process, optimises the use of our resources and is fundamental to maintaining our competitive edge.
	Green Products & Services Cities and organisations around the world are looking to minimise their carbon footprint while reducing operating costs.
SOCIAL	**People Excellence** 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.
	Total Workplace Safety & Health We are committed to "Safety Before Profit". A safe and healthy workplace protects workers from injury, stress and illness, and also reduces absenteeism and turnover. It also increases productivity and raises employee morale. This duty of care extends to our visitors and contractors working within our premises.
	Quality Products & Services Customers rely on us to meet their operational needs. Our products must be compliant with all relevant regulations and be safe to produce, operate and maintain. It must also be reliable over the product's lifecycle. In addition, our services must meet our customers' requirements and be delivered at the promised quality and within the committed turnaround time.
	Responsible Procurement We depend on a resilient and sustainable supply of goods and services to meet our business needs. We are committed to managing our suppliers ethically and working with them to ensure a responsible supply chain.
	Economic Performance 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, Profit."
	Corporate Community Contributions We are committed to being a good corporate citizen in the places where we operate. Making a positive impact in our host communities is aligned with our core value of compassion.
GOVERNANCE	**Ethical Business & Regulatory Compliance** We comply with applicable laws and regulations in the jurisdictions where we operate. We have zero tolerance for fraud and corrupt practices. In addition, we actively protect our data and those entrusted to us by our stakeholders.

SUSTAINABILITY

How We Manage It	UN SDGs
Environmental efforts are coordinated by the Environment Committee. All our material business units in Singapore are certified ISO 14001 Environmental Management Systems. Our global operations abide by relevant environmental regulations and requirements. Productivity efforts are coordinated by the Continuous Improvement Committee. Initiatives such as Kaizen, quality action teams and value innovation teams are embedded into day-to-day operations. We empower employees to identify and eliminate waste and also recognise exemplary contributions. 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 into responsible production and through-life support. Through these efforts, we are able to empower and enable our customers to become more sustainable.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
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, a fair reward system, work-life integration and harmonious union relations. Workplace safety and health efforts are coordinated by the Workplace Safety & Health Committee. All our material business units in Singapore are certified ISO 45001 Occupational Health and Safety Management Systems. Our global operations abide by relevant workplace safety regulations and requirements. Our quality efforts are coordinated by the Quality Committee. The majority of our operations are certified ISO 9001 Quality Management Systems or equivalent. We design, manufacture and service our products in accordance with industry standards and meet all regulatory requirements. In addition, we actively work with our suppliers and collaborators to ensure that we provide high quality bought-in parts and services. We also regularly seek feedback from our customers to continuously improve our products and services. Our procurement community champions the effective management of our suppliers to align business behaviours, drive greater efficiencies, streamline processes and build greater resilience. We work with our suppliers to embed responsible procurement principles into our processes. Our strategic planning community reviews the Group's strategy in the context of global trends and developments. Our operations and support function teams focus on operational excellence to ensure that we continue to add value to our stakeholders and impact our communities in a positive manner. Corporate community contributions are coordinated by the Corporate Social Responsibility Committee. We measure, report and communicate our corporate community investments and philanthropy efforts.	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
The Risk & Assurance function oversees matters relating to governance, risk and compliance. It has put in place a regulatory compliance framework to continually train our global workforce on our Code of Business Conduct and Ethics. The department also works with relevant functions and operations to strengthen compliance.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SUSTAINABILITY

CLIMATE CHANGE

The effects of climate change have become increasingly pronounced. ST Engineering is aligned with our stakeholders' efforts to act responsibly and combat climate change. This includes implementing TCFD recommendations. In 2021, we joined the Singapore Low Carbon Network (SLCN) as an inaugural member. The SLCN aims to advance the sharing of best practices and insights on key carbon measurement and decarbonisation topics.

Governance

The Board provides oversight on all sustainability matters, including climate-related risks and opportunities. Briefing sessions on climate-related topics are conducted periodically for the Board, while detailed discussions on actions to be taken, are carried out by the Board's Risk and Sustainability Committee.

The EXCO is accountable to the Board for the implementation of these climate-related strategies and directions. Business leaders at all levels are responsible for addressing the risks and opportunities in their respective business areas. Plans and actions needed are discussed at various management fora and incorporated into the strategic planning and annual budgeting processes.

The Group Chief Strategy & Sustainability Officer assists the EXCO in ensuring that the impact of climate change is taken into consideration in all business strategies and plans. Various committees, working groups and focus teams across the Group and its business areas support the execution of these plans. In particular, the Operational Excellence Steering Committee (OESC), comprising the global operations leaders across all our business areas, is a key platform for integrating and executing these efforts.

Strategy

We identify sustainability-related risks and opportunities as part of our annual five-year strategic plan review. This is discussed and endorsed by the Board's Strategy and Finance Committee, and forms the foundation for initiatives relating to climate change in subsequent years.

Risk Management

A preliminary Physical Climate Risk Assessment was carried out for our major operating sites across the world in 2021. An in-depth climate risk assessment for key vulnerable locations will follow in 2022. We will also be examining our transition risks as we move into low carbon products and operational processes, including more detailed studies on the supply chains of our business areas.

Metrics & Targets

We have identified relevant climate-related metrics and targets, and these are elaborated under the respective material ESG factors in this report.

SUSTAINABILITY

HUMAN RIGHTS

We are committed to conducting our business in a responsible manner. We adhere to labour laws and regulations where 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 prohibit discrimination and harassment at our workplaces. We are committed to safe and healthy working conditions and the dignity of the individual. We support the right to freedom of association and encourage effective communication and consultation.

Our commitments are guided by international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights. These principles of respecting people's dignity and their inherent rights are reflected in our policies, operations and relationships with our stakeholders.

Read our **Code of Business Conduct and Ethics**

Read our **Vendor Code of Conduct**

Suppliers

We expect our supply chain partners to adhere to business principles consistent with our own, as outlined in our Vendor Code of Conduct. This includes the fair and ethical treatment of labour within their own companies, as well as that of their suppliers.

Customers

We offer products and services that generate a positive impact for our customers as well as the communities they serve. This includes improvements in quality of life, health, safety and security.

Employees

All our workers are required to adhere to honest and ethical conduct and act in accordance to our Code of Business Conduct and Ethics. This includes treating each other with respect, and abiding by our core values of Integrity, Value Creation, Courage, Commitment and Compassion.

UNITED NATIONS GLOBAL COMPACT

ST Engineering is a signatory of the UNGC, supports its Ten Principles and is committed to advance the broader goals of the United Nations Sustainable Development Goals (UN SDGs).

Learn more about our efforts to implement UNGC principles in the **Sustainability Report** page 07

We affirm our support of all 17 UN SDGs and have identified six goals where the Group has more contributions in terms of our internal practices, and the products and services we offer to our customers.

Read more about our commitments in the **Sustainability Report** pages 07 & 08

Read more about our our contributions to the UN SDGs in the **Sustainability Report** page 08

SUSTAINABILITY
→ Environment

ENVIRONMENTAL PROTECTION

WHAT WE ACHIEVED IN 2021

- → Set a new GHG emissions target for our global operations: 50% absolute reduction by 2030, compared with 2010
- → Expanded data reporting to include U.S. and Europe operations

→ We recognise the impact of climate change and the importance of addressing it. We believe in conserving resources and conducting our operations more efficiently to minimise GHG emissions and reduce pollution and waste.

GHG EMISSIONS, RENEWABLES AND ENERGY EFFICIENCY

In 2021, the Group achieved a 30% absolute reduction of GHG emissions with 2010 as the base year. This translated to a 46% reduction in intensity. While there was a slight increase in emissions as operations recovered from 2020 the Group is still on track to achieve the target of a 50% absolute reduction by 2030.

Our Singapore operations consolidated their efforts into a single GHG emissions assurance statement. Our GHG emissions were verified in accordance with ISO 14064-1:2006 Greenhouse Gases. In 2022, we plan for the external assurance process to be aligned with ISO 14064-1:2018.

We continued our roll out of solar PV systems across our global operations to increase the proportion of renewables in our energy mix. We added about 44,000m^2 of solar panels in Singapore, bringing the total to 110,000m^2. This increased the number of buildings with solar panels deployed to 39, compared with 24 in 2020.

In our Singapore operations, the solar PV systems generated 8% of the total electricity used. This was the same proportion as in 2020, as our businesses ramped up from a lower production rate.

Our business units in Singapore initiated the use of electric vehicles with a pilot of eight vehicles and two charging stations. We intend to replace the current fleet of internal combustion engine vehicles in phases over the next few years.

WATER CONSUMPTION AND CONSERVATION

In 2021, our water consumption intensity decreased by 15% compared to the intensity in our 2015 base year.

We introduced initiatives including a water harvesting pilot where we collected and reused rain water for aircraft washing at our hangars, and stepped up communication efforts to heighten awareness and shape behaviour towards water conservation.

WASTE MANAGEMENT AND RECYCLING

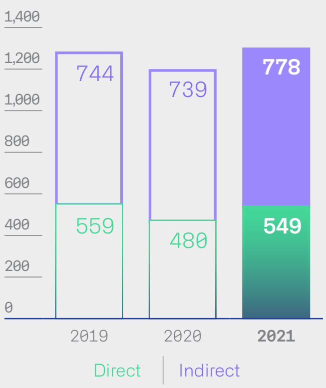
In 2021, our Singapore operations recycled 78% of 5,900 tonnes of waste generated. The recyclables included metal, wood, batteries and paper products.

We had no significant fines or non-monetary sanctions related to environmental issues in 2021.

SUSTAINABILITY
→ Environment

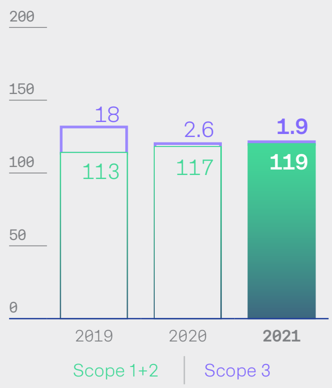
→ ENERGY CONSUMPTION

Consumption ('000GJ)



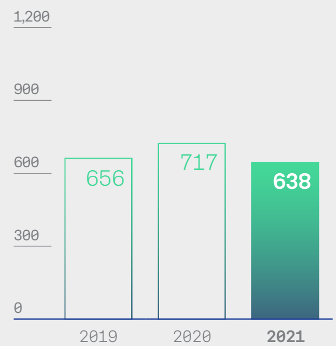
→ GHG EMISSIONS

Emissions ('000tCO_2e)

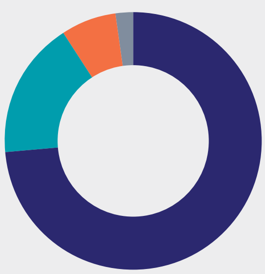


→ WATER CONSUMPTION[1]

Consumption ('000m³)



→ WASTE RECYCLED[1]



	(%)
Metal	73
Wood	18
Batteries	7
Paper	2

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 2021 figures have been internally verified.

We launched the Group-wide Eco-Initiatives involving business units across our global operations, with a focus on three stewardship attitudes and actions – Conserve, BYO and Recycle.

Find out more about our eco-initiatives in our **Sustainability report** page 19

KEY GOALS FOR 2022

→ Continue to reduce absolute GHG emissions and expand initiatives globally, especially in renewable energy use

→ Continue to reduce waste generation from operations and maintain waste recycling at 50% or better

SUSTAINABILITY

→ Environment

PRODUCTIVITY

WHAT WE ACHIEVED IN 2021

- → Achieved $23.5m of realised productivity savings from continuous improvement programmes
- → Rolled out continuous improvement programmes to business units in the U.S. and Europe

→ Harnessing technology and innovation to improve our processes and promoting skills upgrading are key drivers of the Group's productivity drive. By optimising resource efficiency, we minimise our environmental footprint.

Continuous Improvement (CI) is at the heart of our engineering heritage. Over the years, our CI initiatives have enabled us to work smarter and more efficiently.

Our budgeting tool allows for seamless collaboration across business functions while improving data accuracy and visibility. We introduced 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.

In addition, we recognise the importance of upskilling our staff through CI training. While 5S, Kaizen and Root Cause Analysis are key tools used to improve work processes, we continue to grow our library of e-learning modules to ensure our staff are well trained on topics including problem-solving tools such as Value Stream Mapping (VSM) and Lean Management.

The Group achieved realised productivity savings of $23.5m from continuous improvement projects. This does not include realised savings from the Group's Central Procurement initiatives, which saved another $85.2m. We achieved a value added per employment cost of 1.53 for our global operations.

In 2021, four additional continuous improvement e-learning courses were deployed. Consolidating all e-learning courses into a single platform has improved their accessibility and usability.

Fifteen teams participated in the first ST Engineering Best-of-Best CI Award and showcased their accomplishments in value creation and productivity enhancements through the creative use of technology, innovation and CI tools. Cash prizes and sponsorships for a CI benchmark tour to share best practices with other business units were given to the winning team to recognise and leverage their achievements.

We set up a Group Continuous Improvement and Innovation framework which focuses on CI across our businesses. Our business units welcomed the introduction of this framework and are committed to promote CI culture across our global operations.

SUSTAINABILITY

→ Environment

Additive Manufacturing

We leveraged Additive Manufacturing (AM) to produce design-optimised parts for our customers within a more sustainable manufacturing ecosystem. AM effectively enables low-quantity, high-mix production, allowing us to produce near-to-shape products on demand and at locations close to our customers. This helps to greatly reduce waste, transport time and costs, enabling a leaner and more efficient supply chain. ST Engineering's AM Community of Practice continues to promote adoption of AM across the Group.

Read more about Additive Manufacturing

iMaP Automation

The iMaP (Intelligent Mapping and Profiling) machine deployed at our Aerospace Engines workshop helps reduce engine vibrations in flight. It does this by automating engine blade weighing, profile measurement, part number capture, and blade sorting and distribution. Data collected is used for further analysis including compressor and turbine efficiency and vibration analysis. iMaP automation has enabled estimated savings of more than 2,000 manhours annually for CFM56-5B & 7B engine MRO.

Value Stream Mapping

VSM is an example of a Group CI tool. It helps define, analyse and optimise information and material flow throughout a given process. VSM also provides an overview of constraints and delays in a process, allowing the relevant stakeholders to investigate, as well as identify areas for improvement and correction in a timely manner.

KEY GOALS FOR 2022

- → Increase year-on-year planned productivity savings by 5%
- → Drive and intensify CI activities through the newly established Group CI office

SUSTAINABILITY
→ Environment

GREEN PRODUCTS & SERVICES

WHAT WE ACHIEVED IN 2021

- → Enhanced tracking of R&D investments in green products and services across our global business units
- → Increased group-wide emphasis on sustainability considerations in the design and development of products and services

→ We are committed to delivering products, services and solutions that enable our customers including airlines, aerospace OEMs, cities, government organisations and the maritime ecosystem on their sustainability journeys.

Our products, services and solutions focus on three key themes:

REDUCE GHG EMISSIONS

We reduce emissions by saving fuel, reducing waste, minimising road congestion, boosting energy efficiency and accelerating digitalisation.

- Congestion Management Systems (inc. Smart Junctions)
- Training & Simulation Systems
- Eco-efficient Ship Designs and Systems
- MRO of Aircraft, Ships and Vehicles
- Eco-friendly Aircraft Engine Wash Solutions
- Low-energy Cooling Systems

SOLVE URBAN AND CITY ISSUES

In our Smart City deployments, our IoT-based connected solutions optimise operational efficiency, improve energy savings and deliver long lasting utility services to city residents. We also develop and deploy sustainable hybrid and electric transportation solutions.

- Rail Solutions
- Smart Street Lighting
- Fleet Management Systems
- Electric & Autonomous Vehicles
- Respiratory Protection Products
- Command, Control & Communications (inc. in hospitals, emergency dispatch)
- Cybersecurity for Critical Infrastructure

CIRCULAR ECONOMY

Our aircraft and ship conversions allow us to repurpose and reuse – saving resources, time and costs. Our MRO operations extend the life of capital assets, whether aircraft, vehicles or ships. We also design, build, operate and maintain sustainable waste management and waste-to-energy facilities that support eco-friendly waste disposal, management and waste water recycling.

- Integrated Waste and Water Treatment Solutions
- Passenger-to-Freighter Conversions
- Ship Conversions
- Environmental Solutions and Recycling

KEY GOALS FOR 2022

- → Explore sustainability-related technologies including those that potentially enable new business verticals
- → Continue to quantify the environmental impact of our products and solutions to our customers

SUSTAINABILITY
→ Social

PEOPLE EXCELLENCE

WHAT WE ACHIEVED IN 2021

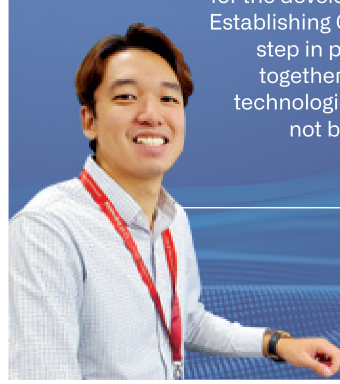
- → Expanded and deepened the global footprint of our people practices
- → Strengthened learning and development framework, accelerated workforce digitalisation and deepened our engineering, technology and innovation capabilities

→ People remain the cornerstone of our business. We are committed to investing in people development and building a steady pipeline of Science, Technology, Engineering and Mathematics (STEM) talent to help us achieve our aspiration of becoming a global technology, defence and engineering powerhouse.

Enhancing Capability and Capacity for Growth

Rapid technological advancements and shifting customer demands are catalysing disruptive business models. Our success lies in the continuous development of our technology and engineering core and empowering our workforce with knowledge and skills in this new economy.

The Group Engineering Centre (GEC) formed in 2021 focuses on translating current technologies into products and solutions. The Group Technology Office (GTO) drives the development of emerging and long-term technologies across the Group to generate impactful returns. GEC and GTO create a conducive ecosystem for our engineering teams to collaborate across domains and exchange product and solution ideas. This enables the Group to deepen our technology and engineering core while establishing structured professional development pathways for our engineers.



ST Engineering owns a diverse set of engineering capabilities. This multi-disciplinary portfolio is enabled by core competencies which also allow for the development of adjacencies. Establishing GEC and GTO is a great step in pooling group resources together to build platforms and technologies at a scale that might not be possible in individual business units.

Kan Zi Yang
Principal Software Engineer,
Group Engineering Centre

→ Fok Kar Wai, Assistant Principal Engineer from GTO shared insights on autonomous system security and IoT security applications at the Group's Technology Seminar.

Over 400 engineers across the Group attended our inaugural Technology Seminar in September where industry experts and experienced colleagues were invited to share their learnings on trending technologies.

Read more about our **Technology and Innovation** showcase

I was an Engineering Services Engineer in Singapore before I moved to our office in Sweden. In Sweden, we explore different operational workflows to drive more synergistic outcomes and deliver the best possible services to our customers. 2022 will be an exciting year and I look forward to applying and adapting the practices and skills I acquired in Singapore!

Jonathan Lim
Assistant Principal Engineer, Commercial Aerospace

My experience in the Group's Marine Environmental Engineering team was fulfilling, knowing that our work contributes to Singapore's clean water and energy. I believe sustainability transcends environmental protection, hence I am truly excited to embark on my next stint in our Group Strategy and Sustainability Office to contribute to realising ST Engineering's sustainability agenda and strategies.

Nerissa Tay
Assistant Manager, Group Strategy & Sustainability Office

It is both a personal and professional goal of mine to keep learning. ST Engineering offers LinkedIn Learning to employees and those recommended courses helped me gain much-needed technical skills and grow into a more thoughtful, well-rounded leader. It can be easy to only focus on daily tasks, meetings and deadlines, but investing in my personal and professional development has helped myself and my contributions to the team immensely.

Kaitlin Krejcik
MRB/Repairs Liaison Engineer, Commercial Aerospace

ST Engineering also collaborated with local educational institutions and approved Continuing Education and Training centres to train our engineers and technicians in new economy skill areas such as robotics, automation and design thinking. We launched the In.Vent venture building initiative to catalyze an innovative culture for business creation. We also offer personalised, bite-sized and on-demand learning opportunities to employees group-wide. More than 6,000 employees have been actively utilising these digital learning opportunities to build up their understanding in topics including data science, digital marketing and agile project management.

As part of career development and succession planning, we encourage structured rotations within and across our businesses globally. We partner with Singapore Economic Development Board to offer employees international postings under our Global Leaders Development Programme.

To build a talent pipeline, our outreach programme includes a partnership with Enterprise Singapore and a SG United Traineeships Programme to offer internships in our Group.

Strengthening a Passionate and Engaged Workforce

In 2021, we continued to enhance our policies and realign work processes to support our employees. Several initiatives were rolled out focusing on three main pillars of wellbeing – physical, emotional and social.

The ST Engineering MOVEment demonstrates that employee wellbeing is our top priority. The MOVEment rallied employees to make health a focus through regular exercise while raising funds for charity. This four-week campaign garnered the participation of over 3,300 employees, who completed more than 360,000km collectively by running, walking and cycling. Sharing experiences outside of work helped to increase team bonding and sparked spontaneous interactions across the Group, drawing employees closer as they motivated one another to "move more together".

ST Engineering MOVEment raised $398,000 for President's Challenge 2021
Read more

SUSTAINABILITY
→ Social

Other initiatives rolled out throughout the year included a series of webinars, workshops and virtual sharing sessions. Guest speakers and senior business leaders were invited to these sharing sessions to speak on health and wellness, and exchange knowledge on career planning, networking, influencing and leadership. In these extraordinary times, we acknowledge that it is critical that we build and strengthen our employees' mental resilience to enable everyone to cope and get through the crisis. To promote this, we organised several activities such as a virtual talk on mental wellness and SkillsFuture advice through our ST Engineering Staff Union.

We donated over **1,000** decommissioned laptops to **Engineering Good**
Read more

Women@ST Engineering supports our diversity and inclusion efforts as we engage our female employees within the organisation. Aligning to our global agenda of advancing women in STEM, we rolled out upskilling and reskilling programmes to attract, retain and develop female talent in various disciplines. Our senior executive co-sponsor for the Women@ST Engineering Committee, Tan Lee Chew and two of our business leaders, Chiang Yoke Fun and Dr Vrizlynn Thing were honoured in the 2021 Singapore 100 Women in Tech list, which features female role models for the multi-faceted roles they play in influencing Singapore's business, workplace and community in the tech industry.

Organised by the Women@ST Engineering Committee and inaugurated by the President of the Republic of Singapore, Halimah Yacob, the Women Support Group is a key women's empowerment initiative launched in 2021. It is aimed at promoting social, emotional and mental resilience among female employees, and serves as a platform to engage and connect.

Learn more about our **Women Support Group**

I am excited that technology is increasingly multidisciplinary and is a key enabler to building stronger economies. We celebrate all women who are inspiring their communities and making significant contributions to the tech industry. As a leader, I believe in steering this agenda and creating opportunities for women in tech to confidently step forward and drive business success.

Tan Lee Chew
President Commercial

I have a mantra for myself, 'never stop learning'. Seize opportunities to grow, learn and keep up with changing technology trends in our fast-paced world. Keep an open mind, be genuine and don't be intimidated when taking up new opportunities. It's ok to make a mistake as long as you learn from it and grow. Keep trying.

Chiang Yoke Fun
Senior Vice President, Head of Singapore Digital Business

By sharing success stories with young women, we can prove how careers in STEM can be amazingly rewarding for anyone with curiosity and passion.

Dr. Vrizlynn Thing
Senior Vice President, Head of Cybersecurity Strategic Technology Centre

Being at the Forefront of People Practices

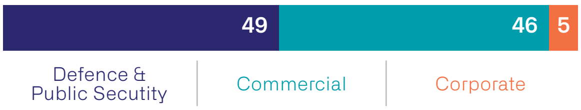
ST Engineering constantly seeks to innovate and enhance our policies to create a more rewarding career for our employees. We have won people excellence awards in and outside Singapore, including the recognition of ST Engineering as one of the Top Five most attractive employers in Singapore by Engineering and Natural Science students. As a Group, we continue to invest in technology and innovation, optimising processes and operations to create a better overall working environment and experience.

For more details, go to **Awards** section

SUSTAINABILITY
→ Social

→ EMPLOYEES[1] (%)

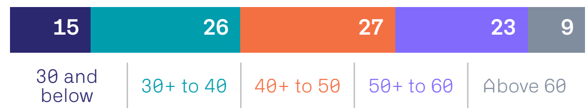
By Clusters



By Geography

By Qualification

By Age Group



→ WORKFORCE PROFILE

Male 79% | Female 21%

Employees

Male 85% | Female 15%

Supervised Workers[2]

→ AVERAGE TRAINING PER EMPLOYEE[3]

21 hours

Male 24 hours | Female 11 hours

→ TURNOVER RATE[3]

14%

Male 14% | Female 14%

→ PEOPLE MANAGERS[3]

15%
of male employees are people managers

14%
of female employees are people managers

[1] Based on the Group's 2021 annual average staff strength of 22,405.
[2] 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.
[3] Based on the total employee population of each gender.

KEY GOALS FOR 2022

- → Renew capabilities and build capacity for sustainable growth
- → Build a high-performing, engaged and global-ready workforce
- → Strengthen people practices to enable an agile and global HR organisation

SUSTAINABILITY
→ Social

TOTAL WORKPLACE SAFETY & HEALTH

WHAT WE ACHIEVED IN 2021

- → Reviewed and aligned our safety performance indicators
- → Safeguarded staff wellness through the engagement of the Workplace Safety and Health Council for mental health and mental wellness

→ We regard safety and wellness as paramount to our everyday work. Above and beyond legal requirements, we do our best to prevent occupational injuries and illnesses. We also strive to promote a healthy and balanced lifestyle among our staff.

As part of its 2021 workplan, the Workplace Safety & Health (WSH) Committee reviewed and aligned our safety performance indicators. This included adopting ISO 45001 Occupational Health and Safety Management Systems revising our WSH indicators, carrying out a group-wide WSH promotion and campaign, enhancing WSH digital platforms (e.g. injury reporting, hazard reporting) and emphasising mental wellbeing at our workplaces.

In Singapore, the Group partnered the Workplace Safety and Health Council (WSHC) to offer health and safety workshops including health screening and coaching, infectious disease control and mental health.

To ensure we remain compliant with relevant statutory and regulatory requirements, the Group continues to use control self-assessment and audit processes as part of our enterprise risk management initiatives.

SAFETY PERFORMANCE

The Accident Frequency Rate (AFR) and Accident Severity Rate (ASR) in 2021 were 1.1 and 22.0 respectively. The AFR of our global operations increased from 0.8 to 1.1, and the corresponding ASR increased from 17.2 to 22.0. One of the key factors that contributed to our slip in performance was due to human error in complying with safety procedures. This is likely attributed to prolonged periods away from the workplace during the pandemic.

In 2021, the two most frequent causes of injuries were cuts/stabbed by objects and being struck by objects. They accounted for 28% of all cases. Key mitigating measures are being adopted through continuous WSH education, assessments and surveillance activities within the group. They include cross sharing of best practices with our global operations, reviewing safe work procedures, conducting risk assessment on safe material and mechanical handling and stepping up enforcement on the use of specific personal protective equipment, tools and machinery safety as well as Lockout-Tagout.

There was a decrease in falls from height incidents from 21% to 12%, the most frequent cause of injury in 2020. This can be attributed to our effective fall prevention programme which focuses on the following approaches such as intensive analysis of statistics; workforce direct engagement; series of comprehensive inspections; monitoring programme effectiveness; communication and feedback.

We continue to advocate 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 INDICATORS*

112
Workplace Safety & Health activities organised

100%
At-risk staff attended respiratory protection training

0
New occupational diseases cases (excluding noise induced deafness cases)

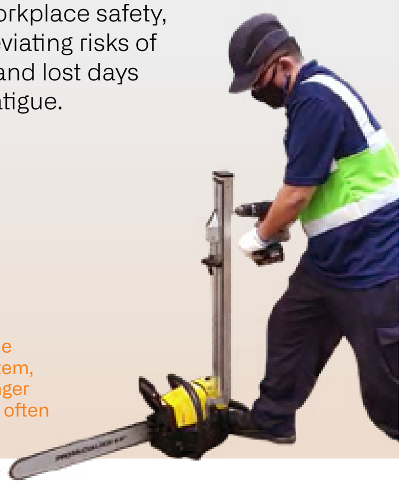
100%
At-risk staff attended an audiometric examination

0
New advanced noise-induced deafness cases

* Singapore operations

SUSTAINABILITY
→ Social

Reinvention with Safety First
Maintaining 243 chainsaws through repetitive pulling can be strenuous and tiring, frequently causing muscle strains and injuries to the technicians and inspectors. Teams were lauded for reinventing the labour intensive process with a motor-driven in-built pulley system. This innovation was a big contributor to workplace safety, especially in alleviating risks of muscle injuries and lost days due to muscle fatigue.

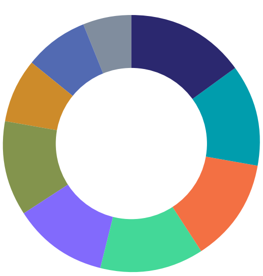


→ With the help of the in-built pulley system, technicians no longer need to bend over often

Recognition for Workplace Safety Innovation
Pit furnace heat treatment processes expose technicians to numerous hazards during the racking and lifting processes. By designing an innovative lifting adapter, complete with a venting pipe and racking method, our team was able to eliminate handling risks and fire hazards during the quenching process. The team bagged a prestigious award from the SMF-WSH Innovation Awards (Manufacturing) 2021 as well as the WSHC-WSH innovation Awards 2021, presented by the WSHC and supported by the Ministry of Manpower.

Team members ← who clinched the WSHC-WSH Innovation Award

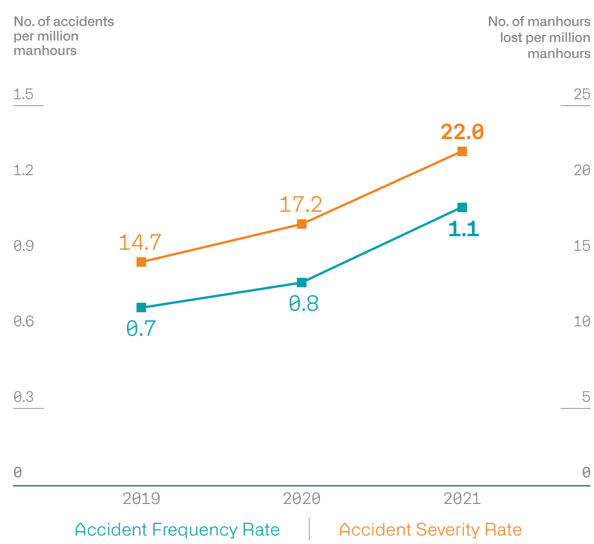
→ BREAKDOWN OF SAFETY INCIDENTS



	(%)
Cuts/Stabbed by Objects	15
Struck by Objects	13
Fractures/Sprains/Back Pain	13
Caught in-between Objects	13
Falls from Height	12
Slips, Trips and Falls	12
Machinery in Motion	8
Struck against Objects	8
Others*	6

* Burns and Flying Debris

→ ACCIDENT FREQUENCY & SEVERITY RATE



KEY GOALS FOR 2022

→ Enhance focus on total WSH

→ Promote technology-enabled WSH

SUSTAINABILITY
→ Social

QUALITY PRODUCTS & SERVICES

WHAT WE ACHIEVED IN 2021

→ Launched the Seven Quality Behaviours e-learning programme to reinforce the desired quality behaviour in building a sustainable quality culture

→ Established multiple engagement channels to facilitate group-wide discussions on quality certifications, quality improvement projects, and quality training and sharing

→ We are committed to timely delivery, responsive support and maintenance of high quality and safety standards. The majority of our operations are certified ISO 9001 Quality Management Systems (QMS) or equivalent and all our operations abide by the requirements of their industry regulatory bodies.

In 2021, the Quality Committee stepped up efforts to bring our global quality professionals together for learning and to exchange best practices. This was carried out via multiple channels of engagement by each business area. Activities included working on QMS certifications, quality improvement projects, and quality training and sharing.

Conscientious efforts were made to encourage continuous learning and improvement while maintaining the highest standard of quality in our production lines and services. We developed various e-learning modules to promote the right quality processes and behaviours in our staff to enhance their quality knowledge and practices. We launched the Seven Quality Behaviours e-learning training programme in conjunction with World Quality Day on 11 November 2021, to stress the importance of quality to our staff. Staff were trained to internalise the behaviours of ability, customer focus, teamwork, integrity, out-performance, nimbleness and safety focus, and act to build and sustain our quality culture.

Staff are kept abreast of the latest quality and safety requirements, inhouse rules and industry best practices through regular training and briefings. They include system safety, Seven Quality Behaviours, as well as quality and safety awareness induction training as part of new employees' orientation.

Going forward, our goal is to continuously strengthen our quality and inspire our employees to abide by the Group's quality policy and live-out quality behaviours. We strive to future-proof our quality management system by leveraging technology and digitalisation to build predictive and risk-based quality thinking practices across the organisation.

Systems Safety

System safety forms a key focus for ST Engineering as part of our quality promise to customers and employees. The concept employs a risk management approach based on the identification and analysis of potential hazards, and the application of mitigation measures using a systems-based approach.

ST Engineering actively contributed to the development of the revised Technical Reference (TR-68) for Autonomous Vehicles (2021), including updated safety guidelines for test-bedding Autonomous Vehicle (AV) solutions on Singapore roads and the development of international AV standards.

We ensure system safety is embedded in all aspects of our work through employee education. Following the success of two e-sharing events in 2020, the systems safety team hosted "System Safety Practices in Land Systems" in 2021, attended by colleagues across the Group. The speakers shared good practices for MRO and software safety, sparking employees' interests in future cross-sharing sessions and in-house trainings. In addition, employees attended the virtual International System Safety Conference 2021 themed "Increasing Autonomy Safely", to gain new knowledge and practices.

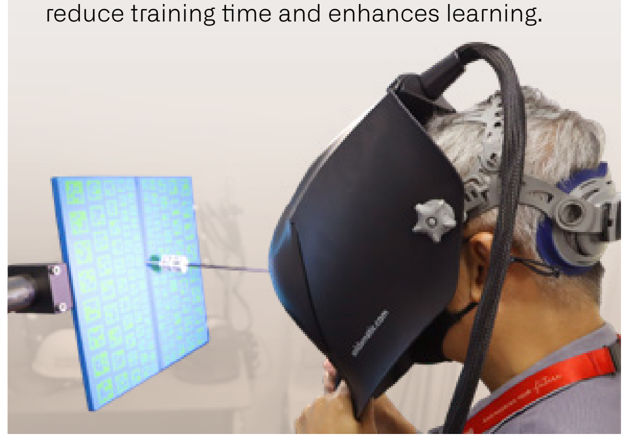
SUSTAINABILITY
→ Social

Using Data Analytics to Improve Quality
We leveraged Workforce Singapore initiatives to train quality professionals in the Group on data analytics. Staff were trained to use business intelligence tools to consolidate quality data. Timely insights collected were used for management decisions and for process owners to act on priorities.

3D Scanning and Meshing of Vehicle Hull
We invested in 3D scanning equipment to increase product inspection accuracy. This helps ensure better quality in the manufacturing of vehicular systems.

Consistency with Every Spray
Engine painting operations are labour intensive and subject to human error. Robotic arm technology enables our aerospace business to operate 24/7 without disruption, and can achieve a consistent spray quality while minimising the product rejection rate.

Augmented Reality in Welder Training
Augmented Reality (AR) is employed in welder training to better engage welders while they go through real-life training. The curriculum, simulation and practices are conducted within a Learning Management System and updated in real time through a remote system. AR integration in training processes helps to reduce training time and enhances learning.



KEY GOALS FOR 2022

- → Identify and develop core quality-related e-learning modules to enhance staff knowledge on quality management
- → Progressively roll out the Seven Quality Behaviours to all global business units

SUSTAINABILITY
→ Social

RESPONSIBLE PROCUREMENT

WHAT WE ACHIEVED IN 2021

- → Acknowledgment of ST Engineering's Vendor Code of Conduct by our strategic suppliers
- → Added environmental risks as a new supplier screening criteria for our Singapore operations

→ We aim to promote inclusive, ethical and sustainable procurement practices. We recognise that sustainable procurement helps us manage risks, improve efficiencies and reduce costs. To that end, we actively manage relationships with our suppliers to meet the needs of our businesses and deliver long-term value. We also seek to maximise social and economic benefits, while minimising damage to the environment and health.

ST Engineering has an extensive and extremely diverse supply chain. We buy goods and services to support our manufacturing, systems integration, MRO operations and services offerings in the aerospace, maritime and transport domains. We had 9,700 active suppliers supporting our Singapore operations in 2021 alone.

Despite the complexity of our global supply chains, we embarked on a journey to better steward our partnerships with our suppliers. We believe that collaborating and engaging with socially- and environmentally-conscious suppliers will mitigate a significant proportion of our ESG risks.

In 2021, we obtained an acknowledgement to adhere to our Vendor Code of Conduct from 100% of our strategic suppliers supporting our Singapore operations. We also started screening all new suppliers supporting Singapore operations on environment- and reputation-related risks. Suppliers not meeting expectations must submit their recovery action plans and are further assessed before they are accepted.

We also seek to support local SMEs where possible — for example, we spent $330m with local SMEs supporting our Singapore operations in 2021.

We will continue to strengthen our supply chain resilience by rolling out our procurement sustainability roadmap globally. We will build a firm foundation through setting guiding principles and standards for responsible procurement, and implement standards that are put into practice. We will constantly review them and obtain feedback from our global operations.

Over the next three years, our goals include:

- Conducting surveys and consolidating feedback on our Global Procurement Policy and Vendor Code of Conduct;
- Getting acknowledgment of Vendor Code of Conduct from our strategic suppliers globally; and
- Implementing environmental screening for all new suppliers globally.

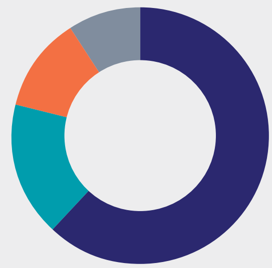
SUSTAINABILITY
→ Social

→ GLOBAL OPERATIONS

$4.5b
Total procurement spend

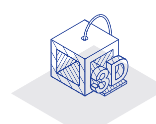
→ SINGAPORE OPERATIONS

PROCUREMENT SPEND
BY GEOGRAPHIC LOCATION



Region	Annualised Spend (%)
Singapore	62
Europe	17
Others	12
North America	9

Growing Together with SMEs
We launched a strategic engagement programme with SMEs to provide fabrication services, a key building block of our manufacturing operations. We are focused on upgrading their capabilities and expanding their capacity which will lead to increased innovation and more cost effective solutions.



$330m
procurement spend with local SMEs supporting our Singapore operations

KEY GOALS FOR 2022

- → Incorporate the Vendor Code of Conduct as a standard business requirement to all active suppliers supporting our Singapore operations
- → Include ESG criteria in the screening of new suppliers supporting our global operations

SUSTAINABILITY

→ Social

ECONOMIC PERFORMANCE

WHAT WE ACHIEVED IN 2021

- → Continued to make economic contributions and provide good jobs to our communities
- → Refreshed organisation structure for a stronger customer focus
- → Updated our five-year strategic plan and integrated sustainability as a key focus

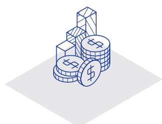
→ ST Engineering remains committed to creating sustainable and inclusive growth for our stakeholders, especially during these challenging times. We take a long-term view towards value creation through the delivery of a balanced triple bottom line of "People, Planet, Profit."

Economic performance is material to our sustainability goals. Our economic contributions to the communities we operate in include local procurement, direct and indirect employment, dividends to shareholders, taxes paid to governments, and investment in community programmes. We also develop innovation capabilities, transfer know-how and technology to local SMEs, and provide internship and training opportunities.

For the second year, we continued to maintain an even keel amid the challenges posed by COVID-19. Our order book remained robust and increased to $19.3b in financial year 2021. The total economic contributions by the Group in 2021 was $7.2b.

Further details can be found in the **Performance Review** and **Financial Report** sections

Group Economic Contribution	($m)
Bought-in material and services	4,501
Employee wages, salaries and benefits	2,122
Dividends and interest paid	513
Government taxes and levies	88
Total	**7,224**



→ **TOTAL ECONOMIC CONTRIBUTIONS**

$7.2b

KEY GOAL FOR 2022

- → Continue to make economic contributions, provide good jobs and invest in our communities

SUSTAINABILITY
→ Social

CORPORATE COMMUNITY CONTRIBUTIONS

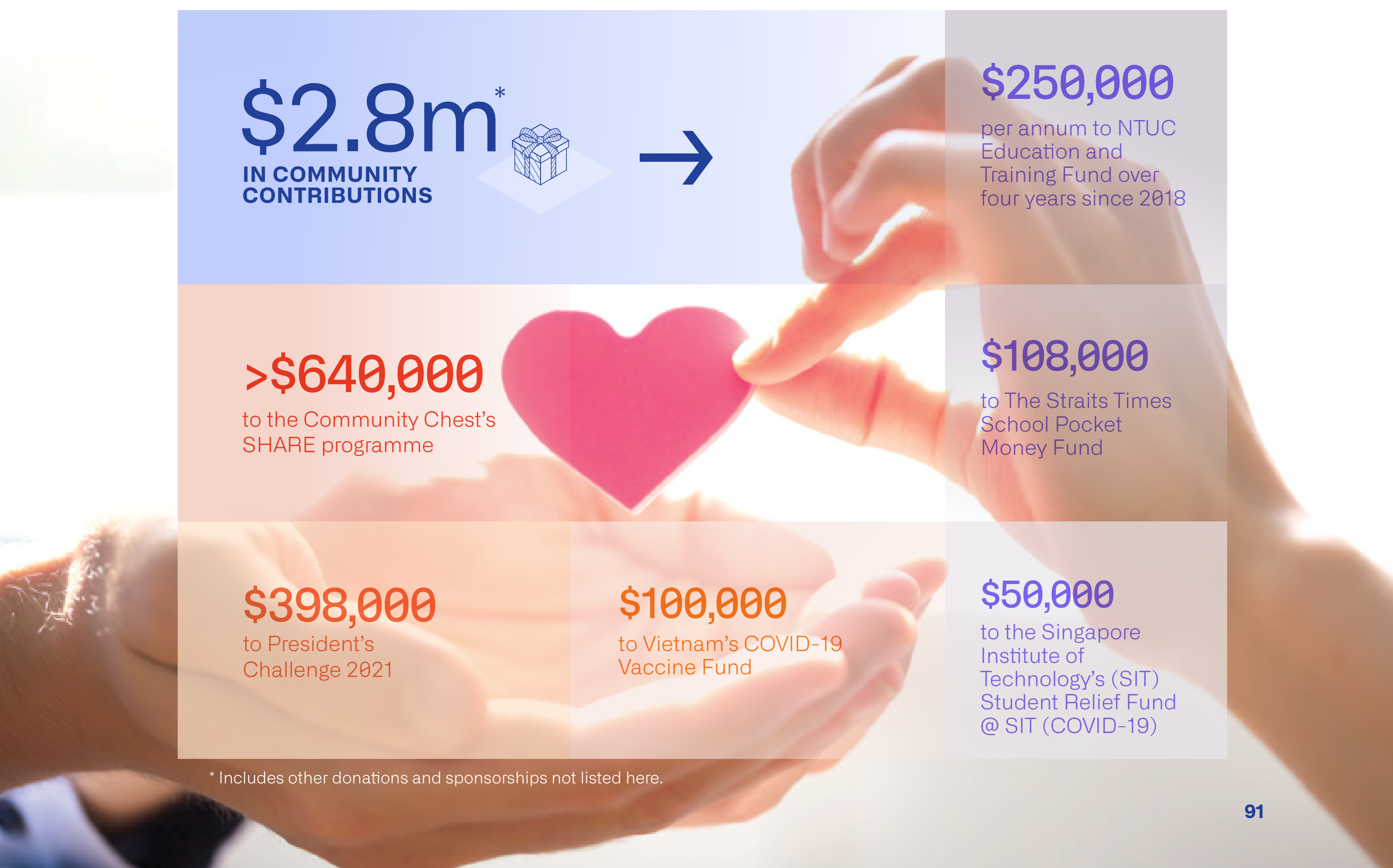
WHAT WE ACHIEVED IN 2021

- → Organised the inaugural ST Engineering MOVEment, an internal fundraising event
- → Supported communities through our three focus areas
- → Created opportunities for skills-based volunteerism

→ Our lives are deeply intertwined with the communities where we operate. It is our responsibility to seed positive growth where we have sunk roots, so that we prosper together.

We believe in building an inclusive, resilient and vibrant society in which people can thrive and be safe. Our community investments and philanthropic efforts are guided by three focus areas: charitable gifts, education and engineering.

For 2021, restrictions on physical interactions were largely maintained due to COVID-19. Undeterred, we persevere in our efforts to do good as we do well. In addition to in-kind and financial support, we serve our communities through volunteering and skills-based contributions.



$2.8m* IN COMMUNITY CONTRIBUTIONS →

$250,000 per annum to NTUC Education and Training Fund over four years since 2018

>$640,000 to the Community Chest's SHARE programme

$108,000 to The Straits Times School Pocket Money Fund

$398,000 to President's Challenge 2021

$100,000 to Vietnam's COVID-19 Vaccine Fund

$50,000 to the Singapore Institute of Technology's (SIT) Student Relief Fund @ SIT (COVID-19)

* Includes other donations and sponsorships not listed here.

SUSTAINABILITY
→ Social

Improving Lives Through Charitable Gifts

We promote a purpose-driven giving culture by encouraging employees to participate actively in fundraising activities and community programmes to improve lives.

A Winning Effort

We presented $398,000 to President Halimah Yacob for President's Challenge 2021 in Singapore, raised from the inaugural ST Engineering MOVEment. Employees contributed over $640,000 to the Community SHARE* programme. Our efforts to uplift communities and empower lives were recognised with our third consecutive Charity Platinum Award at the Community Chest Awards 2021, for having made significant monetary* contributions.

Advocates in Action

At the height of the pandemic, 124 employees stepped up for the StayMasked distribution campaign by Temasek Foundation and were part of the volunteering efforts that enabled over 1.1 million households to successfully collect nearly 85 million masks from over 130 collection points across Singapore.

Hands-on Help

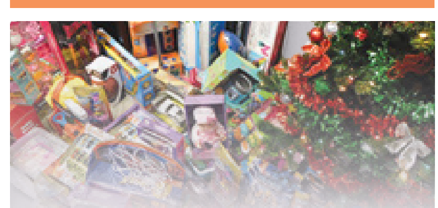
In San Antonio, Texas, employees built cabinets for three families in need of affordable homes, in support of Habitat for Humanity of San Antonio.

Community Beautification

Employees also volunteered for a beautification project at McAllister Park, on the north side of San Antonio, Texas, to remove debris from park grounds and keeping the park clean and safe for community use.

Upcycled Digital Gifts

We donated over 1,000 decommissioned laptops to Singapore-based Engineering Good for refurbishment and subsequent distribution to the less privileged.



New Toys; New Joys

In North America, we spread the festive cheer by donating a vast array of toys for children through programmes such as Jackson County Sheriff's Department's Santa Wears a Badge, San Antonio Police Officers Association's Blue Cares as well as the U.S. Marine Corps Reserve's Toys For Tots.

* Over a 12-month period between April 2020 to March 2021.

SUSTAINABILITY
→ Social

Enriching Lives Through Education

Education opens horizons and is key to society's progress. We work with partners and collaborators to create diverse learning pathways across industries and demographics.

1,224 Internships for STEM Talent

We believe that STEM education can help to create a brighter, better world and provided 1,224 technology and engineering internships in 2021 to nurture STEM talent.

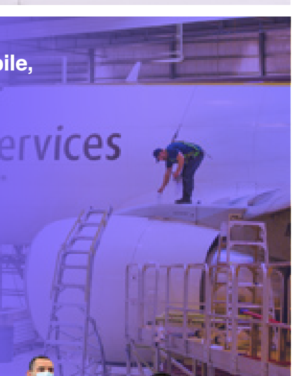
Shipbuilding Apprenticeship Programme in Mississippi

Since 2020, we have accepted 50 apprentices into our annual apprenticeship programme held in partnership with the Mississippi Gulf Coast Community College. We develop and train them into quality shipbuilders for the marine industry within four years.

Photo: Gulf Coast Community College

Skills Progression Programme in Mobile, Alabama and Pensacola, Florida

We continue to grow and diversify our talent pool of qualified aircraft maintenance technicians to support the industry through our latest training programme with UPS. Participants can look forward to employment opportunities with UPS as potential early as three years upon graduation.



The Pensacola Mayor's Scholarship in Pensacola, Florida

We give out the scholarship annually to grow local aircraft talent to support the growth of the Northwest Florida aviation workforce. Starting in 2022, we expanded the programme from four to eight recipients.

Supporting Education through the Pandemic

We raised $108,000 for The Straits Times School Pocket Money Fund by donating $2 from every AIR$^+$ Reusable Mask sold[#], providing children and youths from low-income families in Singapore with pocket money to help them through school.

We contributed $50,000 to the Singapore Institute of Technology's (SIT) Student Relief Fund @ SIT (COVID-19) to support 29 undergraduates facing financial hardship due to COVID-19.

Proud Partner of Assumption Pathway School

As a proud education and vocation partner of Assumption Pathway School, we have provided consistent support since 2013. In 2021, we gave out two Achievement awards and two Best Progress awards, placed 16 students on a two-week industry experiential programme, while supporting student enrichment and innovation projects.

We also helped set up the first Assumption Pathway School student-run, on-the-job training café open to the public at our Jurong East office in Singapore. The initiative creates authentic learning opportunities and experiences beyond the familiarity of the school compound to strengthen students' competencies and employability.

[#] Over a 12-month period between March 2021 to February 2022.

SUSTAINABILITY
→ Social

Touching Lives Through Engineering

We use our technology, expertise and engineering skills to provide solutions and knowledge transfer to communities or through their intermediaries to enhance quality of life.

Industry Consultancy

We participated in industry workshops to provide insights on co-creating and developing Singapore's Industry Digital Plan for Social Services to ramp up the sector's broad-based digitalisation. The end product included a step-by-step guide on digital solutions that the social service agencies can adopt to improve productivity and stakeholder satisfaction as well as training programmes that they can tap on to enhance their employees' digital skills.

Cybersecurity for the Non-Profit Sector

We helped the non-profit sector in Singapore achieve greater cyber resilience. By sharing our cybersecurity expertise, 235 representatives from 167 social service agencies and charities were made more cyber ready to protect their organisations and data. We co-organised the fireside chat together with the National Council of Social Services in line with Singapore's Industry Digital Plan for Social Services.

Free Vehicle Roadworthiness Inspections

Since 2020, our vehicle inspection business in Singapore has been drawing on its core capabilities to support social causes and non-profit organisations by providing complimentary vehicle roadworthiness inspections to Metta Welfare Association for their fleet of 11 ambulances and buses. In 2021, we extended these free inspections to SPD's fleet of 11 vans so that they can also channel the waived inspection fees towards other pressing needs, especially given the additional operational challenges arising from COVID-19.

KEY GOALS FOR 2022

- → Hold the second run of ST Engineering MOVEment as an internal fundraising event
- → Strengthen communities further through our three focus areas
- → Encourage staff volunteerism

ETHICAL BUSINESS & REGULATORY COMPLIANCE

WHAT WE ACHIEVED IN 2021

- Expanded risk and compliance training programme to cover additional regulatory compliance topics
- Engaged stakeholders to strengthen the enterprise risk management process

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

In 2021, we expanded our risk and compliance training coverage to include the General Data Protection Regulation (GDPR). For our North American operations, topics on preventing workplace harassment and export control compliance were added to their existing training programme. We also continue to review our risk and compliance training programme to ensure that applicable risk and compliance topics are rolled out through e-learning.

Additionally, we engaged key Group HQ functions throughout the year to formalise our risk heat-maps and update their key risks.

We achieved a 100% completion of the Anti-Bribery and Corruption (ABC) e-learning course for relevant employees. ABC is a core focus area of our governance training. We continue to review our courses to ensure their relevance to our businesses around the world.

No

- reported cases of bribery and corruption in 2021
- reported violations of export control regimes in 2021
- significant fines or non-monetary sanctions for non-compliance with environmental, health and safety regulations

KEY GOALS FOR 2022

- Enhance staff awareness of key compliance topics such as export control and personal data protection
- Refresh the control self-assessment process to enhance the basis of assurance provided to the Board

CORPORATE GOVERNANCE REPORT

→ 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 2021 with specific reference to the principles and provisions of the Singapore Code of Corporate Governance 2018 (the Code). The Board is pleased to report that the Company has complied with the principles and substantially with the provisions of the Code. Variations from any provision of the Code are explained in this report.

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 and hold management accountable for performance. The Board puts in place a Code of Business Conduct and Ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company.

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;
- appointment and removal of the Company Secretary;
- review of the risk management framework and sustainability performance; and
- approval of the unaudited half-yearly 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 Board decides on matters that require its approval and clearly communicates this to management in writing. The Board Committees, are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board.

The Group President & CEO, Vincent Chong, is accountable to the Board. He is supported by the Group Executive Committee (EXCO) comprising Group Chief Financial Officer (Group CFO), Group Chief Operating Officer (Technology & Innovation) and President Defence & Public Security, and President Commercial.

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. The induction programme includes briefings by Presidents/Business Heads of various business areas including facility visits, where applicable, 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, Singapore Exchange Securities Trading Limited (SGX-ST or the Exchange) 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.

CORPORATE GOVERNANCE REPORT

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. Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. 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, through briefings organised by external legal counsel. During the year, the Company arranged for the following briefings for the Board:

(i) Update on Cyber Threat Landscape;
(ii) Global Sustainability Trends 2021; and
(iii) Global fraud, bribery and corruption threat landscape and emerging trends.

The Directors were also informed of relevant courses organised by Singapore Institute of Directors or other external professional organisations for their enrolment.

The Directors' trainings and developments were funded by the Company. For new Director without any prior experience as a director of an issuer listed on the Exchange, the Company will arrange for the Director to attend training as prescribed by the Exchange.

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 materials to be tabled for discussion at that meeting, and where required, separate briefing sessions are arranged. 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 separate and 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 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
9 times
in 2021

The Company has adopted half-yearly reporting and provides operational updates in the first and third quarters to the market and analysts alike. Board and Audit Committee meetings continue to be held quarterly.

During the year, the Board met quarterly to consider, among other things, the approval and release of the FY2020 and 1H2021 results, including the review of the 1Q2021 and 3Q2021 Market Updates. The Board also scheduled additional meetings to discuss and deliberate on the strategic direction and growth of the Group.

CORPORATE GOVERNANCE REPORT

Details and attendance at Board and Board Committee meetings in 2021 are tabulated below.

Board Members' Details | **Meeting Attendance Report***

● Chair of the Board/Board Committee ○ Member of the Board/Board Committee

Names	Independent (I)/ Non-Independent (NI)	Executive (E)/ Non-Executive (NE)	Board	AC	ERCC	NC	RD&T	RSC	SFC	GM
			Number of meeting held in FY2021							
			9	5	3	3	1	5	2	2
Vincent Chong Sy Feng	NI	E	○ 9/9				○ 1/1	○ 5/5	○ 2/2	○ 2/2
Kwa Chong Seng	I	NE	● 9/9		● 3/3	○ 3/3			● 2/2	● 2/2
Kevin Kwok Khien[1]	I	NE	○ 1/1	○ 1/1						○ 1/1
Leong Weng Keong Joseph	NI	NE	○ 9/9							○ 2/2
Lim Ah Doo	I	NE	○ 8/9[7]	○ 4/5					○ 2/2	○ 2/2
Lim Chin Hu	I	NE	○ 8/9[7]		○ 3/3	● 3/3	○ 1/1		○ 2/2	○ 2/2
Lim Sim Seng	I	NE	○ 9/9		○ 3/3	○ 3/3			○ 2/2	○ 2/2
Ng Bee Bee (May)	I	NE	○ 9/9			○ 2/3				○ 2/2
LG Ong Su Kiat Melvyn	NI	NE	○ 8/9[7]					○ 4/5		○ 1/2
Quek Gim Pew[2]	NI	NE	○ 5/5				● 1/1	○ 3/3		○ 1/1
Quek See Tiat	I	NE	○ 9/9	● 5/5				● 5/5		○ 2/2
Song Su-Min	I	NE	○ 9/9	○ 5/5				○ 5/5		○ 2/2
Tan Peng Yam[3]	NI	NE	○ 4/4							○ 1/1
Teo Ming Kian[4]	I	NE	○ 4/4		○ 1/1	○ 1/1			○ 1/1	○ 1/1
COL Cai Dexian[5] (Alternate to LG Ong Su Kiat Melvyn)	NI	NE	○ 1/1							○ 1/1
COL Xu Youfeng[6] (Alternate to LG Ong Su Kiat Melvyn)	NI	NE	○ 3/8							

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 and Finance Committee, GM-Annual General Meeting and Extraordinary General Meeting

* Refer to meetings held/attended by each Director.
1 Appointed as Director and member of AC on 1 October 2021 and appointed as member of RSC on 1 December 2021.
2 Retired as Director and Chairman and member of RD&T and RSC respectively on 1 August 2021.
3 Appointed as Director on 1 August 2021 and appointed as Chairman of RD&T on 15 August 2021.
4 Appointed as Director on 1 August 2021 and appointed as member of ERCC, NC, RD&T and SFC on 15 August 2021.
5 Appointed as Alternate Director to LG Ong Su Kiat Melvyn on 1 October 2021.
6 Ceased as Alternate Director to LG Ong Su Kiat Melvyn on 1 October 2021.
7 Directors were unable to attend an ad-hoc Board meeting due to a prior commitment. Separate briefing sessions were arranged for the Directors to provide their feedback on the materials and discuss related issues with management prior to and/or after the meeting.

Role of Company Secretary

The Company Secretary/Joint Company Secretary attends all Board meetings and ensures that board procedures are followed, as well as prepares minutes of Board proceedings. The Company Secretary/Joint 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/Joint Company Secretary also assists with the induction of new Directors and the coordination of training for Board members to keep the Board up to date on corporate governance matters. The appointment and removal of the Company Secretary/Joint Company Secretary is a matter for the Board as a whole to decide.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance (Principle 2)

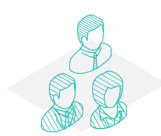
Board Composition and Diversity

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. The Board comprises 13 Directors and an Alternate Director. COL Cai Dexian 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 Cai 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.

9
Independent & Non-Executive Directors

3
Non-Independent & Non-Executive Directors

1
Executive Director/ Group President & CEO



The Board adopted a Board Diversity Policy since 2019. The Board, through the Nominating Committee (NC), reviews and assess the size and composition of the Board taking into consideration the age, skill sets, knowledge, experience, background, gender, cultural ethnicity, tenure, 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.

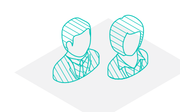
There are two female Directors on the Board. The Directors' ages range from the forties to seventies, and they have served on the Board for various tenures. The Board consists of members with established track records in defence, business leadership and professional experience in energy, finance (including audit and accounting), banking, technology, legal, business management and risk and management domains. Each 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.

The Board of Directors with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction. Having considered the scope and nature of the operations of the Group, the NC and the Board are satisfied that the current composition and size of the Board provide for diversity and allow for informed and constructive discussion and effective decision making at Board and Board Committee meetings.

The Board is committed to observe the need for diversity when selecting its members. The contribution each Director brings and the composition thereof provides a good reflection on the range and adequacy of diversity on the Board.

11
Male Directors

2
Female Directors



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

(i) Kevin Kwok Khien was appointed as an independent and non-executive Director and was appointed as member of AC and RSC.

(ii) Tan Peng Yam was appointed as non-independent and non-executive Director and was appointed as Chairman of RD&T.

(iii) Teo Ming Kian was appointed as an independent and non-executive Director and was appointed as member of ERCC, NC, RD&T and SFC.

(iv) COL Cai Dexian was appointed as Alternate Director to LG Ong Su Kiat Melvyn.

Board Independence

The Board has 12 non-executive Directors of which nine are independent Directors. 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, and as and when circumstances require, by the NC, in accordance with the requirements of the SGX-ST Listing Manual, the Code and where relevant, the recommendations set out in the Practice Guidance accompanying the Code.

CORPORATE GOVERNANCE REPORT

The Board, taking into account the views of the NC, affirmed that the independent Directors are Kwa Chong Seng, Kevin Kwok Khien, Lim Ah Doo, Lim Chin Hu, Lim Sim Seng, Ng Bee Bee (May), Quek See Tiat, Song Su-Min and Teo Ming Kian. Each of the members of the NC and the Board recused himself/herself from the deliberations on his/her independence.

Kwa Chong Seng, Kevin Kwok Khien, Lim Ah Doo, Lim Chin Hu, Lim Sim Seng , Quek See Tiat, Song Su-Min and Teo Ming Kian 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, that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement in the best interests of ST Engineering.

Kwa Chong Seng attained his nine years of service on the Company's board on 1 September 2021. The NC has reviewed and affirmed that he is an independent Director.

The Company sought and obtained Shareholders' approval at its AGM held in April 2021 by way of a two-tier vote pursuant to Rule 210 (5)(d)(iii) of the SGX-ST Listing Manual, for Kwa Chong Seng to continue to be considered as independent Director with effect from 1 September 2021 and 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 resolution.

The Board had confirmed its previous determination 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.

Lim Sim Seng is the Group Head of Consumer Banking Group and Wealth Management of DBS Bank (DBS). DBS is one of the many Banks which ST Engineering group companies has a banking relationship with. All transactions between DBS and ST Engineering group companies are conducted in the ordinary course of business and at arm's length on normal commercial terms. Our facilities with DBS are under Corporate Banking and not Consumer Banking or Wealth Management. Mr Lim is not involved in the day-to-day business operations of ST Engineering. He only receives Director's fees. Mr Lim recused himself from discussions and decisions involving DBS's dealings with ST Engineering group companies. With the aforesaid, the NC determined that business relationships between ST Engineering group companies and DBS would not affect Mr Lim's independence. The Board is of the view that the relationships set out above do not interfere with the exercise of Mr Lim's independent business judgement in the best interests of ST Engineering and therefore, he is considered independent Director.

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. UOB is one of the many banks with which ST Engineering group companies have a banking relationship. All transactions between UOB and ST Engineering group companies are conducted in the ordinary course of business and based on normal commercial terms. The NC determined that her sister's position in UOB would not have any conflict or affect Ms Ng's independence. In the event of any engagement of UOB requiring the Board's approval, Ms Ng will recuse herself from discussions on UOB's dealings with ST Engineering group companies. The Board is of the view that the relationships set out above do not interfere with the exercise of Ms Ng's independent business judgement in the best interests of ST Engineering and therefore, she is considered independent Director.

Teo Ming Kian is a non-executive director of Temasek Holdings (Private) Limited (Temasek), which is a substantial shareholder of the Company. Mr Teo is not a nominee of Temasek on the Board of ST Engineering. His role on the Temasek board is non-executive in nature and he is not involved in the day-to-day conduct of the business of Temasek. Mr Teo is also not directly associated with Temasek in that he is not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek in relation to the corporate affairs of ST Engineering. It also does not generate any issue that may affect his independence as a Director of ST Engineering. The NC determined that Mr Teo's position in Temasek would not have any conflict or did not impair his ability to act with independent judgement in the discharge of his duties and responsibilities as a Director. The Board is of the view that the relationships set out above do not interfere with the exercise of Mr Teo's independent business judgement in the best interests of ST Engineering and therefore, he is considered independent Director.

Joseph Leong Weng Keong* is considered as non-executive non-independent Director given his position as Permanent Secretary (Defence Development) of Ministry of Defence.

LG Ong Su Kiat Melvyn is considered as non-executive non-independent Director given his position as Chief of Defence Force of Ministry of Defence.

Tan Peng Yam is considered as non-executive non-independent Director given his position as Chief Defence Scientist of Ministry of Defence.

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 and 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 (Principle 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 and Finance Committee

Nominating Committee

Independent and Non-Executive Directors
Lim Chin Hu (Chairman)
Kwa Chong Seng
Lim Sim Seng
Ng Bee Bee (May)
Teo Ming Kian

The NC comprises five members, all of whom (including the chairman) are non-executive independent Directors. 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, reviewing succession planning for the Board and its committees, including the Chairman and the Group President & CEO, as well as key Senior Management, and reviewing director training and professional development programmes according to the needs of each individual director.

NC met
3 times
in 2021

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

* Joseph Leong Weng Keong will cease to be a Director with effect from 1 April 2022.

CORPORATE GOVERNANCE REPORT

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 including internal references or recommendations made by Directors. 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 as well as to enhance the Board's effectiveness.

The NC is tasked to oversee and review the succession planning process for board renewal including that of the Chairman of the Board, having regard to achieving a balance of skills, diversity, independence, knowledge and attributes required of an effective Board. The NC also oversees and reviews the succession planning for the Group President & CEO and key senior management.

Board Evaluation

The NC conducted an annual Board Evaluation to gauge the effectiveness of the Board and Board Committees as well as the individual Board member's performance.

With effect from FY2021, the Company engages an independent external consultant once every three years to facilitate the Board evaluation process and provide the Board with an independent perspective of the Board's performance, including benchmarking against peer boards and best practices.

In FY2021, Aon Solutions Singapore Pte. Ltd. (Aon), an independent external consultant was appointed to facilitate the Board evaluation process. The performance criteria includes Board composition, information management, Board processes, ESG, Board strategies and priorities, managing Company's performance, CEO Development and succession planning, Director development and management, risk management, Board Committee effectiveness covering general evaluation of Committees, Committee self evaluation, overall perception and Directors' peer evaluation on individual Director's performance. The evaluation was conducted by way of questionnaire via online platform. A report on Board and Committee evaluation (including benchmarking against general market and recommendation) was shared with the NC and the Board. The Board took on board the recommendations and feedback in the report on areas for improvement. In respect of the Individual Director's performance, the NC and Board Chairmen acted on the results of the evaluation and arrange for one-to-one feedback session with the director, where necessary.

Maximum Board Representation

The NC reviews directorships of the Board and determine if a Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments.

The NC 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 the SGX-ST Listing Manual. A retiring director may submit himself/herself for re- election. Under this provision, Lim Chin Hu, Quek See Tiat and Song Su-Min will retire at the 2022 AGM. Kevin Kwok Khien, Tan Peng Yam and Teo Ming Kian who are newly appointed during FY2021, 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 the SGX-ST Listing Manual, the information relating to the retiring Directors seeking re-election is found on pages 25 to 27 of this Annual Report.

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 2022 AGM.

CORPORATE GOVERNANCE REPORT

Strategy and Finance Committee

Independent and Non-Executive Directors
Kwa Chong Seng (Chairman)
Lim Ah Doo
Lim Chin Hu
Lim Sim Seng
Teo Ming Kian

Non-Independent and Executive Director
Vincent Chong Sy Feng

The Strategy and Finance Committee's (SFC) role includes guiding management in the development and execution of the Group's five-year plan and growth strategies as well as deliberating and approving tender proposals which are above established contract value limit.

The SFC has incorporated sustainability and ESG factors in the Group's five-year plan. Details of the Group's efforts in this area can be found in our Sustainability Report.

Access our
ST Engineering Sustainability Report

The SFC also reviewed the 2022 Budget prior to submission to the Board for approval.

SFC met
2 times
in 2021

Research, Development and Technology Committee

Non-Independent and Non-Executive Director
Tan Peng Yam (Chairman)

Independent and Non-Executive Directors
Lim Chin Hu
Teo Ming Kian

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.

Please refer to page 30 of this Annual Report for details on the Company's Technology & Innovations activities and expenditures.

RD&T met
1 time
in 2021

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
Teo Ming Kian

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
3 times
in 2021

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).

CORPORATE GOVERNANCE REPORT

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 , key management executives of the Group (EXCO) 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 FY2021, 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 2021, Aon was engaged as remuneration consultant (Remuneration Consultant) to provide professional 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.

In 2020, as part of cost saving measures to mitigate COVID-19 impact, the Group implemented fee and salary reductions for the Board and senior management team ranging between 5% and 20%. Effective July 2021, the Group restored all fees and salary reductions.

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 performance targets are in financial, people, operational, customer and sustainability areas aligned to the business' strategic goals. 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.

CORPORATE GOVERNANCE REPORT

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, the Group has met the predetermined targets in financial year 2021.

C. Share-based Incentives:

Shares which were granted in financial year 2021 were based on 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") approved and adopted by shareholders of the Company 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 Plans[1]), amendments to take into account the changes to relevant legislation and the SGX-ST 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.

Share grants under the 2020 Share Plans during financial year 2021 did not exceed 0.5% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), which is the yearly 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 2020 Share Plans, does not exceed 5% of the issued share capital of the Company (excluding treasury shares).

Details of the abovementioned share plans and grants are set out in the Share Plans section of the Directors' Statement from pages 132 to 135 of this Annual Report.

PSP2020

The objective of the PSP2020 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. The performance measures used in performance share grants are:

- Absolute Total Shareholder Return (TSR) taking reference to the Group's Cost of Equity; and
- Earnings Per Share (EPS) growth against pre-determined EPS growth targets over the relevant performance period.

[1] Percentages are of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings).

CORPORATE GOVERNANCE REPORT

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.

The performance share awards granted during financial year 2019 were conditional upon the performance of the Group from financial years 2019 to 2021. For this grant, the Group has partially met the predetermined target performance levels set.

RSP2020

The objective of the RSP2020 is to retain and motivate managers and above to strive for sustained long-term growth of the Group. The plan also aims to foster a share ownership culture among employees within the Group and to better align employees' incentives with shareholders' interests. The RSP2020 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.

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. 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.

The restricted share awards granted during financial year 2021 were conditional upon the performance of the Group in financial year 2021. For this grant, the Group has met the predetermined performance threshold level set.

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 109. Details of the remuneration packages for the Key Management Executives are provided in the Summary Remuneration Table for Key Management Executives on page 110.

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.

This link is achieved in the following ways:

a. Allocating a significant portion of executives' remuneration to be subjected to performance conditions and vesting schedules.

b. Incorporating appropriate individual performance objectives for awarding of annual PTB. The performance targets are in financial, people, operational, customer and sustainability areas aligned to the business' strategic goals.

c. Linking variable incentives to Group's performance conditions such as EVA, ROCE, EPS growth and Absolute TSR and requiring those conditions to be met for the incentives to be awarded or vested.

d. Setting realistic yet stretched performance targets each year to motivate a high degree of business performance with emphasis on both short and long-term quantifiable objectives.

CORPORATE GOVERNANCE REPORT

An annual Pay-for-Performance Alignment study is conducted by the Remuneration Consultant and reviewed by the ERCC. The findings indicate strong 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. Having considered this, the ERCC has incorporated the following risk adjustments in the remuneration structure:

a. Setting a prudent funding mechanism of annual bonus;

b. Subjecting and deferring the vesting of 2020 Share Plans to pre-determined performance conditions and potential forfeiture under malus and clawback rights;

c. Requiring the executive Director and key management personnel to hold a minimum number of shares under the share ownership guidelines; and

d. Applying discretion, whenever necessary, to ensure that remuneration outcomes align with the long-term interests and performance of the Group and discourage excessive risk-taking.

The ERCC undertakes periodic reviews of the compensation system to identify potential compensation-related risks and consider policies and processes to manage risk exposures identified.

The ERCC is of the view that the level and structure of remuneration align with the long-term interests and risk management policies of the Group.

During financial year 2021, 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 2021, except for Quek Gim Chuah, the brother of Quek Gim Pew, who retired as a Director of the Company on 1 August 2021. Quek Gim Chuah has been with ST Engineering for 34 years since April 1987 and is currently the Vice President of Technical Training for the Commercial Aerospace's MRO business. He reports to the EVP & Head, Aerospace MRO, who functionally reports to President of the Commercial Aerospace business. In this role, he has no dealings with ST Engineering's Board of Directors. Like all other non-executive Directors, Quek Gim Pew was 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 2021, 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 2022.

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.

CORPORATE GOVERNANCE REPORT

The computation of NEDs' remuneration is based on the following rates.

	From Private Sector ($) FY2021
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 ($) FY2021
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.

The NEDs' remuneration payable, after reinstatement of Board fees[1] with effect from 1 July 2021, in respect of financial year 2021 is proposed to be $2,025,158 (FY2020: $1,680,047). Details of the directors' remuneration are provided in the Summary Remuneration Table for Directors on page 109.

[1] The Board volunteered to reduce Board fees by 10% from 1 May 2020.

CORPORATE GOVERNANCE REPORT

SUMMARY REMUNERATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021 (GROUP):

Payable by the Company

					Directors' Total Fees *5		
Executive Director	Salary *1 $	Variable cash- based Incentives *2 $	Benefits *3 $	Share-based Incentives *4 $	Cash-based $	Share-based $	Total
Vincent Chong Sy Feng	944,409	1,868,703	130,947	1,942,958	-	-	4,887,017
Non-Executive Directors #							
Kwa Chong Seng	-	-	-	-	498,966	213,842	712,808
Kevin Kwok Khien (a)	-	-	-	-	24,670	10,573	35,243
Joseph Leong Weng Keong (b)	-	-	-	-	10,692	-	10,692
Lim Ah Doo	-	-	-	-	117,915	50,535	168,450
Lim Chin Hu	-	-	-	-	146,590	62,824	209,414
Lim Sim Seng	-	-	-	-	126,211	54,090	180,301
Ng Bee Bee (May)	-	-	-	-	93,861	40,226	134,087
LG Ong Su Kiat Melvyn (b)	-	-	-	-	10,692	-	10,692
Quek Gim Pew (b) (c)	-	-	-	-	11,953	-	11,953
Quek See Tiat	-	-	-	-	153,976	65,990	219,966
Song Su-Min	-	-	-	-	127,365	54,585	181,950
Tan Peng Yam (d)	-	-	-	-	45,337	19,430	64,767
Teo Ming Kian (e)	-	-	-	-	59,385	25,450	84,835
COL Cai Dexian (f) (Alternate to LG Ong Su Kiat Melvyn)	-	-	-	-	-	-	-
COL Xu Youfeng (g) (Alternate to LG Ong Su Kiat Melvyn)	-	-	-	-	-	-	-
Total for Non-Executive Directors	**-**	**-**	**-**	**-**	**1,427,613**	**597,545**	**2,025,158**
Payable by Subsidiaries							
Executive Directors							
Vincent Chong Sy Feng (h)	-	-	-	-	30,000	-	30,000
Non-Executive Directors							
Quek Gim Pew (b) (i)	-	-	-	-	5,799	-	5,799
Lim Chin Hu	-	-	-	-	20,000	-	20,000
Total for Non-Executive Directors	**-**	**-**	**-**	**-**	**32,500**	**-**	**32,500**

\# Non-Executive Directors' fees with reinstatement with effect from 1 July 2021.
*1 Salary includes base salary (with reinstatement) and employer CPF for the financial year ended 31 December 2021.
*2 Variable cash-based Incentives include Performance Target Bonus & 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 2021.
*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) Pro-rated. Appointed as Director and member of AC on 1 October 2021 and appointed as member of RSC on 1 December 2021.
(b) Fees for public sector directors are payable to a government agency, the DCAC.
(c) Pro-rated. Retired as Director and Chairman and member of RD&T and RSC respectively on 1 August 2021.
(d) Pro-rated. Appointed as Director on 1 August 2021 and appointed as Chairman of RD&T on 15 August 2021. Director's fee is paid based on private sector NED remuneration fee structure.
(e) Pro-rated. Appointed as Director on 1 August 2021 and appointed as member of ERCC, NC, RD&T and SFC on 15 August 2021.
(f) Appointed as Alternate Director to LG Ong Su Kiat Melvyn on 1 October 2021.
(g) Ceased as Alternate Director to LG Ong Su Kiat Melvyn on 1 October 2021.
(h) Fees are payable to Singapore Technologies Engineering Ltd.
(i) Pro-rated. Ceased as Chairman and Director of a subsidiary on 18 June 2021.

CORPORATE GOVERNANCE REPORT

SUMMARY REMUNERATION TABLE FOR KEY MANAGEMENT EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2021 (GROUP)[1]:

Remuneration	Salary[2] %	Variable cash-based Incentives[3] %	Benefits[4] %	Share-based Incentives[5] %	Total
Between $2,250,000 and $2,500,000					
Foo Chee Keng Cedric	26%	41%	3%	30%	100%
Ravinder Singh s/o Harchand Singh	26%	41%	3%	30%	100%
Between $1,750,000 and $2,000,000					
Lim Serh Ghee[6]	25%	55%	7%	13%	100%
Tan Lee Chew[7]	11%	51%	1%	37%	100%
				Total for Key Management Executives	**$8,857,619**

1 The ERCC is of the view that the relevant Key Management Executives shall comprise members of the Group Executive Committee.
2 Salary includes base salary (with reinstatement) and employer CPF for the financial year ended 31 December 2021.
3 Variable cash-based Incentives include Performance Target Bonus & EVA-based incentive declared.
4 Benefits provided for employees are comparable with local market practices. These include medical, dental, insurances, transport, etc.
5 Share-based Incentives consist of PSP and RSP shares granted for financial year ended 31 December 2021.
6 Lim Serh Ghee retired as Group Chief Operating Officer (Operations Excellence) on 31 October 2021.
7 Tan Lee Chew was appointed President Commercial on 1 September 2021.

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 risk management and internal control system 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.

The Risk and Sustainability Committee (RSC) is established to ensure 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)
Kevin Kwok Khien
Song Su-Min

Non-Independent and Non-Executive Directors
LG Ong Su Kiat Melvyn

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 2021

a) Sustainability Oversight
The RSC oversees the Group's sustainability matters, including those related to climate change. It provides direction on sustainability strategies (short, medium and long term) and monitors progress on sustainability plans and commitments.

Information on sustainability is reported to the RSC via the Group Strategy and Sustainability Office.

Details on RSC's governance and oversight of sustainability are in our Sustainability Report.

Find out more about **Sustainability Oversight** in our Sustainability Report

b) Risk Governance
The RSC assists the Board in its risk governance responsibility, overseeing the responsibilities delegated to Management to ensure that there is a sound system of controls in place for identifying and managing risks in order to safeguard stakeholders' interests and the Company's assets.

CORPORATE GOVERNANCE REPORT

The RSC is supported on risk related matters by the Risk and Assurance (R&A) function which in turn works 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 well, 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 the continued effectiveness of GRC frameworks, policies and procedures in Singapore and overseas business units.

Group 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 (ERM) Framework

The Group has put in place 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 risk appetites as they establish business 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 Board formalised the Group Risk Appetite Framework and Risk Appetite Statements to promote broader risk awareness and reinforce the desired risk culture across the Group. Additionally, the R&A function has embarked on a review of the Control Self-Assessment Framework, aimed at fostering an integrated risk-based control environment and enhancing the basis of assurance from Management. This is expected to be progressively implemented for Singapore businesses in 2022, and for overseas business units in subsequent years.

a) Risk Appetite Framework

The Risk Appetite Framework defines the risk boundaries in line with our corporate strategy for compliance within the Group. Under this framework, the Board has approved the following Group Risk Appetite Statements with respect to our key risks in line with the Group's material ESG factors. They serve as a key conduit for aligning the Group's risk profile with the Group's corporate strategy and business models.

Strategic
We are committed to pursuing sustainable and inclusive growth to enhance our competitive advantage whilst upholding our core values.

ESG
We subscribe to ESG best practices to benefit all stakeholders.

Financial
- We aim to maintain a resilient balance sheet.
- We have a defined governance framework to evaluate and approve all investment and business transactions.

Regulatory Compliance
- We comply with all applicable laws and regulations in the countries where we operate in.
- We adopt a zero tolerance policy towards fraud, bribery and corruption.

Operational
- We are committed to "Safety Before Profits".
- We aim to achieve zero accidents at the workplace.

IT and Cyber
We are committed to protecting our data and systems including those entrusted to us by adopting best practices in cybersecurity.

The RSC provides oversight to the Group in formulating and reviewing risk policies and risk tolerance limits. These policies and limits are subject to periodic reviews to ensure that they continue to support the Group in achieving its strategic objectives and are aligned with the Group Risk Appetite Framework.

b) Risk Aware Culture and Training

Embedding the right culture throughout the organisation is important for effective risk management. The RSC recognises that good culture fosters openness that will enable management and staff to escalate concerns in a timely manner without fear. This will also promote better judgment and greater assurance to the Board and Management.

CORPORATE GOVERNANCE REPORT

As part of the risk awareness and communication programme, annual risk management training plans covering ST Engineering Code of Business Conduct and Ethics, and key risk and compliance topics are rolled out at the Group level. The RSC is updated regularly on the status of these trainings.

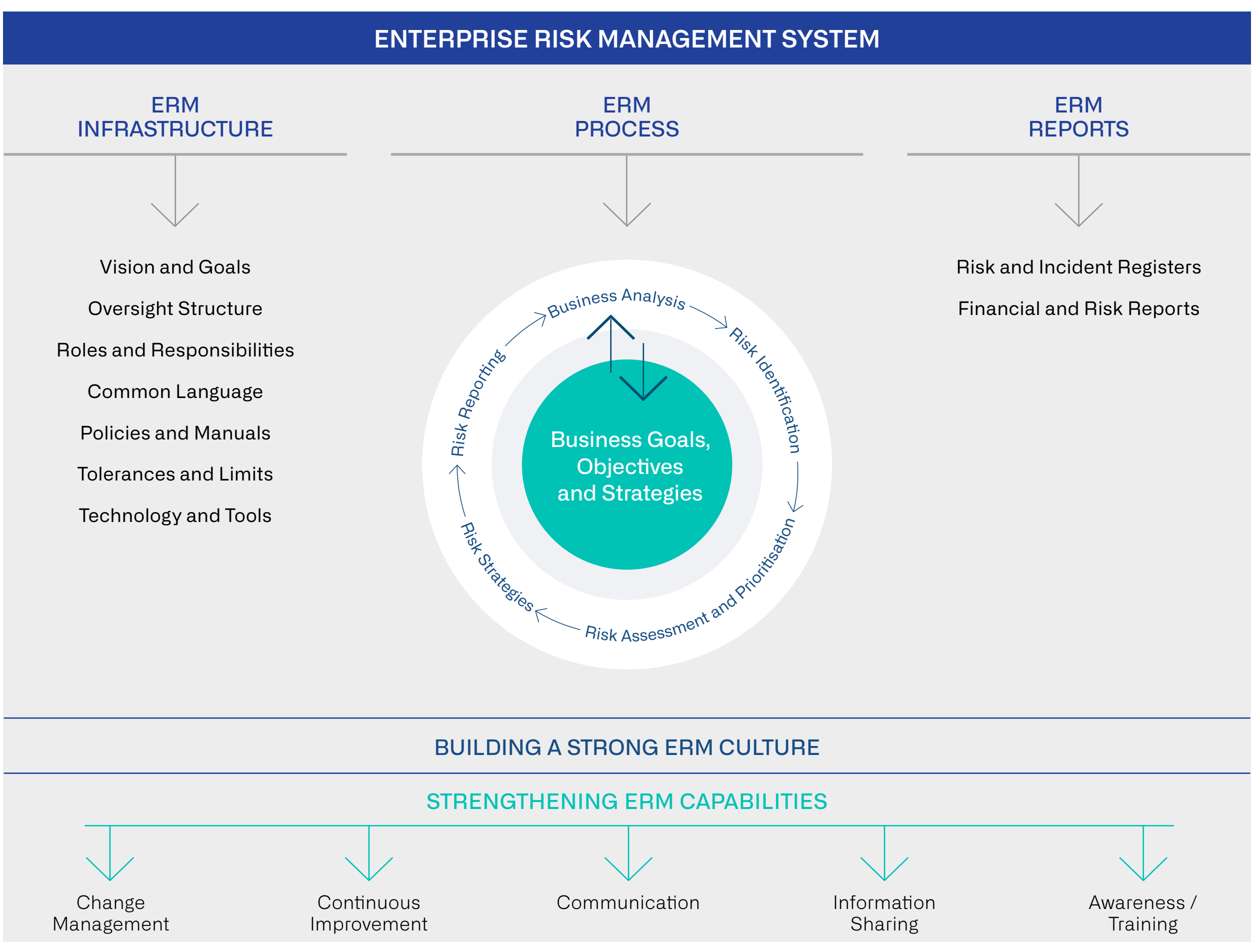
c) Risk Review Process

Under the ERM framework, a risk dashboard of the top business risks 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 mitigating 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, Cluster Presidents and Presidents of the Business Areas, as well as their respective CROs review respective dashboard of top business risks with the RSC. At the meetings, the risk management action plans and measures to address these risks will be discussed. At the same time, they will also highlight the following for discussion:

- emerging trends and issues in each business area;
- new risks or changes to existing risk profile;
- new risk incidents;
- major risk exposures; and
- risk management actions taken on previously identified risks.

The RSC continues to monitor the implementation of risk management policies and procedures and receives updates on the risk registers maintained by the respective businesses. Key activities during the year include regulatory compliance reviews, as well as assessment of business disruption risks and their corresponding continuity plans.



CORPORATE GOVERNANCE REPORT

d) Control Self-Assessment Process

The Control Self-Assessment (CSA) is a process whereby the business risk owners, together with the respective control owners, evaluate and assess the effectiveness of the controls established to manage key risks. This self-assessment complements the basis of assurance 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. Accordingly, the Board, through the Board Committees and supported by the Group's R&A function and Internal Audit function, is satisfied that internal control issues are identified on a timely basis and remedial actions are taken promptly to minimise lapses.

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 system. 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 2021.

The Audit Committee 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 2021. In this regard, the Board also notes that no framework of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, fraud or other irregularities.

KEY BUSINESS RISKS OF ST ENGINEERING

For a detailed write-up of the **Group's key risks**, please visit our corporate website:

CORPORATE GOVERNANCE REPORT

Audit Committee (Principle 10)

Independent and Non-Executive Directors
Quek See Tiat (Chairman)
Kevin Kwok Khien
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 whistleblowing policy and arrangements and all significant whistleblowing 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 Group Head, IA has unrestricted access to the AC. The AC reviews the appointment, remuneration and resignation of the Group Head, IA.

ST Engineering's IA function (IA) 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 corporate 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.

The AC is satisfied that IA is independent, effective and adequately resourced.

The AC considered and approved the 2021 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.

External Auditors

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 the SGX-ST Listing Manual, 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 2021 totalled $4.5m, of which $0.21m or 5% 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-ST Listing Manual in relation to the engagement of its auditors.

AC met
5 times
in 2021

CORPORATE GOVERNANCE REPORT

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.

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 reviewed 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 2021 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 2021 can be found on pages 139 to 140 of this Annual Report.

The AC was kept updated on relevant changes in accounting standards and their implications on the financial statements.

Whistleblowing Policy

The AC has reviewed the ST Engineering Whistleblowing Policy and is satisfied with the procedures through which the employees and other stakeholders may, in confidence, raise concerns about possible improprieties in business conduct, financial report or other matters without the fear of reprisals. No form of retaliation to the informant (internal or external) is tolerated for any report made in good faith.

ST Engineering is committed to conducting business with integrity and adopts a zero-tolerance attitude towards any malpractice, impropriety, statutory non-compliance and/or any wrongdoing by board members, employees and any other parties with a business relationship with the Group. The Whistle-blowing Committee - with the assistance of the Group Head, IA – reviews and deliberates over the contents of the incident raised and determines the subsequent measures to adopt, including making enquiries and pursuing investigations (internal or external). The AC reviews the adequacy of every investigation instituted with their corresponding outcomes. Under these procedures, arrangements are in place for independent investigation of reported concerns and for appropriate follow-up actions to be taken.

Harassment or victimisation of the whistleblower is not tolerated. Reasonable and appropriate actions, subject to applicable laws, are taken to protect all whistleblowers who raise a concern in good faith. Appropriate disciplinary action may be taken against employees who retaliate against the whistleblower.

CORPORATE GOVERNANCE REPORT

Our whistleblowing policy facilitates the in-confidence disclosures of possible impropriety or non-compliance. All reports, which may be made anonymously, are treated with strict confidentiality. Non-anonymous whistleblowers (with contactable details) are informed when investigations are concluded.

All stakeholders, including employees, customers, suppliers and the general public, can report incidents through various reporting channels that are independently managed.

View our **whistleblowing reporting channels**

Whistleblowing Procedure

Employees and other stakeholders may raise their concerns anonymously or otherwise and/or write to seek advice on the ST Engineering's anti-bribery programme through the various whistleblowing communication channels (i.e. dedicated email account, postal address, 22 geographical toll-free telephone numbers, web and mobile reporting applications, hosted by an independent external provider).

Concerns involving any member of the Board or the Senior Management or the Group Head, IA may be reported directly to the Chairman of the Board, the AC Chairman and the Group President & CEO via dedicated email at AC@stengg.com. The reporting channels are published on the Group's website, intranet, and offices for accessibility and awareness. The Whistleblowing Policy and Procedures are reviewed by the AC from time to time to ensure that they remain relevant.

Interested Person Transactions

The Group has established policies and procedures for reviewing and approving interested person transactions (IPTs) in accordance with the general mandate from shareholders to ensure that such transactions are conducted fairly on an arm's length basis and will not be prejudicial to the interest of the Company and/or its minority shareholders.

The Group maintains a register of interested persons to facilitate the identification of IPTs.

IPTs are reviewed by internal auditors and reported to the AC on a quarterly basis.

Where any IPT requires shareholders' approval, the interested person abstains from voting and the decision is made by other shareholders.

The general mandate from shareholders is put up for approval at each AGM and stipulates the review procedures to ensure IPTs are undertaken on arm's basis and on normal commercial terms consistent with the Group's usual business practices and policies, which are generally no more favourable to the interested persons than those extended to unrelated third parties.

Details of IPTs entered into by the Group for financial year 2021 are set out on page 281 of this annual report.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings (Principle 11)

Conduct of 24th Annual General Meeting

Arising from the COVID-19 pandemic, ST Engineering's 24th 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 24th 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 24th AGM by recapitulating the Company's growth strategy and aspiration, as well as the Group's performance in 2020. He also provided an overview of the Group's priorities in 2021, 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.

The Chairman and President & CEO addressed all questions submitted live during AGM.

CORPORATE GOVERNANCE REPORT

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 24th AGM. All proxy votes were received by the 72 hours' deadline prior to meeting and were verified by the appointed independent scrutineers.

Extraordinary General Meeting (EGM)

The Company convened an EGM on 15 December 2021 to seek shareholders' approval for the proposed acquisition of all of the issued and outstanding interests of TransCore Partners, LLC and TLP Holdings, LLC from TransCore Holdings, LLC. The Company recieved an overwhelming support of 99.92% approval for the proposed acquisition.

Read our **AGM and EGM** minutes

Provision 11.4 of the Code provides for a company's constitution to allow for absentia voting at general meetings of shareholders. Presently, absentia voting (such as by mail, email or fax) is not permitted under the Company's Constitution. The Company does not intend to amend its Constitution to provide for absentia voting until security, integrity and other pertinent issues relating to absentia voting are satisfactorily resolved. Nevertheless, the Company is of the view that notwithstanding its deviation from Provision 11.4 of the Code, shareholders are treated fairly and equitably and have the opportunity to communicate their views on matters affecting the Company. For instance, shareholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings if they are unable to attend.

Dividend Policy

On 24 February 2022, the Board approved a dividend policy to declare dividends every quarter instead of twice a year previously. For FY2022, the plan is for dividends to be paid four times a year, at 4.0 cents per share each time resulting in total dividends of 16.0 cents per share payable for FY2022 (compared to the 15.0 cents per share paid or payable for FY2021).

The dividends for FY2022 are currently scheduled to be paid in June 2022, September 2022, December 2022 and May 2023. As and when the Board declares an interim dividend for each of the first three quarters of FY2022, ST Engineering will announce the relevant record date and payment date on SGXNet. The final dividend payable in May 2023 is subject to shareholders' approval at the ST Engineering AGM to be held in April 2023, the record date and payment date for which will be announced in conjunction with the release of the Group's full-year financial results for FY2022.

This change from declaring dividends semi-annually to quarterly will provide shareholders with more frequent income streams. Notwithstanding the new dividend policy, ST Engineering continues to focus on and has sufficient financial capacity to seek growth pursuant to the Group's strategy as communicated at its Investor Day in November 2021, and as it has demonstrated in the last few years.

Engagement with Shareholders (Principle 12)

ST Engineering treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company ensures that all communications of material information, including price-sensitive and trade-sensitive information, are timely, balanced and fair and in compliance with the SGX-ST Listing Manual and the Code.

The Investor Relations (IR) department is an integral conduit between the Company and investment community. The Investor Relations team maintains regular dialogues with shareholders and the investment community through a multi-channel programme to promote effective communication that gives them a balanced and understandable assessment of the Company's performance, position and prospects.

Targeted events such as AGMs, investor conferences, 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.

Material information relating to the Company's financial performance, business and strategic developments are published on SGXNET, and/or on our corporate website www.stengg.com.

A dedicated "Investor Relations" section on our website houses 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.
ST Engineering's Annual Report is available on our corporate website within 120 days from the end of the Group's financial year-end. A printed copy of the latest Annual Report can be ordered at no cost upon request via email at ir@stengg.com.

CORPORATE GOVERNANCE REPORT

ST Engineering published half-year and full-year financial reports comprising detailed financial statements and management commentaries on the financial and business performance of the Group within 45 and 60 days from the end of each respective financial period. Release dates of half-yearly financial reports are disclosed at least two weeks prior to the announcement date via SGXNET.

Briefings to present the half-year and full-year financial results are held for media, sell-side analysts and institutional funds, and we welcome retail investors to observe the briefings virtually. Links to live webcasts for these briefings are posted on SGXNET and our corporate website. Audio playback is made available on our website the same day. In addition, we hold briefings for sell-side analysts on 1st quarter and 3rd quarter to augment our half-yearly briefings, mainly to update on topical trends, contract wins and order book. The presentation materials are posted on SGXNET and our corporate website before trading starts.

In addition to the investment community, the IR team engages ESG-related research and rating agencies to communicate the Company's sustainability framework, approach and goals. Relevant functions or departments such as Sustainability, Human Resources and Risk & Assurance may also participate in these exchanges.

The Company's Investor Relations Policy, available in the "Investor Relations" section on our website, sets out general communication principles and mechanism of shareholder engagement. Contact details of the IR team are available on the corporate website. We value opportunities to engage with our investors and shareholders, who can contact the IR team directly through email or telephone. The IR team will respond to any queries received through email within three working days.

We welcome the investment community to subscribe to news alerts or follow our social media channels to stay updated on our business developments and happenings.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders (Principle 13)

The Company engages its material stakeholders. Details can be found in the Sustainability Report on page 12 and on our corporate website at www.stengg.com.

DEALINGS IN SECURITIES

The Company has in place a policy which prohibits our Directors and officers of the Company and the Group from dealing in ST Engineering's securities one month before the announcement of half-year and full-year financial results (the black-out period). They are informed of the commencement date for each black-out period and are regularly reminded not to deal in ST Engineering's securities at all times if they are privy to any unpublished material price-sensitive or trade-sensitive information. They are also advised to observe the insider trading laws at all times even when engaging in dealings in ST Engineering's securities within the permitted window periods, and not to deal in ST Engineering's securities on short-term consideration.

The Company will also not purchase or acquire its securities during the black-out period and at any time after a price-sensitive or trade-sensitive development has occurred or has been the subject of a decision until the price-sensitive or trade-sensitive information has been publicly announced.

CODE OF BUSINESS CONDUCT & ETHICS

Our Code of Business Conduct and Ethics (Code) is developed based on key principles guided by our Core Values - Integrity, Value Creation, Courage, Commitment and Compassion. This Code forms the backbone of our commitment to ethical business conduct and regulatory compliance. Our employees' performance appraisal are linked to the Code through the evaluation of the employees' demonstration of the Core Values.

CORPORATE GOVERNANCE REPORT

The Code of Business Conduct and Ethics is disseminated to employees globally in the form of handbooks and video messages from senior management. To supplement this Code, we have developed an e-learning module which is to be completed by all employees on a yearly basis.

Read more about our
Code of Business Conduct and Ethics

LOBBYING & POLITICAL CONTRIBUTION

Political contributions, donations or sponsorships must be approved by management in accordance with the Group's approval limits policy and be made with the highest ethical standards and in compliance with all applicable laws of the jurisdictions where we operate in. They must not confer a personal benefit, and must not be given to gain a business advantage or to influence a business outcome or an official action.

CYBERSECURITY / DATA PRIVACY & PROTECTION

ST Engineering understands the need for strong cybersecurity as digital technology and highly connected economies and businesses bring new vulnerabilities from a proliferation of cyber threats. We continue to strengthen our cyber resilience with a system of cybersecurity capabilities that comprises People, Process and Technology.

We also equip our employees with relevant cybersecurity knowhow through internal campaigns to protect the Group from cyber threats.

Our Personal Data Policy is available on our website. We have implemented policies and practices in our organisation to ensure we comply with applicable data protection laws and regulations. These policies describe the types of personal data we may collect from individuals, how we may use that information, and to whom we may share it with. They also prescribe the measures that we take to protect the security of the personal data entrusted to us.

Read more about our
Personal Data Policy

ANTI-BRIBERY & CORRUPTION

The Group has zero tolerance for fraud and corruption and has detailed policies and compliance procedures related to anti-bribery and corruption.

Employees

The Group has detailed policies for our employees, as well as training, compliance procedures and whistle-blowing channels that are accessible to employees and external parties. Our Code is designed to ensure our employees uphold the highest standards of business ethics and integrity. Severe disciplinary actions will be taken in the event of any breach or non-compliance.

Risks

The Group's operations are assessed for risks related to corruption as part of the Enterprise Risk Management framework. In addition, the Group's R&A function and IA collaborate closely to examine potential corrupt practices in the planning and conduct of their reviews. The significant corruption-related risks as identified relate primarily to using third-party suppliers and intermediaries, corruption by employees, and gifts, hospitality, donations and sponsorships to business partners and public officials.

Conflict of Interest

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 any conflict.

Gifts and Hospitality

The Group has a Gifts and Hospitality policy, setting out clear guidelines and principles on the giving and receipt of gifts and hospitality items. This includes charitable donations and sponsorships, where recipients are reviewed and subject to appropriate due diligence before approval by senior management.

Intermediaries

The appointment and re-engagement of intermediaries are governed by 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 (a) onboarding and ongoing screening against sanctions

CORPORATE GOVERNANCE REPORT

lists and negative media publicity, (b) mandatory anti-bribery and corruption training, and (c) 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.

EXPORT CONTROL

Our Export Control Policy aims to ensure that all our exports are kept out of the hands of unauthorised users and not used for unauthorised purposes.

ST Engineering is committed to complying with all applicable laws, regulations, trade sanctions and embargoes (collectively referred to as “Export Control Regimes”) governing the export of goods, services, software, technology and information (“Controlled Items”) of all jurisdictions the Group operates in.

ST Engineering is also committed to taking steps to ensure that transactions undertaken by any party operating on behalf of the Group, including agents, distributors, and resellers, comply with applicable Export Control Regimes. Strict adherence to this policy is required, except to the extent that a more stringent local law applies.

The Group has in place a Regulatory Compliance Framework that proactively identifies applicable Export Control Regimes, and embeds compliance into the day-to-day business processes, namely commodities classification, screening of customers or end-users, end-use destinations, purposes, record keeping and tracking of Controlled Items.

Compliance with Export Control Regimes is facilitated by the Group’s Export Control Support structure that is staffed by Export Control Officers who are appointed at the Group, regional, country and Line of Business levels.

Regular awareness-level export compliance training is provided for all relevant employees, and targeted training for employees whose job functions entail greater involvement with Controlled Items.

In the event of potential or actual violations, immediate reporting, decision-making and corrective measures are to be carried out under the supervision of senior management and the EXCO. Significant violations are reported to the Risk and Sustainability Committee, where lessons learnt are distilled and shared.

Employees may also utilise the reporting channels found in our website to report potential violations of Export Control Regimes.

Access our **whistleblowing channels**

FINANCIAL REPORT

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021
(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 2021 and the statement of financial position of the Company as at 31 December 2021.

In our opinion:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company set out on pages 144 to 278 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 2021, 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 1967 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	
Kevin Kwok Khien	(Appointed on 1 October 2021)
Joseph Leong Weng Keong	
Lim Ah Doo	
Lim Chin Hu	
Lim Sim Seng	
Ng Bee Bee (May)	
LG Ong Su Kiat Melvyn	
Quek See Tiat	
Song Su-Min	
Tan Peng Yam	(Appointed on 1 August 2021)
Teo Ming Kian	(Appointed on 1 August 2021)
COL Cai Dexian	(Alternate Director to LG Ong Su Kiat Melvyn) (Appointed on 1 October 2021)

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 2021
(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 1967, 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 2021 or date of appointment	31 December 2021
The Company			
Ordinary Shares			
Kwa Chong Seng		1,153,800*1	1,208,500*1
Vincent Chong Sy Feng		2,296,793	2,661,271*2
Kevin Kwok Khien		170,000	170,000
Lim Ah Doo		87,300*3	99,900*3
Lim Chin Hu		90,000*3	104,800*3
Lim Sim Seng		63,800*3	76,300*3
Ng Bee Bee (May)		-	5,000
Quek See Tiat		76,200	91,600
Song Su-Min		17,600	30,100
Tan Peng Yam		9,011	9,011
Conditional Award of Shares under PSP2010 to be delivered after 2020			
Vincent Chong Sy Feng	(428,600 shares)	0 to 728,620#1	-#2
Conditional Award of Shares under PSP2010 to be delivered after 2021			
Vincent Chong Sy Feng	(469,385 shares)	0 to 797,954#1	0 to 797,954#1
Conditional Award of Shares under PSP2010 to be delivered after 2022			
Vincent Chong Sy Feng	(545,958 shares)	0 to 928,128#1	0 to 928,128#1
Conditional Award of Shares under PSP2020 to be delivered after 2023			
Vincent Chong Sy Feng	(412,777 shares)	-	0 to 701,720#1

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2021 or date of appointment	31 December 2021
The Company		
Unvested restricted shares under RSP2010 to be delivered after 2017		
Vincent Chong Sy Feng (82,264 shares)	20,566[#3]	-
Unvested restricted shares under RSP2010 to be delivered after 2018		
Vincent Chong Sy Feng (180,800 shares)	90,400[#3]	45,200[#3]
Unvested restricted shares under RSP2010 to be delivered after 2019		
Vincent Chong Sy Feng (219,234 shares)	164,426[#3]	109,618[#3]
Conditional Award of restricted shares under RSP2010 to be delivered after 2020		
Vincent Chong Sy Feng	212,708[#4]	-
Unvested restricted shares under RSP2010 to be delivered after 2020		
Vincent Chong Sy Feng (212,708 shares)	-	159,531[#3]
Conditional Award of restricted shares under RSP2020 to be delivered after 2021		
Vincent Chong Sy Feng	-	174,311[#5]
Related Corporations		
Altrium Private Equity Fund I GP Limited ***Limited Partner Interests in the Altrium PE Fund I F&F L.P. fund for a commitment amount***		
Teo Ming Kian	US$300,000	US$300,000

DIRECTORS' STATEMENT

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Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2021 or date of appointment	**31 December 2021**
Related Corporations		
Limited Partner Interests in the Altrium PE Fund II F&F L.P. fund for a commitment amount		
Teo Ming Kian	-	US$300,000
Ascendas Funds Management (S) Limited		
Unit holdings in Ascendas Real Estate Investment Trust		
Kevin Kwok Khien	300,000	300,000
Lim Chin Hu	66,755*4	66,755*4
Quek See Tiat	42,000	42,000
Tan Peng Yam	4,000	4,000
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	60,000*3	-
Quek See Tiat	31,000	31,000
Ascott Residence Trust Perpetual Bond		
Teo Ming Kian	-	S$250,000
Astrea IV Pte. Ltd.		
S$242 million Class A-1 4.35% Secured Fixed Rate Bonds due 2028		
Teo Ming Kian	S$7,000	S$7,000
US$210 million Class A-2 5.50% Secured Fixed Rate Bonds due 2028		
Teo Ming Kian	US$200,000	US$200,000

DIRECTORS' STATEMENT

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Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2021 or date of appointment	31 December 2021
Related Corporations		
Astrea V Pte. Ltd.		
Class B 5.75% Secured Fixed Rate Bonds		
Kwa Chong Seng	US$200,000*3	US$200,000*3
S$315 million Class A-1 3.85% Secured Fixed Rate Bonds due 2029		
Teo Ming Kian	S$16,000	S$16,000
Astrea VI Pte. Ltd.		
S$382 million Class A-1 3.00% Secured Fixed Rate Bonds Due 2031		
Kwa Chong Seng	-	S$25,000*3
CapitaLand Integrated Commercial Trust Management Limited		
Unit holdings in CapitaLand Integrated Commercial Trust		
Kwa Chong Seng	-	4,518
Quek See Tiat	68,040	70,050
Tan Peng Yam	51,917	51,917
Teo Ming Kian	39,872	40,954
CapitaLand Limited		
Ordinary Shares		
Kwa Chong Seng	29,214	N.A.@
Quek See Tiat	13,000	N.A.@
Tan Peng Yam	10,000	N.A.@
Teo Ming Kian	7,000	N.A.@
CapitaLand Investment Limited		
Ordinary Shares		
Kwa Chong Seng	N.A.@	29,214
Kevin Kwok Khien	80,000	80,000
Quek See Tiat	N.A.@	13,000
Tan Peng Yam	N.A.@	10,000
Teo Ming Kian	N.A.@	7,000

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2021 or date of appointment	31 December 2021
Related Corporations		
Fullerton Fund Management Company Ltd		
Fullerton SGD Income Fund – Class A		
Lim Chin Hu	S$453,613*3	S$453,613*3
Quek See Tiat	S$1,833,085	S$2,751,350
Mapletree Commercial Trust Management Ltd.		
Unit holdings in Mapletree Commercial Trust		
Lim Chin Hu	35,500*3	35,500*3
Tan Peng Yam	2,000	2,000
Mapletree Industrial Trust Management Ltd.		
Unit holdings in Mapletree Industrial Trust		
Lim Chin Hu	37,221*5	43,921*6
Mapletree Logistics Trust Management Ltd.		
Unit holdings in Mapletree Logistics Trust		
Lim Ah Doo	185,000*3	215,200*3
Lim Chin Hu	94,791*3	98,298*3
Tan Peng Yam	1,000	1,000
Mapletree North Asia Commercial Trust Management Ltd.		
Unit holdings in Mapletree North Asia Commercial Trust		
Kevin Kwok Khien	775,156	775,156
Mapletree Real Estate Advisors Pte. Ltd.		
Unit holdings in Mapletree Global Student Accommodation Private Trust (MGSA) – Class A units at US$85		
Kevin Kwok Khien	2,000	2,000
Unit holdings in MGSA – Class B units at £57		
Kevin Kwok Khien	2,000	2,000

DIRECTORS' STATEMENT

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Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2021 or date of appointment	**31 December 2021**
Related Corporations		
Unit holdings in Mapletree US & EU Logistics Private Trust (MUSEL) – Units at US$1,000		
Kevin Kwok Khien	300	300
Unit holdings in MUSEL – Units at €305		
Kevin Kwok Khien	300	300
Unit holdings in Mapletree US Income Commercial Trust (MUSIC)		
Kevin Kwok Khien	–	US$414,000
Lim Chin Hu	–	US$250,000*3
Mapletree Treasury Services Limited		
S$625 million 4.5% Subordinated Perpetual Securities issued in 2017 (previously described as S$625M 4.5% Perpetual Securities issued in 2017)		
Teo Ming Kian	S$500,000	S$500,000
S$600 million 3.7% Perpetual Securities under US$5 billion (S$6.8 billion) Euro Medium-Term Note Programme		
Lim Chin Hu	–	S$250,000*3
Olam International Limited		
Ordinary Shares		
Kwa Chong Seng	609,279*7	702,670*8
Lim Ah Doo	139,300*3	305,600*3
Teo Ming Kian	10,000	10,000
S$500 million 6% Fixed Rate Notes due 2022		
Teo Ming Kian	S$250,000	S$250,000

DIRECTORS' STATEMENT

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Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2021 or date of appointment	31 December 2021
Related Corporations		
Sembcorp Marine Ltd		
Ordinary Shares		
Kevin Kwok Khien	-	196,440
Quek See Tiat	-	75,000
Tan Peng Yam	110,000	110,000
Teo Ming Kian	-	178,000
Singapore Airlines Limited		
Ordinary Shares		
Song Su-Min	-	20,000
Teo Ming Kian	24,000	24,000
S$700 million 3.035% Notes due 2025		
Teo Ming Kian	S$250,000	S$250,000
S$3.496 billion Mandatory Convertible Zero-Coupon Bonds due 2030		
Teo Ming Kian	S$27,000	S$27,000
MCBZ 2021		
Teo Ming Kian	52,000	52,000
Singapore Telecommunications Limited		
Ordinary Shares		
Kevin Kwok Khien	331,000	331,000
Lim Chin Hu	38,000[*3]	38,000[*3]
Quek See Tiat	680	680
Song Su-Min	190	190
Tan Peng Yam	40,380	40,380
Teo Ming Kian	380	380

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021
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Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2021 or date of appointment	31 December 2021
Related Corporations		
StarHub Ltd		
Ordinary Shares		
Quek See Tiat	5,000	5,000
Tan Peng Yam	10,000	10,000
Temasek Financial (I) Limited		
T2028 USD 10-year Temasek Bond 3.625% coupon due August 2028		
Lim Chin Hu	US$250,000[*3]	–
Temasek Financial (IV) Private Limited		
T2023 SGD Temasek Bond S$500 million 2.70% coupon due October 2023		
Quek See Tiat	S$7,000	S$7,000
Tan Peng Yam	S$14,000	S$14,000
The LifeSciences Innovation Fund Pte. Ltd.		
Preference Shares		
Teo Ming Kian	1,000	1,000
Vertex Master Fund II (GP) Pte. Ltd.		
Limited Partner Interests in VMII Affiliates Fund LP for a commitment amount		
Teo Ming Kian	US$200,000	US$200,000
Vertex Venture Holdings Ltd		
S$250,000 denomination VVH Ltd 7-year 3.3% bonds due 28 July 2028		
Teo Ming Kian	S$250,000	S$250,000

DIRECTORS' STATEMENT

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Directors' interests (continued)

@ Pursuant to the scheme of arrangement undertaken by CapitaLand Limited (CL) and CLA Real Estate Holdings Pte. Ltd. (CLA) as set out in the scheme document despatched electronically to shareholders of CL on 17 July 2021, CapitaLand Investment Limited was listed on the Mainboard of the SGX-ST on 20 September 2021 and CL was subsequently delisted from the Mainboard of the SGX-ST on 21 September 2021.

*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 2,300,000 shares in Singapore Technologies Engineering Ltd, held in trust by a nominee bank 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 37,100 unit holdings in Mapletree Industrial Trust Management Ltd., held in trust by a trustee company on behalf of the director.

*6 Includes interest in 43,800 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.

*8 Includes interest in 217,670 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 190,727 shares upon partial achievement of targets set. The balance of the conditional award covering the period from 2018 to 2020 has thus lapsed.

#3 Balance of unvested restricted shares to be released according to the stipulated vesting periods.

#4 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.

#5 This conditional award is subject to a performance target set over a one-year performance period from 1 January 2021 to 31 December 2021. 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 2022.

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021
(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 Chin Hu, Mr Lim Sim Seng and Mr Teo Ming Kian.

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 2021, 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.

(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.

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Share Plans (continued)

(a) ***PSP2010 / PSP2020*** (continued)

The performance measures used in performance share grants are Absolute Total Shareholder Return (TSR) taking reference to the Group's Cost of Equity 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 and PSP2020 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	–	190,727	0 to 3,227,862	781,187	0 to 1,726,082
Group Executives (including Vincent Chong Sy Feng)	–	697,113	0 to 29,215,195	9,033,544	0 to 6,133,333

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
PSP2020					
Director of the Company					
Vincent Chong Sy Feng	0 to 701,720	–	0 to 701,720	–	0 to 701,720
Group Executives (including Vincent Chong Sy Feng)	0 to 3,068,371	–	0 to 3,068,371	–	0 to 2,603,557

* All PSP2010 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 2021
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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. 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.

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	–	173,751	0 to 2,237,693	1,850,084	314,349
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)	–	5,672,438	0 to 77,606,426	41,665,745	6,937,348

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021
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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
RSP2020					
Directors of the Company					
Kwa Chong Seng	54,700	54,700	123,800	123,800	–
Vincent Chong Sy Feng	174,311	–	174,311	–	–
Lim Ah Doo	12,600	12,600	27,500	27,500	–
Lim Chin Hu	14,800	14,800	30,400	30,400	–
Lim Sim Seng	12,500	12,500	27,900	27,900	–
Ng Bee Bee (May)	5,000	5,000	5,000	5,000	–
Quek See Tiat	15,400	15,400	33,700	33,700	–
Song Su-Min	12,500	12,500	28,100	28,100	–
Group Executives (including Vincent Chong Sy Feng)	6,791,103	140,610	6,918,363	142,780	6,387,366

* 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 2021
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Audit Committee

The Audit Committee comprises four 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)
Kevin Kwok Khien (Appointed on 1 October 2021)
Lim Ah Doo
Song Su-Min

The Audit Committee carried out its functions in accordance with Section 201B of the Singapore Companies Act 1967, 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.

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
24 February 2022

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") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("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 2021 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 2021;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of financial position of the Group as at 31 December 2021;
- 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 consolidated financial statements, including a summary of significant accounting policies;
- the statement of financial position of the Company as at 31 December 2021; and
- the notes to the statement of financial position 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 2021. 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 2021, the carrying value of the Group's goodwill amounted to $796,676,000. Goodwill is allocated to the Group's cash generating units ("CGU") - Aerostructure & Systems, Aerospace MRO, Smart Utilities & Infrastructure, Satcom, Specialty Vehicles, Robotics & Autonomous Systems, Training & Simulation Systems, Advanced Networks & Sensors and others. There is a risk of impairment of certain CGUs in the United States which are 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 year, impairment charge of $5,000,000 was recorded to reduce the carrying amount of the CGU to the estimated recoverable amount. We focused on this area because of the uncertainty arising from the ongoing and evolving COVID-19 pandemic and 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 2021, the Group recognised revenue of $7,692,865,000 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 • assessing 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.

Other Information

Management is responsible for the other information. The other information comprises the Corporate Overview, Performance Review, Sustainability, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Other Information (continued)

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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Auditor's Responsibilities For The Audit Of The Financial Statements (continued)

- 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.

- 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.

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.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore
24 February 2022

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS)

Group	Note	2021 $'000	2020 $'000
Revenue	B2	**7,692,865**	7,158,286
Cost of sales		**(6,157,797)**	(5,630,797)
Gross profit		**1,535,068**	1,527,489
Distribution and selling expenses		**(182,760)**	(225,048)
Administrative expenses		**(607,974)**	(595,360)
Other operating expenses		**(133,841)**	(146,218)
Other income, net*		**35,420**	9,141
Profit from operations	B3	**645,913**	570,004
Non-operating income/(expenses), net*	B4	**11,742**	(4,043)
Share of results of associates and joint ventures, net of tax		**15,991**	30,389
Earnings before interest and tax		**673,646**	596,350
Finance income		**11,686**	9,274
Finance costs		**(47,725)**	(71,222)
Finance costs, net	E2	**(36,039)**	(61,948)
Profit before taxation		**637,607**	534,402
Taxation	B6	**(70,636)**	(8,779)
Profit after taxation		**566,971**	525,623
Attributable to:			
Shareholders of the Company		**570,540**	521,840
Non-controlling interests	F3	**(3,569)**	3,783
		566,971	525,623
Earnings per share (cents)	B5		
Basic		**18.30**	16.74
Diluted		**18.20**	16.64

* Change in definition of Other income and Non-operating income/(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 2021
(CURRENCY - SINGAPORE DOLLARS)

Group	Note	2021 $'000	2020 $'000
Profit after taxation		**566,971**	525,623
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan remeasurements		**49,887**	(48,789)
Net fair value changes on equity investments at FVOCI		–	338
		49,887	(48,451)
Items that are or may be reclassified subsequently to profit or loss:			
Net fair value changes of cash flow hedges reclassified to income statement		**(2,415)**	22,495
Effective portion of changes in fair value of cash flow hedges		**(25,358)**	18,905
Share of net fair value changes on cash flow hedges of joint ventures		**2,145**	763
Foreign currency translation differences		**6,507**	44,090
Share of foreign currency translation differences of associates and joint ventures		**9,123**	1,819
Reserves released on disposal of a subsidiary		**(5,643)**	121
		(15,641)	88,193
Other comprehensive income for the year, net of tax		**34,246**	39,742
Total comprehensive income for the year, net of tax		**601,217**	565,365
Total comprehensive income attributable to:			
Shareholders of the Company		**615,183**	547,678
Non-controlling interests	F3	**(13,966)**	17,687
		601,217	565,365

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS)

Group	Note	2021 $'000	2020 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	C1	**1,793,811**	1,756,944
Right-of-use assets	C2	**558,559**	538,809
Associates and joint ventures	F4	**482,897**	468,912
Investments	E3	**36,129**	23,138
Intangible assets	C3	**1,992,738**	1,946,138
Long-term trade receivables		**1,534**	1,524
Deferred tax assets	B6	**207,548**	149,387
Amounts due from related parties	C4	**11,609**	8,547
Advances and other receivables	C7	**69,863**	58,248
Derivative financial instruments	C16	**4,217**	20,847
Post-employment benefits	D3	**257**	319
		5,159,162	4,972,813
Current assets			
Contract assets^	C13	**1,726,505**	1,555,781
Inventories	C5	**1,261,156**	1,269,192
Trade receivables	C6	**1,066,756**	1,047,844
Amounts due from related parties	C4	**113,843**	46,305
Advances and other receivables	C7	**345,141**	317,741
Derivative financial instruments	C16	**27,172**	23,614
Bank balances and other liquid funds	C8	**815,924**	730,624
		5,356,497	4,991,101
Total assets		**10,515,659**	9,963,914
EQUITY AND LIABILITIES			
Current liabilities			
Contract liabilities^	C13	**919,524**	983,887
Deposits from customers		**17,078**	12,838
Trade payables and accruals^	C9	**2,612,515**	2,218,023
Amounts due to related parties	C10	**27,781**	23,833
Provisions	C11	**331,837**	306,758
Provision for taxation		**161,208**	163,703
Borrowings	E4	**559,886**	496,335
Deferred income	C12	**7,665**	70,922
Post-employment benefits	D3	**7,640**	7,996
Derivative financial instruments	C16	**34,508**	4,554
		4,679,642	4,288,849
Net current assets		**676,855**	702,252

^ The comparative figures for contract assets, contract liabilities and trade payables and accruals have been reclassified in conformance with current year presentation.

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS)

Group	Note	2021 $'000	2020 $'000
Non-current liabilities			
Contract liabilities^	C13	**832,754**	802,348
Trade payables and accruals	C9	**63,482**	19,338
Provisions	C11	**39,596**	29,801
Deferred tax liabilities	B6	**174,661**	166,520
Borrowings	E4	**1,555,334**	1,550,560
Deferred income	C12	**73,882**	50,475
Post-employment benefits	D3	**409,473**	462,548
Derivative financial instruments	C16	**18,620**	18,686
		3,167,802	3,100,276
Total liabilities		**7,847,444**	7,389,125
Net assets		**2,668,215**	2,574,789
Share capital and reserves			
Share capital	E6	**895,926**	895,926
Treasury shares	E7	**(33,475)**	(23,743)
Capital reserves	E8	**103,940**	107,034
Other reserves	E9	**(101,937)**	(89,017)
Retained earnings		**1,548,308**	1,402,414
Equity attributable to owners of the Company		**2,412,762**	2,292,614
Non-controlling interests	F3	**255,453**	282,175
		2,668,215	2,574,789
Total equity and liabilities		**10,515,659**	9,963,914

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS)

Group	Note	Share capital $'000	Treasury shares $'000
At 1 January 2021		895,926	(23,743)
Total comprehensive income for the year			
Profit after taxation		–	–
Other comprehensive income			
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			
Cost of share-based payment		–	–
Purchase of treasury shares	E7	–	(32,894)
Treasury shares reissued pursuant to share plans		–	23,162
Dividends paid	E10	–	–
Dividends paid to non-controlling interests		–	–
Total contributions by and distributions to owners of the Company		–	(9,732)
Changes in ownership interests in subsidiaries			
Acquisition of non-controlling interests in a subsidiary without a change in control		–	–
Acquisition of subsidiaries with non-controlling interests		–	–
Total transactions with owners of the Company		–	(9,732)
Transfer from retained earnings to statutory reserve		–	–
Balance at 31 December 2021		895,926	(33,475)

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
107,034	(89,017)	1,402,414	2,292,614	282,175	2,574,789
–	–	570,540	570,540	(3,569)	566,971
–	(1,579)	–	(1,579)	(836)	(2,415)
–	(12,848)	–	(12,848)	(12,510)	(25,358)
–	2,145	–	2,145	–	2,145
–	10,076	–	10,076	(3,569)	6,507
–	9,123	–	9,123	–	9,123
–	(5,643)	–	(5,643)	–	(5,643)
–	–	43,369	43,369	6,518	49,887
–	1,274	43,369	44,643	(10,397)	34,246
–	1,274	613,909	615,183	(13,966)	601,217
–	(2,389)	–	(2,389)	20	(2,369)
–	21,600	–	21,600	120	21,720
–	–	–	(32,894)	–	(32,894)
(3,094)	(19,978)	–	90	(90)	–
–	–	(467,891)	(467,891)	–	(467,891)
–	–	–	–	(16,554)	(16,554)
(3,094)	1,622	(467,891)	(479,095)	(16,524)	(495,619)
–	(13,551)	–	(13,551)	(1,934)	(15,485)
–	–	–	–	5,682	5,682
(3,094)	(11,929)	(467,891)	(492,646)	(12,776)	(505,422)
–	124	(124)	–	–	–
103,940	(101,937)	1,548,308	2,412,762	255,453	2,668,215

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021
(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 CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

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	2021 $'000	2020 $'000
Cash flows from operating activities		
Profit before taxation	**637,607**	534,402
Adjustments:		
Share of results of associates and joint ventures, net of tax	**(15,991)**	(30,389)
Share-based payment expense	**21,720**	21,716
Depreciation charge	**314,197**	297,620
Property, plant and equipment written off	**2,249**	874
Amortisation of other intangible assets	**83,893**	81,011
Impairment of property, plant and equipment	**19,490**	1,617
Impairment of right-of-use assets	**–**	2,397
Impairment of goodwill and other intangible assets	**6,769**	45,766
Impairment of an associate	**–**	4,000
Gain on disposal of property, plant and equipment	**(2,527)**	(16)
Gain on disposal of subsidiaries	**(13,021)**	–
Loss on disposal of right-of-use assets	**275**	77
Loss on disposal of subsidiaries	**1,279**	43
Changes in fair value of associates	**(11,154)**	5,285
Changes in fair value of financial instruments and hedged items	**(685)**	(1,333)
Interest expense	**45,048**	49,583
Interest income	**(3,936)**	(5,743)
Amortisation of deferred income	**(5)**	(6)
Operating profit before working capital changes	**1,085,208**	1,006,904
Changes in:		
Inventories	**9,455**	52,955
Contract assets	**(162,986)**	78,613
Trade receivables	**(13,511)**	196,681
Advance payments to suppliers	**(18,457)**	20,137
Other receivables, deposits and prepayments	**(14,099)**	(13,625)
Amounts due from related parties	**(18,620)**	410
Amounts due to related parties	**(7,640)**	(2,038)
Amounts due from associates	**8,109**	(4,671)
Amounts due from joint ventures	**(11,701)**	(35,438)
Contract liabilities	**(38,594)**	434,497
Trade payables	**221,215**	(166,540)
Deposits from customers	**5,434**	5,367
Other payables, accruals and provisions	**220,247**	(51,198)
Deferred income	**(40,183)**	86,515
Foreign currency translation of foreign operations	**(1,212)**	(4,139)
Cash generated from operations	**1,222,665**	1,604,430
Interest received	**4,048**	6,393
Income tax paid	**(112,441)**	(78,007)
Net cash from operating activities	**1,114,272**	1,532,816

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Group	Note	2021 $'000	2020 $'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		16,266	8,741
Return of capital by joint venture		3,752	–
Proceeds from disposal of joint venture		361	–
Proceeds from sale of investments		1,836	984
Purchase of property, plant and equipment		(312,039)	(200,301)
Purchase of investments		(14,322)	(7,272)
Additions to other intangible assets		(116,735)	(86,832)
Dividends from associates and joint ventures		24,348	13,273
Investments in associates and joint ventures		(9,884)	(4,868)
Repayment of loans by joint ventures		–	569
Loan to associates and joint ventures		(44,577)	(19,461)
Acquisition of controlling interests in subsidiaries, net of cash acquired		7,333	–
Disposal of subsidiaries, net of cash disposed		30,010	–
Net cash used in investing activities		(413,651)	(295,167)
Cash flows from financing activities			
Proceeds from bank loans		132,027	370,131
Proceeds from MTN issuance		–	1,058,400
Proceeds from commercial papers		756,896	524,092
Proceeds from other loans		10,933	19,565
Proceeds from finance lease receivables		882	3,209
Repayment of bank loans		(35,103)	(743,080)
Repayment of commercial papers		(810,960)	(1,570,209)
Repayment of other loans		(30,933)	–
Repayment of lease liabilities		(73,456)	(61,271)
Purchase of treasury shares		(32,894)	(29,154)
Capital contribution from non-controlling interests of a subsidiary		–	13,260
Acquisition of non-controlling interests in a subsidiary		(15,485)	–
Dividends paid to shareholders of the Company		(467,891)	(468,035)
Dividends paid to non-controlling interests		(16,554)	(17,319)
Interest paid		(33,644)	(58,338)
Deposits discharged/(pledged)		1,145	(10)
Net cash used in financing activities		(615,037)	(958,759)
Net increase in cash and cash equivalents		85,584	278,890
Cash and cash equivalents at beginning of the year		729,479	452,095
Effect of exchange rate changes on balances held in foreign currency		861	(1,506)
Cash and cash equivalents at end of the year	C8	815,924	729,479

The accompanying notes are an integral part of the financial statements.

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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 principal activity of the Company is that of an investment holding company.

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 2021 and for the year then ended were authorised and approved by the Board of Directors for issuance on 24 February 2022.

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 are 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.

Significant accounting policies

The accounting policies have been applied consistently by the Group entities to all periods presented in these financial statements unless otherwise indicated.

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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.

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B. BUSINESS PERFORMANCE

The highlights of the Group's financial performance during the financial year are:

- Revenue of $7.7 billion, up 7.5%
- Earnings before interest and tax of $673.6 million, up 13.0%
- Profit before taxation of $637.6 million, up 19.3%
- Profit attributable to shareholders of $570.5 million, up 9.3%
- Earnings per share of 18.30 cents per share, up 9.3%

B1 Segment information

With effect from 1 January 2021, the Group is reorganised as Commercial and Defence & Public Security clusters, replacing the sector-structure of Aerospace, Electronics, Land Systems and Marine.

The Commercial cluster will drive the Group's international growth through areas in Commercial Aerospace, and Urban Solutions & Satcom domains, to be known as Global Business Areas (or GBAs), which are also reportable business segments.

The Defence & Public Security cluster will integrate capabilities to be organised as a single cluster which is a reportable business segment, comprising Defence Business Areas (or DBAs), namely Digital Systems and Cyber, Land Systems, Marine and Defence Aerospace.

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 the operating segments are outlined below:

Segments	Principal activities
Commercial Aerospace	Airframe, engines and components maintenance, repair and overhaul, original equipment manufacturer for nacelles, composite floorboard and passenger-to-freighter conversions and aviation asset management.
Urban Solutions & Satcom	Smart mobility, smart utilities & infrastructure, urban environment solutions and satcom.
Defence & Public Security	Defence, public safety and security, critical information infrastructure solutions and others, including Group HQ functions.

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table on the next page, is measured differently from operating profit or loss in the consolidated financial statements.

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B1 Segment information (continued)

Inter-segment pricing is based on terms negotiated between the parties which are intended to reflect competitive terms.

2021	Commercial Aerospace $'000	Urban Solutions & Satcom $'000	Defence & Public Security $'000	Elimination $'000	Group $'000
Revenue					
External sales	2,464,827	1,190,536	4,037,502	–	7,692,865
Inter-segment sales	60,126	63,266	41,381	(164,773)	–
	2,524,953	1,253,802	4,078,883	(164,773)	7,692,865
Reportable segment profit from operations	162,307	34,695	448,911	–	645,913
Non-operating income/(expenses), net	(582)	–	12,324	–	11,742
Share of results of associates and joint ventures, net of tax	20,143	(8,914)	4,762	–	15,991
Earnings before interest and tax	181,868	25,781	465,997	–	673,646
Finance income					11,686
Finance costs					(47,725)
Profit before taxation					637,607
Taxation					(70,636)
Non-controlling interests					3,569
Profit attributable to shareholders					570,540
Other assets	3,746,315	2,342,589	5,792,972	(2,872,586)	9,009,290
Associates and joint ventures	303,443	53,388	126,066	–	482,897
Segment assets	4,049,758	2,395,977	5,919,038	(2,872,586)	9,492,187
Deferred tax assets					207,548
Bank balances and other liquid funds					815,924
Total Assets					10,515,659
Segment liabilities	1,634,740	943,732	4,616,915	(1,799,032)	5,396,355
Provision for taxation					161,208
Deferred tax liabilities					174,661
Borrowings					2,115,220
Total Liabilities					7,847,444
Capital expenditure	310,438	102,278	173,704	(62,798)	523,622
Depreciation and amortisation	176,665	80,680	143,016	(2,271)	398,090
Impairment losses	21,259	–	5,000	–	26,259
Other non-cash expenses	966	211	1,072	–	2,249

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B1 Segment information (continued)

2020 (restated)	Commercial Aerospace $'000	Urban Solutions & Satcom $'000	Defence & Public Security $'000	Elimination $'000	Group $'000
Revenue					
External sales	2,332,453	1,101,128	3,724,705	–	7,158,286
Inter-segment sales	52,080	25,336	67,258	(144,674)	–
	2,384,533	1,126,464	3,791,963	(144,674)	7,158,286
Reportable segment profit from operations	47,406	38,844	483,754	–	570,004
Non-operating income/ (expenses), net	–	–	(4,043)	–	(4,043)
Share of results of associates and joint ventures, net of tax	33,505	(7,400)	4,284	–	30,389
Earnings before interest and tax	80,911	31,444	483,995	–	596,350
Finance income					9,274
Finance costs					(71,222)
Profit before taxation					534,402
Taxation					(8,779)
Non-controlling interests					(3,783)
Profit attributable to shareholders					521,840
Other assets	3,455,508	2,220,670	5,676,487	(2,737,674)	8,614,991
Associates and joint ventures	283,864	62,024	123,024	–	468,912
Segment assets	3,739,372	2,282,694	5,799,511	(2,737,674)	9,083,903
Deferred tax assets					149,387
Bank balances and other liquid funds					730,624
Total Assets					9,963,914
Segment liabilities	1,365,902	905,482	4,472,085	(1,731,462)	5,012,007
Provision for taxation					163,703
Deferred tax liabilities					166,520
Borrowings					2,046,895
Total Liabilities					7,389,125
Capital expenditure	96,057	111,924	136,359	(412)	343,928
Depreciation and amortisation	164,968	79,417	141,094	(6,848)	378,631
Impairment losses	37,634	1,664	14,482	–	53,780
Other non-cash expenses	810	32	32	–	874

2020 business segment information have been restated following the re-organisation of the Group into Commercial and Defence & Public Security clusters with effect from 1 January 2021, replacing the sector-structure of Aerospace, Electronics, Land Systems and Marine.

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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	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Asia	**4,839,875**	4,415,728	**1,963,235**	1,841,190
U.S.	**2,126,761**	2,088,678	**1,620,948**	1,629,426
Europe	**684,778**	587,031	**1,263,520**	1,239,616
Others	**41,451**	66,849	**99,437**	92,028
	7,692,865	7,158,286	**4,947,140**	4,802,260

For the year ended 31 December 2021:

- Within Europe, revenue of approximately $451,649,000 (2020: $371,184,000) were from subsidiaries located in Germany.
- Within Asia, most of the revenue was from subsidiaries located in Singapore.
- The remaining revenue from customers in Asia, Europe and Others was individually insignificant.

As at 31 December 2021:

- Within Europe, non-current assets of approximately $704,005,000 (2020: $736,042,000) 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.

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B2 Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by major products/services lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Commercial Aerospace		Urban Solutions & Satcom	
	2021 $'000	2020 $'000 (restated)	**2021 $'000**	2020 $'000 (restated)
Major products/services lines				
Sale of goods	**1,120,982**	1,087,127	**510,964**	505,245
Service income	**144,435**	131,670	**185,917**	212,578
Contract revenue	**1,259,536**	1,165,736	**556,921**	408,641
	2,524,953	2,384,533	**1,253,802**	1,126,464
Timing of revenue recognition				
Transferred at a point in time	**1,429,910**	1,255,690	**771,518**	742,708
Transferred over time	**1,095,043**	1,128,843	**482,284**	383,756
	2,524,953	2,384,533	**1,253,802**	1,126,464

	Defence & Public Security		Elimination		Group	
	2021 $'000	2020 $'000 (restated)	2021 $'000	2020 $'000 (restated)	2021 $'000	2020 $'000
	1,110,350	1,044,632	**(52,778)**	(14,886)	**2,689,518**	2,622,118
	1,422,140	1,288,551	**(35,434)**	(32,723)	**1,717,058**	1,600,076
	1,546,393	1,458,780	**(76,561)**	(97,065)	**3,286,289**	2,936,092
	4,078,883	3,791,963	**(164,773)**	(144,674)	**7,692,865**	7,158,286
	1,570,940	1,409,715	**(107,126)**	(73,017)	**3,665,242**	3,335,096
	2,507,943	2,382,248	**(57,647)**	(71,657)	**4,027,623**	3,823,190
	4,078,883	3,791,963	**(164,773)**	(144,674)	**7,692,865**	7,158,286

Group	2021 $'000	2020 $'000
Primary geographical markets		
Asia	**4,468,755**	3,835,145
U.S.	**1,532,475**	1,704,798
Europe	**1,215,704**	1,202,009
Others	**475,931**	416,334
	7,692,865	7,158,286

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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 statement of financial position. 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 statement of financial position.

(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.

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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 estimates 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 are 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	2021 $'000	2020 $'000
After charging/(crediting)		
Auditors' remuneration		
- auditors of the Company	**2,418**	2,322
- other auditors #	**1,863**	1,833
Non-audit fees		
- auditors of the Company	**75**	143
- other auditors #	**132**	17
Fees paid to a firm of which a director is a member	**1,119**	1,890
Research, design and development expenses *	**92,826**	103,558
Allowance for inventory obsolescence	**45,861**	40,001
Short-term lease expense	**10,712**	14,618
Low-value assets lease expense	**2,320**	2,118
Property, plant and equipment written off	**2,249**	874
Fair value changes of investment in associates	**(11,154)**	5,285

Includes the network of member firms of PricewaterhouseCoopers International Limited (PwCIL)
* Amount before offset by government grants of $6,886,000 (2020: $27,644,000)

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B3 Profit from operations (continued)

Recognition and measurement

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 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. Grants relating to expenses are deducted in reporting the related expenses.

Grants relating to depreciable assets are recognised in profit or loss over the estimated useful lives of the relevant assets.

B4 Non-operating income/(expenses), net

Group	Note	2021 $'000	2020 $'000
Gain on disposal of subsidiaries		**13,021**	–
Loss on disposal of a subsidiary		**(1,279)**	(43)
Impairment of an associate	F4	**–**	(4,000)
		11,742	(4,043)

Recognition and measurement

The assets and liabilities of the subsidiary, including any goodwill are derecognised when a change in the Group's ownership interest in a subsidiary result in a loss of control over the subsidiary. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

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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	2021 '000	2020 '000
Number of shares		
Issued ordinary shares at beginning of the year	**3,115,531**	3,115,741
Effect of performance shares and restricted shares released	**4,916**	5,981
Effect of treasury shares held	**(3,495)**	(4,481)
Weighted average number of ordinary shares issued during the year	**3,116,952**	3,117,241

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 (2020: 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	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	**3,116,952**	3,117,241
Adjustment for dilutive potential ordinary shares	**18,464**	18,808
Weighted average number of ordinary shares (diluted) during the year	**3,135,416**	3,136,049

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B6 Taxation

(i) Tax expenses

Group	2021 $'000	2020 $'000
Current income tax		
Current year	**132,116**	81,354
Overprovision in respect of prior years	**(10,663)**	(24,061)
	121,453	57,293
Deferred income tax		
Current year	**(50,927)**	(59,825)
Underprovision in respect of prior years	**1,368**	14,501
Effect of change in tax rates	**(1,258)**	(3,190)
	(50,817)	(48,514)
	70,636	8,779

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	2021 $'000	2020 $'000
Profit before taxation	**637,607**	534,402
Taxation at Singapore statutory tax rate of 17% (2020: 17%)	**108,393**	90,848
Adjustments:		
Income not subject to tax	**(23,816)**	(48,302)
Expenses not deductible for tax purposes	**13,099**	11,459
Different tax rates of other countries	**(8,759)**	(239)
Overprovision in respect of prior years	**(9,295)**	(9,560)
Effect of change in tax rates	**(1,258)**	(3,190)
Effect of results of associates and joint ventures presented net of tax	**(2,718)**	(5,166)
Tax incentives	**(6,553)**	(776)
Deferred tax assets not recognised	**6,516**	6,753
Deferred tax assets previously not recognised now utilised	**(4,663)**	(33,334)
Others	**(310)**	286
	70,636	8,779

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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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Property, plant and equipment	(1,412)	(1,741)	145,981	129,803
Intangible assets	(4,967)	(6,720)	146,039	212,667
Allowance for doubtful debts	(1,640)	(1,702)	–	–
Allowance for inventory obsolescence	(36,193)	(27,751)	–	–
Provisions and accruals	(147,134)	(173,179)	8,935	2,701
Lease liabilities	(3,990)	(3,089)	4,583	4,201
Unabsorbed capital allowances and unutilised tax losses	(99,358)	(118,445)	1,115	22,821
Fair value of derivative financial instruments designated as cash flow hedges	(10,946)	(6,946)	2,493	11,384
Fair value of defined benefit plans	(58,779)	(49,390)	–	–
Other items	(819)	(8,621)	23,205	31,140
Deferred tax (assets)/liabilities	(365,238)	(397,584)	332,351	414,717
Set off of tax	157,690	248,197	(157,690)	(248,197)
Net deferred tax (assets)/liabilities	(207,548)	(149,387)	174,661	166,520

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	2021 $'000	2020 $'000
Tax losses	**410,716**	505,322
Deductible temporary differences	**4,110**	37,537
Unabsorbed wear and tear allowance and investment allowance	**92**	5,286
	414,918	548,145

The Group has the above unrecognised deferred tax assets which have no expiry date except for the amount of $95,771,000 which will expire from 2022 to 2040. 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 2021, a deferred tax liability of $141,355,000 (2020: $126,397,000) for temporary difference of $506,111,000 (2020: $521,403,000) 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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B6 Taxation (continued)

(ii) Deferred tax assets and liabilities (continued)

(d) Movement in deferred tax balances during the year

Group	As at 1 January 2020 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Utilisation of tax losses $'000	Exchange difference $'000
Property, plant and equipment	93,515	35,563	–	787	(1,803)
Intangible assets	176,880	31,330	–	415	(2,678)
Allowance for doubtful debts	(1,987)	235	–	19	31
Allowance for inventory obsolescence	(26,869)	(871)	–	(389)	378
Provisions and accruals	(127,338)	(44,057)	–	1,824	(907)
Lease liabilities	(751)	2,041	–	(79)	(99)
Unabsorbed capital allowances and unutilised tax losses	(36,813)	(65,811)	–	(1,865)	8,867
Fair value of derivative financial instruments designated as cash flow hedges	(9,953)	(107)	14,901	8	(411)
Fair value of defined benefit plans	(27,013)	(4,261)	(16,125)	–	(1,991)
Other items	23,466	(2,576)	–	1,698	(71)
	63,137	(48,514)	(1,224)	2,418	1,316

As at 31 December 2020 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquisition/ deconsolidation of subsidiaries $'000	Utilisation of tax losses $'000	Exchange difference $'000	As at 31 December 2021 $'000
128,062	15,085	–	(29)	–	1,451	144,569
205,947	(65,942)	–	(851)	–	1,918	141,072
(1,702)	94	–	9	–	(41)	(1,640)
(27,751)	(8,503)	–	506	–	(445)	(36,193)
(170,478)	33,885	–	17	–	(1,623)	(138,199)
1,112	(585)	–	–	–	66	593
(95,622)	(6,128)	–	(695)	4,626	(424)	(98,243)
4,438	121	(12,367)	–	–	(645)	(8,453)
(49,390)	(18,633)	7,512	–	–	1,732	(58,779)
22,517	(211)	–	–	–	80	22,386
17,133	(50,817)	(4,855)	(1,043)	4,626	2,069	(32,887)

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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.

Estimates 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 statement of financial position. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

Estimates 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 financial position and credit rating 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

NOTES TO THE FINANCIAL STATEMENTS

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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 2021	1,485,202	143,688
Additions	29,048	1,215
Disposals/write-off	(3,751)	–
Acquisition of subsidiaries	41	–
Disposal of subsidiaries	(117)	–
Reclassifications	6,412	–
Translation difference	1,144	873
At 31 December 2021	1,517,979	145,776
Accumulated depreciation and impairment		
At 1 January 2021	784,755	120,146
Depreciation charge/impairment losses	62,277	3,036
Disposals/write-off	(3,122)	–
Disposal of subsidiaries	(117)	–
Reclassifications	(179)	–
Translation difference	2,882	445
At 31 December 2021	846,496	123,627
Net book value		
At 31 December 2021	671,483	22,149

* Others comprise transportation equipment, vehicles and satellites

During the year, the Group performed an impairment assessment and recognised an impairment loss of $19,490,000 on certain plant and machinery due to a decline in recoverable amount of a subsidiary. The recoverable amounts of these plant and equipment were determined based on the fair market value of the plant and equipment, net of selling costs.

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
1,212,387	424,803	444,602	308,622	72,180	4,091,484
47,351	22,623	43,075	111,557	65,190	320,059
(31,886)	(7,099)	(28,627)	–	(4,720)	(76,083)
17	–	35	21,051	–	21,144
(162)	(339)	(76)	(19,058)	(17)	(19,769)
9,338	(9,407)	7,240	(2,936)	(24,442)	(13,795)
5,613	(397)	2,542	3,910	300	13,985
1,242,658	430,184	468,791	423,146	108,491	4,337,025
684,929	297,400	332,051	115,242	17	2,334,540
110,994	26,153	41,756	16,865	–	261,081
(24,209)	(6,644)	(26,120)	–	–	(60,095)
(162)	(308)	(78)	(149)	(17)	(831)
5,228	(6,675)	(7)	(1,846)	–	(3,479)
5,461	520	2,104	586	–	11,998
782,241	310,446	349,706	130,698	–	2,543,214
460,417	119,738	119,085	292,448	108,491	1,793,811

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C1 Property, plant and equipment (continued)

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

In the prior year, the Group recognised impairment losses of $1,617,000, which mainly relate to:

- impairment losses of $1,203,000 resulting from an assessment of the recoverable amount of a flight simulator, based on the fair value less cost to sell. The fair value is measured based on the amount to sell the flight simulator at market price.
- Due to continued losses of a subsidiary, the Group performed an impairment assessment and recognised an impairment loss of $414,000 on certain plant and equipment. The recoverable amounts of these plant and equipment were determined based on the fair market value of the plant and equipment, net of selling costs.

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

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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 $17,843,000 (2020: $19,848,000) were reclassified to inventories;

(b) Property, plant and equipment with net book value amounting to $5,773,000 (2020: nil) were reclassified to finance lease receivables;

(c) Inventories of $13,300,000 (2020: $4,418,000) were reclassified to property, plant and equipment;

(d) In 2020, Asset under construction with net book value of $2,217,000 were reclassified to intangibles on completion.

Operating lease

Included in the tables below are property, plant and equipment 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.

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C1 Property, plant and equipment (continued)

Group	Furniture, fittings, office equipment and others $'000	Aircraft and aircraft engines $'000	Total $'000
Cost			
At 1 January 2021	1,466	133,995	135,461
Additions	–	111,534	111,534
Disposals/write-off	(46)	–	(46)
Acquisition of subsidiaries	–	21,051	21,051
Disposal of subsidiaries	–	(19,079)	(19,079)
Reclassifications	116	26,161	26,277
Translation difference	33	3,383	3,416
At 31 December 2021	1,569	277,045	278,614
Accumulated depreciation			
At 1 January 2021	653	13,087	13,740
Depreciation charge for the year	194	9,404	9,598
Disposals/write-off	(27)	–	(27)
Disposal of subsidiaries	–	(170)	(170)
Reclassifications	–	11,300	11,300
Translation difference	15	341	356
At 31 December 2021	835	33,962	34,797
Net book value			
At 31 December 2021	734	243,083	243,817

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C1 Property, plant and equipment (continued)

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

(a) Property, plant and equipment pledged as security

Property, plant and equipment of certain overseas subsidiaries of the Group with a carrying value of $56,290,000 (2020: $87,635,000) are pledged as security for bank loans.

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C1 Property, plant and equipment (continued)

(b) Major properties

Major land and buildings and improvements to premises are:

Location	Description	Tenure	Land area (sq. m.)	Net book value 2021 $'000	Net book value 2020 $'000
Singapore					
1 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.11.2011	20,000	**35,320**	41,056
3 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.12.2015	30,000	**36,366**	37,976
100 Jurong East Street 21	Industrial and commercial buildings	30 years from 1.11.2018	11,232	**49,096**	49,760
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	**84,713**	79,044
People's Republic of China					
No 2, Huayu Road, Huli District, Xiamen 361006, Fujian	Factory building	50 years from 20.11.2008	38,618	**42,199**	41,446
Germany					
Grenzstr. 1, Dresden	Hangar and office building	Freehold	160,193	**86,530**	94,298

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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.

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 or 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 20 years
Production tools and equipment	-	2 to 20 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.

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.

Estimates 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.

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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 2021	**524,395**	**1,248**	**1,300**	**429**	**11,437**	**538,809**
Additions	**80,342**	–	**60**	**218**	**6,208**	**86,828**
Disposal of subsidiaries	**(190)**	–	–	–	–	**(190)**
Modifications of lease	**12,614**	–	–	–	**79**	**12,693**
Lease termination	**(6,394)**	–	**(130)**	**(35)**	**(634)**	**(7,193)**
Depreciation charge/ impairment losses	**(64,155)**	**(651)**	**(381)**	**(288)**	**(7,131)**	**(72,606)**
Translation difference	**184**	–	**24**	**3**	**7**	**218**
At 31 December 2021	**546,796**	**597**	**873**	**327**	**9,966**	**558,559**

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

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C3 Intangible assets

Group

	Goodwill $'000	Dealer network $'000	Development expenditure $'000
Cost			
At 1 January 2021	842,502	181,689	631,010
Additions	–	–	84,898
Disposal of subsidiaries	(10,431)	(3,013)	(114)
Write-off	–	–	–
Reclassification	–	–	–
Translation difference	15,584	(9,231)	2,793
At 31 December 2021	847,655	169,445	718,587
Accumulated amortisation and impairment losses			
At 1 January 2021	56,123	53,335	159,698
Amortisation for the year *	–	6,989	38,607
Impairment losses +	5,000	–	1,769
Disposal of subsidiaries	(10,431)	(2,962)	(104)
Write-off	–	–	–
Reclassification	–	–	–
Translation difference	287	(1,403)	2,078
At 31 December 2021	50,979	55,959	202,048
Net book value			
At 31 December 2021	796,676	113,486	516,539

Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Others $'000	Total $'000
595,677	79,335	64,407	33,370	34,412	2,462,402
1,440	–	–	–	30,397	116,735
(164)	(523)	(4,972)	–	(742)	(19,959)
–	–	–	–	–	–
10,193	–	(9,673)	–	–	520
12,714	1,585	(3)	742	–	24,184
619,860	80,397	49,759	34,112	64,067	2,583,882
125,752	17,909	49,253	19,853	34,341	516,264
33,829	1,183	334	2,576	375	83,893
–	–	–	–	–	6,769
(155)	(523)	(4,778)	–	(742)	(19,695)
–	–	–	–	–	–
2,159	–	(1,639)	–	–	520
1,669	268	36	456	2	3,393
163,254	18,837	43,206	22,885	33,976	591,144
456,606	61,560	6,553	11,227	30,091	1,992,738

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C3 Intangible assets (continued)

Group	Goodwill $'000	Dealer network $'000	Development expenditure $'000
Cost			
At 1 January 2020	856,897	170,693	547,192
Additions	–	–	83,704
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
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

* Amortisation charge of $83,893,000 (2020: $81,011,000) is recognised in the income statement as part of:
- Other operating expenses of $40,624,000 (2020: $45,155,000); and
- Cost of sales of $43,269,000 (2020: $35,856,000)

\+ During the year, an impairment loss on goodwill of $5,000,000 (2020: $14,431,000) was recognised in other operating expenses in the income statement as the recoverable amount of a CGU (2020: two CGUs) was determined to be lower than the carrying amount. The recoverable amount was determined based on the value-in-use method.

During the year, impairment losses of $1,769,000 were recognised in cost of sales in the income statement on certain development expenditure assessed by the Group to be impaired as these intangible assets were not expected to be generating future economic benefits. In the prior 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.

	Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Others $'000	Total $'000
	605,211	80,680	63,443	34,023	34,412	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	34,412	2,462,402
	92,924	16,921	27,584	17,659	33,355	412,336
	36,427	1,210	2,007	2,639	986	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	34,341	516,264
	469,925	61,426	15,154	13,517	71	1,946,138

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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

<table>
<tr><th>Class of intangible assets</th><th>Background</th><th>Valuation method</th><th>Useful lives</th></tr>
<tr><td>Dealer network</td><td>Includes customer relationships and networks acquired</td><td rowspan="6">Initial recognition:
Separately acquired intangible assets are recognised at cost.
Intangible assets arising from business combinations are recognised at fair value at the date of acquisition.
Subsequent measurement:
Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses following initial recognition.
Amortisation is calculated on a straight-line basis over the estimated useful lives.</td><td>5 to 25 years</td></tr>
<tr><td>Commercial and intellectual property rights</td><td>Relates to intellectual property</td><td>2 to 20 years</td></tr>
<tr><td>Brands</td><td>Includes LeeBoy™ and Rosco brands of road construction equipment</td><td>20 to 70 years</td></tr>
<tr><td>Licenses</td><td>Relates to licenses to
- conduct commercial aviation activities
- purchase and lease Boeing parts
- develop MRO capabilities for specific aircraft types</td><td>7 to 30 years</td></tr>
<tr><td>Technology agreement</td><td>Relates to the intellectual property required to operate the EcoPower Engine Wash business</td><td>13 years</td></tr>
<tr><td>Authorised repair centre agreements</td><td>Relates to the sole appointed authorised service centre for repair and overhaul of landing gear</td><td>5 years</td></tr>
</table>

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C3 Intangible assets (continued)

Recognition and measurement (continued)

(ii) Other intangible assets (continued)

Class of intangible assets	Background	Valuation method	Useful lives
Development expenditure	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. Included in development cost are costs related to development and assembly of aircraft seats, A330-200 PTF and A330-300 PTF, A350 PTF and A320/A321 PTF.	(i) Initially recognised at cost (ii) Subsequently, carried at cost less any accumulated amortisation and accumulated impairment losses	A330-200 PTF and A330-300 PTF: 41 years A320/A321 PTF: 41 years A350 PTF: 8 years Others: 3 to 10 years

(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.

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.

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C3 Intangible assets (continued)

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.

Aggregate carrying amounts of goodwill allocated to each CGU within the business segments and the key assumptions used in determining the recoverable amount of each CGU are as follows:

Group			Pre-tax discount rate		Terminal growth rate	
	2021 $'000	2020 $'000 (Restated)	**2021 %**	2020 % (Restated)	**2021 %**	2020 % (Restated)
Commercial Aerospace						.
Aerostructures & Systems	**61,395**	62,050	**7.0 – 8.8**	9.0 – 9.4	**1.0 – 1.6**	1.6
Aerospace MRO	**16,995**	16,669	**9.1**	9.0	**1.5**	1.5
Urban Solutions & Satcom						
Smart Utilities & Infrastructure	**75,195**	73,429	**10.4**	8.9	**3.0**	3.0
Satcom	**434,355**	424,908	**8.9**	8.7	**3.0**	3.0
Defence & Public Security						
Specialty Vehicles	**108,269**	110,718	**10.7 – 15.5**	10.5 – 15.2	**2.3**	2.3
Robotics & Autonomous Systems	**35,370**	34,601	**10.6 – 11.4**	10.3	**2.5**	2.3
Mission Software & Services	**12,320**	12,320	**7.5**	7.0	**2.0**	2.0
Training & Simulation Systems	**15,382**	15,048	**13.5**	11.4	**3.0**	3.0
Advanced Networks & Sensors	**36,619**	35,860	**9.7**	9.5	**3.0**	3.0
Defence Aerospace	**776**	776	**NA**	NA	**NA**	NA
	796,676	786,379				

* With effect from 1 January 2021, following the re-organisation of the Group into Commercial and Defence & Public Security clusters, the comparatives were restated in conformance with current year classification.

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C3 Intangible assets (continued)

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.

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 Segment	Assumption	Change required for carrying amount to equal the recoverable amount	
		2021 %	2020 %
Defence & Public Security	Revenue growth rate (average of next 5 years)	2.7	1.7

(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 estimates 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.

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C4 Amounts due from related parties

Group	2021 $'000	2020 $'000
Trade:		
Associates	**7,514**	6,927
Joint ventures	**22,293**	16,109
Related parties	**25,464**	7,444
	55,271	30,480
Non-trade*:		
Associate	**7,318**	4,256
Joint ventures	**62,755**	20,608
Related parties	**108**	116
	70,181	24,980
Allowance for doubtful debts	**–**	(608)
	125,452	54,852
Receivable:		
Within 1 year	**113,843**	46,305
After 1 year	**11,609**	8,547
	125,452	54,852

Amounts due from related parties denominated in currencies other than the respective entities' functional currencies as at 31 December are $62,985,000 (2020: $15,205,000) denominated in USD.

* Included in non-trade are:

(a) a long term (2020: short term), unsecured, interest free loan of $4,256,000 (2020: $4,256,000) to an associate;

(b) a long term, unsecured, 6% (2020: nil) per annum interest bearing loan of $3,062,000 to an associate, repayable in 2025; and

(c) loans of $61,034,000 (2020: $19,519,000) to joint ventures, bearing interest ranging from 0.71% to 6.38% (2020: 0.85% to 6.38%) per annum, which are the effective interest rates. The loans are unsecured and repayable from 2022 to 2029 (2020: 2021 to 2029).

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C5 Inventories

Group	2021 $'000	2020 $'000
Inventories of equipment and spares	**1,261,156**	1,269,192

In 2021, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $3,040,874,000 (2020: $3,808,935,000).

Allowances for inventory obsolescence

As at 31 December 2021, the inventories are stated after allowance for inventory obsolescence of $359,381,000 (2020: $367,607,000).

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.

Estimates 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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C6 Trade receivables

Group	2021 $'000	2020 $'000
Gross receivables	**1,125,418**	1,139,829
Allowance for doubtful debts	**(58,662)**	(91,985)
Trade receivables, net	**1,066,756**	1,047,844

Trade receivables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $213,370,000 (2020: $166,549,000) denominated in USD
- $29,248,000 (2020: $21,201,000) denominated in EUR

C7 Advances and other receivables

Group	2021 $'000	2020 $'000
Deposits	**12,311**	13,205
Interest receivables	**22**	135
Finance lease receivables	**14,115**	2,229
Other recoverables	**81,826**	51,051
Non-trade receivables	**44,268**	66,854
Advance payments to suppliers	**167,941**	142,750
Prepayments	**82,919**	86,839
Housing and car loans and advances to staff	**11,602**	12,176
Loans to third parties	**–**	750
	415,004	375,989
Receivable:		
Within 1 year	**345,141**	317,741
After 1 year	**69,863**	58,248
	415,004	375,989

The Group entered into finance lease arrangements with customers with terms ranging from 1.0 to 7.1 years (2020: 0.6 to 7.1 years) and effective interest rates ranging from 0.56% to 2.74% (2020: 1.65% to 2.74%) per annum.

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C8 Bank balances and other liquid funds

Group	2021 $'000	2020 $'000
Fixed deposits with financial institutions	**123,293**	86,622
Cash and bank balances	**692,631**	644,002
Bank balances and other liquid funds	**815,924**	730,624
Deposits pledged	–	(1,145)
Cash and cash equivalents in the statement of cash flows	**815,924**	729,479

Fixed deposits with financial institutions mature at varying periods within 7 months (2020: 11 months) from the financial year-end. Interest rates range from 0.1% to 1.9% (2020: 0.1% to 2.1%) per annum, which are also the effective interest rates.

Included in cash and cash equivalents are bank deposits amounting to $26,010,000 (2020: 19,699,000) which are not freely remissible for use by the Group because of currency exchange restrictions.

Cash and bank balances of nil (2020: $1,145,000) 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:

- $132,843,000 (2020: $153,312,000) denominated in USD
- $34,251,000 (2020: $19,065,000) denominated in EUR

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C9 Trade payables and accruals

Group	2021 $'000	2020 $'000
Trade payables	**914,757**	689,879
Non-trade payables	**109,861**	89,423
Purchase of property, plant and equipment	**8,341**	321
Accrued operating expenses*	**1,638,504**	1,453,250
Accrued interest payable	**4,534**	4,488
	2,675,997	2,237,361
Payable:		
Within 1 year	**2,612,515**	2,218,023
After 1 year	**63,482**	19,338
	2,675,997	2,237,361

Trade payables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $130,687,000 (2020: $82,770,000) denominated in USD
- $44,592,000 (2020: $39,353,000) denominated in EUR

* Included in the accrued operating expenses is an amount of $288,424,000 (2020: $244,203,000) for the Group's obligations under its employee compensation schemes.

C10 Amounts due to related parties

Group	2021 $'000	2020 $'000
Trade:		
Associates	**18,621**	9,925
Joint ventures	**754**	476
Related parties	**1,242**	1,110
	20,617	11,511
Non-trade:		
Joint ventures*	**7,151**	12,314
Related parties	**13**	8
	7,164	12,322
	27,781	23,833
Payable:		
Within 1 year	**27,781**	23,833

There were no significant amounts due to related parties denominated in currencies other than the respective entities' functional currencies as at 31 December 2021 and 31 December 2020.

* Included in the amounts due to joint ventures (non-trade) is an amount of $7,121,000 (2020: $12,300,000) placed by joint ventures with a subsidiary of the Group under a cash pooling arrangement, where an effective interest of 0% per annum (2020: 0%) 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
2021					
At 1 January 2021	**181,741**	**118,695**	**1,033**	**35,090**	**336,559**
Charged/(write-back) to profit or loss	**46,865**	**85,490**	**–**	**(109)**	**132,246**
Additions	**–**	**–**	**–**	**14,208**	**14,208**
Utilised	**(31,375)**	**(81,353)**	**(56)**	**(530)**	**(113,314)**
Disposal of subsidiaries	**(13)**	**–**	**–**	**–**	**(13)**
Translation difference	**9**	**1,705**	**–**	**33**	**1,747**
At 31 December 2021	**197,227**	**124,537**	**977**	**48,692**	**371,433**

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

Group	2021 $'000	2020 $'000
Provision		
Within 1 year	**331,837**	306,758
After 1 year	**39,596**	29,801
	371,433	336,559

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C11 Provisions (continued)

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 90 days to 12 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 2021 is expected to be incurred over the applicable warranty periods.

(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.

Estimates 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.

Estimates 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	2021 $'000	2020 $'000
Government grants	**81,209**	121,397
Deferred rents	**338**	–
	81,547	121,397
Recognise:		
Within 1 year	**7,665**	70,922
After 1 year	**73,882**	50,475
	81,547	121,397

Government grants relate mainly to grants received to subsidise the cost of capital assets. In the prior year, the government grant included deferred grant recognised under the Jobs Support Scheme (JSS) and other government support for employee related expenses. The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises 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	2021 $'000	2020 $'000	2019 $'000
Contract assets	**1,726,505**	1,555,781	1,630,492
Contract liabilities	**(1,752,278)**	(1,786,235)	(1,352,648)

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 statement of financial position.

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. Costs to fulfil are recognised in profit and loss when the related revenue is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Contract assets include costs to fulfil of $693,698,000 (2020: $665,572,000). Costs to fulfil of $1,340,917,000 (2020: $1,145,418,000) were recognised in profit and loss during the year.

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 statement of financial position on a contract by contract basis at each reporting date.

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C13 Contract balances (continued)

The contract assets balance increased as the Group provided more services and transferred more goods ahead of the agreed payment schedules.

The contract liabilities decreased due to lesser consideration received by the Group ahead of the provision of services and goods.

Revenue recognised in relation to contract liabilities

Group	2021 $'000	2020 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	556,473	518,900

Transaction price allocated to the remaining performance obligations

The aggregate amount of transaction price allocated to the remaining performance obligations as at 31 December 2021 is $19,330,917,000 and the Group expects to recognise $6,590,168,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2022 with the remaining $12,740,749,000 in 2023 and beyond.

As at 31 December 2020, the aggregate amount of transaction price allocated to the remaining performance obligations was $15,403,538,000 and the Group expected 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.

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

Estimates 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.

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.

C14 Financial risk management objectives and policies (continued)

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	2021 $'000	2020 $'000
Fixed rate instruments		
Financial assets	**205,760**	112,626
Financial liabilities	**(1,811,411)**	(1,816,348)
	(1,605,651)	(1,703,722)
Variable rate instruments		
Financial liabilities	**(310,930)**	(242,847)
	(310,930)	(242,847)

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 (2020: 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 $1.6 million (2020: $1.2 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 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in USD.

Except bank loans of $132,350,000 (2020: nil), other variable interest rates borrowings were not referenced to inter-bank offered rates (IBORs) that will be affected by the IBOR reforms.

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C14 Financial risk management objectives and policies (continued)

Included in the variable rate borrowings is a USCP of $350,869,000 (2020: $396,230,000) 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 $179,087,000 as at 31 December 2021 (2020: $191,719,000) with key terms that match part of the outstanding USCP on which it pays a fixed rate and receives a variable rate.

The Group expects to issue 10-year bonds to refinance part of the short term debt that will be taken up to fund the acquisition of TransCore Partners, LLC and TLP Holdings, LLC (collectively, "TransCore"). From the date of announcement of the TransCore acquisition on 3 October 2021 until the expected bond issuance post-acquisition, the Group will be subjected to the volatility of the 10-year U.S. Treasury yield as this yield will form the basis of the Group's 10-year bond yield at the time of pricing of the bond. The Group entered into US$1 billion of 10-year treasury locks in 4Q 2021 to lock in the 10-year U.S. Treasury forward yield. Treasury lock is a hedging tool to lock the forward yield on a specific U.S. Treasury security. The locked forward yield will mitigate the volatility in the 10-year U.S. Treasury yield for the Group's expected bond issuance.

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 2021 (2020: 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.

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 EUR, 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.

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C14 Financial risk management objectives and policies (continued)

Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

The table below analyses the 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.

Group	Contractual cash flow $'000	Within 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000
2021				
Bank loans	**(214,359)**	**(144,451)**	**(42,039)**	**(27,869)**
Commercial papers	**(351,416)**	**(351,416)**	**–**	**–**
Medium term notes	**(1,064,274)**	**(15,206)**	**(1,049,068)**	**–**
Lease liabilities	**(702,271)**	**(69,088)**	**(205,184)**	**(427,999)**
Trade and other payables	**(2,703,778)**	**(2,640,296)**	**(26,248)**	**(37,234)**
Derivative financial instruments:				
• Gross-settled forward currency contracts				
- payments	**(1,646,898)**	**(1,120,991)**	**(525,907)**	**–**
- receipts	**1,637,833**	**1,127,732**	**510,101**	**–**
• Net-settled interest rate swaps	**(5,835)**	**(3,732)**	**(2,103)**	**–**
• Treasury Lock	**216**	**216**	**–**	**–**
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	(2,261,194)	(2,241,856)	(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)

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C14 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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.

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	2021 $'000	2020 $'000
Investments	**36,129**	23,138
Derivative financial instruments	**31,389**	44,461
Contract assets	**1,726,505**	1,555,781
Trade receivables	**1,068,290**	1,049,368
Amounts due from related parties	**125,452**	54,852
Advances and other receivables	**164,144**	146,400
Bank balances and other liquids funds	**815,924**	730,624
	3,967,833	3,604,624

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C14 Financial risk management objectives and policies (continued)

Credit risk (continued)

Impairment losses on financial assets and contract assets recognised in profit or loss are as follows:

Group	2021 $'000	2020 $'000
Trade receivables	**9,863**	22,319
Contract balances arising from contracts with customers	**19,965**	4,367
	29,828	26,686

Exposure to credit risk

As at 31 December 2021, 20% (2020: 21%) 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	
	2021 $'000	2020 $'000 (restated)
Commercial Aerospace	**625,110**	556,858
Urban Solutions & Satcom	**853,762**	873,968
Defence & Public Security	**1,315,923**	1,174,323
	2,794,795	2,605,149

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C14 Financial risk management objectives and policies (continued)

Exposure to credit risk (continued)

A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

Group	2021		2020		2019	
	Not credit impaired $'000	Credit impaired $'000	Not credit impaired $'000	Credit impaired $'000	Not credit impaired $'000	Credit impaired $'000
Receivables measured at lifetime ECL:						
Trade receivables and contract assets	**2,794,795**	**82,811**	2,605,149	104,648	2,878,041	97,749
Loss allowance	**–**	**(82,811)**	–	(104,648)	–	(97,749)
Total	**2,794,795**	**–**	2,605,149	–	2,878,041	–

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.

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 are immaterial.

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C14 Financial risk management objectives and policies (continued)

Expected credit loss assessment (continued)

Trade receivables and contract assets (continued)

The table below shows the aging and loss allowance analysis of the Group's trade receivables as at 31 December 2021 and 2020:

2021	Not past due $'000	1 – 90 days $'000	91 – 180 days $'000	181 – 360 days $'000	> 360 days $'000	Total $'000
Commercial Aerospace						
Trade receivables and contract assets	586,345	49,879	9,341	9,863	16,600	672,028
Loss allowance	(19,377)	(370)	(4,906)	(7,190)	(15,075)	(46,918)
Urban Solutions & Satcom						
Trade receivables and contract assets	810,782	37,700	5,312	7,737	9,406	870,937
Loss allowance	(3,104)	(1,273)	(878)	(2,791)	(9,129)	(17,175)
Defence & Public Security						
Trade receivables and contract assets	1,227,112	76,222	8,659	11,083	11,565	1,334,641
Loss allowance	(11,588)	(122)	(694)	(215)	(6,099)	(18,718)

2020 (restated)	Not past due $'000	1 – 90 days $'000	91 – 180 days $'000	181 – 360 days $'000	> 360 days $'000	Total $'000
Commercial Aerospace						
Trade receivables and contract assets	484,470	60,696	14,815	22,535	48,072	630,588
Loss allowance	(2,510)	(7,543)	(4,766)	(13,311)	(45,600)	(73,730)
Urban Solutions & Satcom						
Trade receivables and contract assets	806,567	54,380	9,695	7,389	8,311	886,342
Loss allowance	(168)	(1,256)	(577)	(2,578)	(7,795)	(12,374)
Defence & Public Security						
Trade receivables and contract assets	1,068,059	83,572	12,454	11,834	16,948	1,192,867
Loss allowance	(11,533)	(282)	(391)	(2,492)	(3,846)	(18,544)

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C14 Financial risk management objectives and policies (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 2021 $'000	Lifetime ECL 2020 $'000
At 1 January	**104,648**	97,749
Impairment loss recognised	**29,828**	26,686
Amounts written off	**(52,777)**	(19,290)
Disposal of subsidiaries	**(13)**	–
Translation difference	**1,125**	(497)
At 31 December	**82,811**	104,648

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), and debt investments at FVOCI, 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. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

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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 statement of financial position

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.

Estimates 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	Carrying amount: FVTPL $'000	Carrying amount: Fair value – hedging instruments $'000
2021			
Financial assets measured at fair value			
Investments	–	–	–
Associates	–	34,215	–
Derivative financial instruments	–	20,240	11,149
	–	54,455	11,149
Financial assets at amortised cost			
Trade receivables	1,068,290	–	–
Amounts due from related parties	125,452	–	–
Advances and other receivables	164,144	–	–
Bank balances and other liquid funds	815,924	–	–
	2,173,810	–	–
Financial liabilities measured at fair value			
Derivative financial instruments	–	(15,266)	(37,862)
Financial liabilities at amortised cost			
Trade payables and accruals	–	–	–
Amounts due to related parties	–	–	–
Borrowings	–	–	–
	–	–	–

	Carrying amount			Fair value		
	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 2 $'000	Level 3 $'000	Total $'000
	36,129	–	36,129	–	36,129	36,129
	–	–	34,215	–	34,215	34,215
	–	–	31,389	31,389	–	31,389
	36,129	–	101,733	31,389	70,344	101,733
	–	–	1,068,290			
	–	–	125,452			
	–	–	164,144			
	–	–	815,924			
	–	–	2,173,810			
	–	–	(53,128)	(53,128)	–	(53,128)
	–	(2,675,997)	(2,675,997)			
	–	(27,781)	(27,781)			
	–	(2,115,220)	(2,115,220)			
	–	(4,818,998)	(4,818,998)			

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C15 Classification and fair value of financial instruments (continued)

Group	Carrying amount		
	Amortised cost $'000	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 at amortised cost			
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 at amortised cost			
Trade payables and accruals	–	–	–
Amounts due to related parties	–	–	–
Borrowings	–	–	–
	–	–	–

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)
–	(2,237,361)	(2,237,361)			
–	(23,833)	(23,833)			
–	(2,046,895)	(2,046,895)			
–	(4,308,089)	(4,308,089)			

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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	2021 $'000	2020 $'000
Associate		
At 1 January	**20,858**	5,847
Addition during the year	**2,203**	–
Transfer from Level 2	–	20,296
Total unrealised gains/(losses) recognised in profit or loss, other income/(expenses)	**11,154**	(5,285)
At 31 December	**34,215**	20,858
Equity instruments (unquoted)		
At 1 January	**23,138**	9,437
Addition during the year	**12,991**	–
Transfer from Level 2	–	13,701
At 31 December	**36,129**	23,138
	70,344	43,996

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)

Recognition and measurement (continued)

(a) **Non-derivative financial assets and liabilities** (continued)

Classification and subsequent measurement (continued)

Financial assets	Classification	Subsequent measurement
Amortised cost	• 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	• 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.

C15 Classification and fair value of financial instruments (continued)

Recognition and measurement (continued)

(a) **Non-derivative financial assets and liabilities** (continued)

Classification and subsequent measurement (continued)

Financial assets	Classification	Subsequent measurement
FVTPL*	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. * 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.	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)

Recognition and measurement (continued)

(a) **Non-derivative financial assets and liabilities** (continued)

Classification and subsequent measurement (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.

(b) **Fair value**

The Group has an established approach with respect to the measurement of fair values.

C15 Classification and fair value of financial instruments (continued)

Recognition and measurement (continued)

(b) Fair value (continued)

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. 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)

Recognition and measurement (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, other than transfers from Level 2 to Level 3, there were no other transfers between the different levels of fair value hierarchy. In 2021, there were no 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 Short-term borrowings and other current payables	Carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.
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 2021, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

Group	Within 1 year	Between 1 to 5 years
2021		
Foreign currency risk		
Nominal amount of forward exchange contracts (in thousands of SGD)	**664,271**	**307,274**
- Average EUR:USD forward contract rate	**1.1663**	**1.1932**
- Average USD:SGD forward contract rate	**1.3626**	**1.3672**
- Average EUR:SGD forward contract rate	**1.5702**	**1.5851**
Nominal amount of embedded derivatives (in thousands of SGD)	**167,455**	**101,890**
- Average EUR:SGD	**1.5987**	**1.6080**
- Average USD:SGD	**1.3490**	**1.3923**
- Average GBP:SGD	**1.8394**	**1.8268**
Interest rate risk		
Nominal amount of interest rate swaps	–	**179,087**
- Average fixed interest rate	–	**2.6722**
Nominal amount of treasury lock	**1,351,600**	–
- Average fixed interest rate	**1.6050**	–
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

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C16 Derivative financial instruments (continued)

Cash flow hedges (continued)

The amounts at the reporting date relating to items designated as hedged items are as follows:

Group	Change in value used for calculating hedge ineffectiveness $'000	Cash flow hedge reserve $'000
2021		
Foreign currency risk		
Sales	(23,398)	(4,155)
Receivables	–	(323)
Purchases	1,252	(1,327)
Payables	(237)	228
Embedded derivatives	(3,677)	(5,313)
Interest rate risk		
Variable rate borrowings	6,860	(14,675)
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)

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)

Cash flow hedges (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

Group	2021			
	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	971,545	4,951	(17,839)	Derivative financial instruments, advances and other receivables and trade payables and accruals
Embedded derivatives	269,334	–	(5,186)	
Interest rate risk				
Interest rate swaps [(a)]	179,087	–	(5,385)	Derivative financial instruments
Treasury lock	1,351,600	4,774	(4,558)	

[(a)] The contractual notional amount of interest rate swaps held for hedging which is based on LIBOR is $179,087,000 (2020: $191,719,000).

During the year 2021					
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
(22,383)	2	Finance costs, net	(2,389)	(4,360)	Revenue / Cost of sales / Operating expenses / Finance costs, net
(3,677)	–	–	–	–	–
6,644	–	–	–	–	–
216	–	–	–	–	–

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C16 Derivative financial instruments (continued)

Cash flow hedges (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows: (continued)

Group	2020			
	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	191,719	–	(12,222)	Derivative financial instruments

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)	–

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C16 Derivative financial instruments (continued)

Cash flow hedges (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	
	2021 $'000	2020 $'000
Balance at 1 January	**(7,572)**	(32,950)
Change in fair value:		
Foreign currency risk	**(26,060)**	38,057
Interest rate risk	**6,860**	(19,136)
Equity accounted joint ventures	**2,145**	763
Amount reclassified to profit or loss:		
Foreign currency risk	**(4,360)**	15,635
Interest rate risk	**2,781**	–
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	**(2,389)**	(1,890)
Tax movements on reserves during the year	**6,353**	(8,051)
Balance at 31 December	**(22,242)**	(7,572)

Derivative financial instruments and hedge accounting

The derivative financial instruments are initially recognised at fair value on the date of 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**	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. 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. 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.
(2)	**Fair value hedges**	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.
(3)	**Net investment hedges**	The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. 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.

Estimates 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.

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.

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C16 Derivative financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Estimates and judgement: Interest rate benchmark reform (continued)

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 Phase 1 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
- Post-employment 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

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.

Estimates 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 predicted 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	2021 $'000	2020 $'000
Wages and salaries*	**1,670,620**	1,464,167
Contributions to defined contribution plans	**178,287**	169,561
Defined benefit plan expenses	**34,836**	37,791
Share-based payments	**21,122**	21,226
Other personnel expenses	**231,700**	261,563
	2,136,565	1,954,308

* $204,698,000 (2020: $353,233,000) 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. These amounts were deducted in wages and salaries.

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	2021 $'000	2020 $'000
Net defined benefit asset	**257**	319
Total post-employment benefit asset	**257**	319
Net defined benefit liabilities	**407,320**	460,724
Liability for staff benefits	**9,793**	9,820
Total post-employment benefit liabilities	**417,113**	470,544
Non-current	**409,473**	462,548
Current	**7,640**	7,996
	417,113	470,544

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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)	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Balance at 1 January	**822,428**	714,844	**(362,023)**	(336,857)	**460,405**	377,987
Included in profit or loss						
Current service cost	**25,555**	21,321	–	–	**25,555**	21,321
Past service credit	–	5,241	–	–	–	5,241
Interest cost/(income)	**17,014**	19,906	**(8,978)**	(10,639)	**8,036**	9,267
Administrative expenses	**293**	634	**952**	1,328	**1,245**	1,962
	42,862	47,102	**(8,026)**	(9,311)	**34,836**	37,791
Included in OCI						
Remeasurement loss/(gain):						
• Actuarial loss/(gain) arising from:						
- demographic assumptions	**1,952**	(2,022)	–	–	**1,952**	(2,022)
- financial assumptions	**(37,795)**	75,028	**(68)**	478	**(37,863)**	75,506
- experience assumptions	**11,925**	1,565	**(241)**	72	**11,684**	1,637
• Return on plan assets excluding interest income	–	–	**(33,641)**	(10,210)	**(33,641)**	(10,210)
Effect of movements in exchange rates	**51**	–	–	–	**51**	–
	(23,867)	74,571	**(33,950)**	(9,660)	**(57,817)**	64,911
Others						
Contributions paid by the employer	**(16,810)**	(570)	**(14,900)**	(26,954)	**(31,710)**	(27,524)
Benefits paid	**(8,772)**	(21,322)	**16,973**	20,651	**8,201**	(671)
Translation difference	**(861)**	7,803	**(5,991)**	108	**(6,852)**	7,911
Balance at 31 December	**814,980**	822,428	**(407,917)**	(362,023)	**407,063**	460,405

The expenses are recognised in the following line items in profit or loss:

Group	2021 $'000	2020 $'000
Cost of sales	**24,185**	25,865
Administrative expenses	**3,987**	4,571
Other operating expenses	**77**	83
Finance cost, net	**6,587**	7,272
Defined benefit obligation expenses	**34,836**	37,791

D3 Post-employment benefits (continued)

The fair value of plan assets in each category are as follows:

Group	2021 $'000	2020 $'000
Equity securities	**133,996**	140,777
Government bonds	**27,266**	31,268
Corporate bonds	**167,614**	122,547
Derivatives	**355**	778
Cash/money markets	**4,979**	6,873
Property occupied by the Group	**48,516**	34,991
Funds managed by a trustee	**2,514**	2,216
Funds with insurance companies	**22,677**	22,573
Fair value of plan assets	**407,917**	362,023

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.

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	2021 %	2020 %
Discount rate	**2.0**	1.7
Future salary growth	**3.2**	3.2
Future pension growth	**2.0**	2.0

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D3 Post-employment benefits (continued)

Defined benefit obligation (continued)

(a) Actuarial assumptions (continued)

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	2021		2020	
	Germany	U.S.	Germany	U.S.
Longevity at age 65 for current pensioners:				
Males	**20.5**	**20.0**	20.3	19.4
Females	**23.9**	**22.1**	23.8	21.4
Longevity at age 65 for current members aged 45:				
Males	**23.2**	**21.5**	23.1	19.9
Females	**26.1**	**23.5**	26.0	22.1

At 31 December 2021, the weighted average duration of the defined benefit obligation was 24.4 years (2020: 25.4 years) for the subsidiaries in Germany and 13.9 years (2020: 14.6 years) for the subsidiary in United States of America.

(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	2021		2020	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Discount rate (0.5% movement)	**(57,121)**	**70,520**	(64,249)	72,501
Future salary growth (0.25% movement)	**1,851**	**(1,621)**	2,328	(2,111)
Future pension growth (0.25% movement)	**2,283**	**(2,184)**	2,632	(2,512)
Future mortality (10% movement)	**(19,921)**	**24,401**	(19,040)	26,264

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D3 Post-employment benefits (continued)

(b) Sensitivity analysis (continued)

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).

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) taking reference to the Group's Cost of Equity 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	2021		2020	
	PSP	RSP	PSP	RSP
Outstanding awards				
Balance at 1 January	**5,546,244**	**13,262,039**	4,896,009	13,308,887
Granted	**935,496**	**6,918,603**	3,458,270	6,705,899
Lapsed	**(645,280)**	**(915,380)**	(430,932)	(790,203)
Released	**(697,113)**	**(5,940,548)**	(2,377,103)	(5,962,544)
Balance at 31 December	**5,139,347**	**13,324,714**	5,546,244	13,262,039

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	
	2021	2020	**2021**	2020
Volatility of the Company's shares (%)	**22.78**	26.87	**15.14 – 26.67**	26.87
Risk-free rate (%)	**0.72**	1.13	**0.47 – 0.83**	0.99 – 1.21
Share price ($)	**3.86**	2.80	**3.86**	2.80
Cost of equity (%)	**7.7**	7.2	**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 partially the pre-determined target performance level and hence, 697,113 performance shares were awarded in respect of the grant made in 2018 under PSP2010. In the prior year, 2,377,103 performance shares were awarded in respect of the grant made in 2017 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 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	2021 $'000	2020 $'000
Gross debt		
Bank loans	**206,766**	115,525
Commercial papers	**350,869**	396,230
Medium term notes	**1,010,704**	987,841
Lease liabilities	**546,881**	527,734
Other loans	**–**	19,565
	2,115,220	2,046,895

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E1 Capital management (continued)

Group	2021 $'000	2020 $'000
Shareholders' funds		
Share capital	**895,926**	895,926
Treasury shares	**(33,475)**	(23,743)
Capital and other reserves	**2,003**	18,017
Retained earnings	**1,548,308**	1,402,414
	2,412,762	2,292,614
Non-controlling interests	**255,453**	282,175
	2,668,215	2,574,789
Gross debt/equity ratio	**0.8**	0.8
Gross debt	**2,115,220**	2,046,895
Less: Cash and cash equivalents	**(815,924)**	(729,479)
Net debt*	**1,299,296**	1,317,416

* Net debt refers to gross debt less cash and cash equivalents

E2 Finance costs, net

Group	2021 $'000	2020 $'000
Finance income		
Interest income		
- bank deposits	**1,024**	3,003
- staff loans	**4**	6
- finance lease	**451**	617
- others	**2,457**	2,117
Exchange gain, net	**4,388**	–
Fair value changes of financial instruments		
- gain on forward currency contract designated as hedging instrument	**2,861**	103
- gain on fair value changes of forward currency contract not designated as hedging instrument	**501**	863
- gain on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges	**–**	45
Fair value changes of hedged items	**–**	2,520
	11,686	9,274

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E2 Finance costs, net (continued)

Group	2021 $'000	2020 $'000
Finance costs		
Interest expense		
- bank loans and overdrafts	**(6,584)**	(7,974)
- medium term notes and commercial papers	**(18,669)**	(21,549)
- lease liabilities	**(15,752)**	(16,458)
- contracts with customers	**(1,190)**	(1,480)
- others	**(2,853)**	(2,122)
Exchange loss, net	**–**	(19,441)
Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions	**–**	(1,306)
Fair value changes of financial instruments		
- loss on forward currency contract designated as hedging instrument	**–**	(892)
- loss on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges	**(2)**	–
Fair value changes of hedged items	**(2,675)**	–
	(47,725)	(71,222)
Finance costs, net, recognised in profit or loss	**(36,039)**	(61,948)

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	2021 $'000	2020 $'000
Equity shares, at FVOCI		
- unquoted	**36,129**	23,138
Total investments, net of impairment losses	**36,129**	23,138
Represented by:		
Long-term investments	**36,129**	23,138
	36,129	23,138

E4 Borrowings

Group	Note	Non-current $'000	Current $'000	Total $'000
31 December 2021				
Bank loans	(a)	**64,165**	**142,601**	**206,766**
Commercial papers	(b)	**–**	**350,869**	**350,869**
Medium term notes	(c)	**1,010,704**	**–**	**1,010,704**
Lease liabilities	(d)	**480,465**	**66,416**	**546,881**
		1,555,334	**559,886**	**2,115,220**
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

(a) Bank loans

	Currency	Effective interest rate		Maturity		Group	
		2021 %	2020 %	2021	2020	2021 $'000	2020 $'000
Bank loans	USD	**1.0 – 5.0**	1.0 – 5.0	**2022 – 2023**	2023	**143,422**	12,897
	EUR	**1.4 – 1.6**	0.5 – 1.6	**2026 – 2029**	2026 – 2029	**63,344**	102,628
						206,766	115,525
- Unsecured						**162,643**	62,811
- Secured						**44,123**	52,714
At the end of the year						**206,766**	115,525

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E4 Borrowings (continued)

(a) Bank loans (continued)

There are bank loans which are secured by assets as follows:

Secured by		Loan amount ($)
Certain property, plant and equipment of subsidiaries	-	$28,738,000 (2020: $35,043,000)
Subsidiary's land use right	-	$15,385,000 (2020: $17,671,000)

All bank loans are denominated in the respective entities' functional currency.

(b) Commercial papers

Group	2021 $'000	2020 $'000
Principal	**351,416**	396,660
Unamortised interest	**(463)**	(233)
Unamortised costs	**(84)**	(197)
	350,869	396,230

(c) Medium term notes

Group	2021 $'000	2020 $'000
Principal	**1,013,700**	991,650
Unamortised discount	**(2,996)**	(3,809)
	1,010,704	987,841
Unamortised discount:		
At beginning of the year	**3,809**	–
Additions	**–**	4,406
Amortisation for the year	**(892)**	(621)
Translation difference	**79**	24
At the end of the year	**2,996**	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.

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E4 Borrowings (continued)

(d) Lease liabilities

The Group leases various assets including real estate leases, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Group	2021 $'000	2020 $'000
Maturity analysis – contractual undiscounted cash flows		
Within 1 year	**69,088**	71,307
Between 1 and 5 years	**205,184**	208,666
After 5 years	**427,999**	416,304
Total undiscounted lease liabilities at 31 December	**702,271**	696,277
Lease liabilities included in the statement of financial position at 31 December	**546,881**	527,734
Repayable:		
Within 1 year	**66,416**	66,880
After 1 year	**480,465**	460,854
	546,881	527,734

The total cash outflow for leases recognised in the statement of cash flows is $89,141,000 (2020: $77,592,000).

(i) Real estate leases

The Group leases land and buildings for its office space, hangar and production facilities. The leases 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.

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E4 Borrowings (continued)

(d) Lease liabilities (continued)

(i) Real estate leases (continued)

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.

Estimates 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 options. 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.

2021 Group	Lease liabilities recognised (discounted) $'000	Potential future lease payments not included in lease liabilities (discounted) $'000
Office buildings	**18,414**	**23,069**

2020 Group	Lease liabilities recognised (discounted) $'000	Potential future lease payments not included in lease liabilities (discounted) $'000
Office buildings	40,092	102,713

(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. 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.

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E4 Borrowings (continued)

(e) Other loans

In the prior year, included in the other loans was 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 had a 10 years' maturity with no prepayment penalties, was unsecured and bears an effective interest at 4% per annum. The other loan was repaid during the year.

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 2021	2,046,895	2,237,361	23,833	(1,145)	4,306,944
Changes from financing cash flows					
Proceeds from bank loans	132,027	–	–	–	132,027
Proceeds from commercial papers	756,896	–	–	–	756,896
Proceeds from other loans	10,933	–	–	–	10,933
Repayment of bank loans	(35,103)	–	–	–	(35,103)
Repayment of commercial papers	(810,960)	–	–	–	(810,960)
Repayment of other loans	(30,933)	–	–	–	(30,933)
Repayment of lease liabilities	(73,456)	–	–	–	(73,456)
Interest paid	(16,212)	(17,432)	–	–	(33,644)
Deposit discharged	–	–	–	1,145	1,145
Total changes from financing cash flows	(66,808)	(17,432)	–	1,145	(83,095)
Changes arising from obtaining or losing control of subsidiaries	–	369	–	–	369
The effect of changes in foreign exchange rates	25,419	14,254	–	–	39,673
Change in fair value	(9,425)	–	–	–	(9,425)
Liability-related other changes					
Working capital changes	(728)	423,936	3,948	–	427,156
New leases	92,328	–	–	–	92,328
Interest expense	27,539	17,509	–	–	45,048
Total liability-related other changes	119,139	441,445	3,948	–	564,532
Balance at 31 December 2021	2,115,220	2,675,997	27,781	–	4,818,998

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E4 Borrowings (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 2020	2,337,707	2,541,348	70,007	(1,135)	4,947,927
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)
Deposits pledged	–	–	–	(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	–	(302,946)	(46,314)	–	(349,260)
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	(291,499)	(46,174)	–	(143,419)
Balance at 31 December 2020	2,046,895	2,237,361	23,833	(1,145)	4,306,944

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E5 Commitments and contingent liabilities

(i) Capital commitments

Group	2021 $'000	2020 $'000
Capital expenditure contracted but not provided in the financial statements	**95,336**	54,455

(ii) Leases – As lessee

As at 31 December 2021, the Group had certain non-cancellable future minimum lease payments for short-term leases or leases for low-value assets amounting to $5,817,000 (31 December 2020: $2,618,000).

(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 12 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	2021 $'000	2020 $'000
Less than 1 year	**8,530**	9,012
1 to 2 years	**7,459**	4,651
2 to 3 years	**4,971**	3,589
3 to 4 years	**4,661**	3,565
4 to 5 years	**3,586**	1,147
More than 5 years	**3,021**	848
Total undiscounted lease payments	**32,228**	22,812

(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 meet 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.

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.

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E5 Commitments and contingent liabilities (continued)

Recognition and measurement (continued)

As a lessee (continued)

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 recognise 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 statement of financial position 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.

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.

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E5 Commitments and contingent liabilities (continued)

Recognition and measurement (continued)

As a lessor (continued)

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 recognises the net investment in the sublease within "Trade and other receivables". Any difference 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 statement of financial position, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognises 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.

E6 Share capital

Company	2021 $'000	2020 $'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.

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E7 Treasury shares

Company	2021 $'000	2020 $'000
At beginning of the year	**(23,743)**	(26,731)
Purchased during the year	**(32,894)**	(29,154)
Reissue of treasury shares pursuant to share plans	**23,162**	32,142
At end of the year	**(33,475)**	(23,743)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the year, the Company purchased 8,500,000 (2020: 8,550,000) of its ordinary shares by way of on-market purchases. The shares, held as treasury shares, were included as deduction against shareholders' equity. 6,637,661 (2020: 8,339,647) treasury shares, at a cost of $23,162,000 (2020: $32,142,000), were reissued pursuant to its RSP and PSP.

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 reserves are:

(a) an amount of $115,948,000 (2020: $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 $12,008,000 (2020: $8,914,000) relating to realised loss (2020: realised loss) on reissuance of treasury shares under share-based payment arrangements as at 31 December 2021.

Capital reserves are non-distributable.

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E9 Other reserves

Group	2021 $'000	2020 $'000
Foreign currency translation reserve	**(140,483)**	(154,074)
Statutory reserve	**1,618**	1,494
Fair value reserve	**(22,242)**	(7,571)
Share-based payment reserve	**75,920**	74,298
Premium paid on acquisition of non-controlling interests	**(16,750)**	(3,164)
	(101,937)	(89,017)
Fair value reserve movement arising from other comprehensive income comprises:		
Net fair value changes on financial assets:		
- Net fair value changes during the year for FVOCI equity instruments	**–**	(246)
- Reclassification to retained earnings on realisation	**–**	584
	–	338
Foreign currency translation reserve movement arising from other comprehensive income comprises:		
Foreign currency translation differences arising from:		
- Translation of loans forming part of net investments in foreign entities	**(6,500)**	10,245
- Share of translation difference of associates and joint ventures	**9,123**	1,819
- Reserves released on disposal of a subsidiary	**(5,643)**	121
- Translation of foreign entities	**16,611**	27,817
	13,591	40,002

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E9 Other reserves (continued)

Other reserves are non-distributable.

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 comprises 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	2021 $'000	2020 $'000
Final dividend paid in respect of the previous financial year of 10.0 cents (2020: 10.0 cents) per share	**311,922**	312,147
Interim dividend paid in respect of the current financial year of 5.0 cents (2020: 5.0 cents) per share	**155,969**	155,888
	467,891	468,035

The Directors propose a final dividend of 10.0 cents (2020: 10.0 cents) per share amounting to $312.2 million (2020: $312.2 million) in respect of the financial year ended 31 December 2021. 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 2021/2020	**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 2021 %	Effective equity interest held by the Group 2020 %
Elbe Flugzeugwerke GmbH[1]	Germany	55	55
MRA Systems, LLC[2]	U.S.	100	100
ST Engineering Advanced Networks & Sensors Pte. Ltd.	Singapore	100	100
ST Engineering Aerospace Ltd.	Singapore	100	100
ST Engineering Aerospace Services Company Pte. Ltd.	Singapore	80	80
ST Engineering Defence Aviation Services Pte. Ltd. (formerly known as ST Engineering Aerospace Aircraft Maintenance Pte. Ltd.)	Singapore	100	100
ST Engineering Electronics Ltd.	Singapore	100	100
ST Engineering iDirect (Europe) NV[3]	Belgium	100	100
ST Engineering Land Systems Ltd.	Singapore	100	100
ST Engineering Marine Ltd.	Singapore	100	100
ST Engineering Mission Software & Services Pte. Ltd.	Singapore	100	100
ST Engineering Unmanned & Integrated Systems Pte. Ltd.	Singapore	100	100
ST Engineering North America, Inc.[2]	U.S.	100	100
ST Engineering RHQ Ltd.[4]	United Kingdom	100	100
ST Engineering IHQ Pte. Ltd.	Singapore	100	100
ST Engineering Treasury Pte. Ltd.	Singapore	100	100

1 Audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft for consolidation purposes.
2 Not required to be audited under the law in the country of incorporation.
3 Audited by PricewaterhouseCoopers Antwerp for consolidation purposes.
4 Audited by Critchleys LLP.

All significant subsidiaries that are required to be audited under the law in the country of incorporation are audited by PricewaterhouseCoopers LLP Singapore and network of member firms of PricewaterhouseCoopers International Limited (PwCIL), except as indicated above.

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F2 Acquisition and disposal of controlling interests in subsidiaries in 2021/2020

Acquisition of controlling interest in subsidiaries in 2021

(i) Acquisition of controlling interests in Keystone 1 Limited (Keystone)

On 7 April 2021, the Group acquired 100% of Keystone for a net cash consideration of $11,735,000. Keystone's main principal activity is aircraft leasing. Keystone was subsequently divested on 28 December 2021.

Keystone contributed revenue of $576,000 and net profit of $673,000 to the Group for the period from 7 April 2021 to 28 December 2021.

(ii) Acquisition of controlling interests in ST Engineering Satellite Systems Pte. Ltd. (Satellite Systems)

On 9 August 2021, the Group has reclassified its investments in Satellite Systems from a joint venture to a 51% owned subsidiary following the changes made to the constitution. Satellite Systems provides design and development, system integration, manufacturing and sale of satellite equipment.

Satellite Systems contributed revenue of $8,664,000 and net profit of $717,000 to the Group for the period from 9 August 2021 to 31 December 2021.

Had the above businesses been consolidated from 1 January 2021, consolidated revenue and net profit for the year ended 31 December 2021 would have been $7,700,723,000 and $573,938,000 respectively

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F2 Acquisition and disposal of controlling interests in subsidiaries in 2021/2020 (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 2021 $'000
Property, plant and equipment	21,144
Deferred tax assets	84
Contract assets	565
Trade receivables	16
Advances and other receivables	1,323
Bank balances and other liquid funds	19,515
Contract liabilities	(5,182)
Deposits from customers	(138)
Trade payables and accruals	(3,372)
Amount due to related parties	(8,123)
Provision for taxation	(106)
Non-current contract liabilities	(974)
Deferred tax liabilities	(973)
Total identifiable net assets	23,779
Non-controlling interests	(5,682)
Fair value of pre-existing interest in the acquiree	(5,915)
Total purchase consideration	12,182
Cash outflow on acquisition:	
Cash consideration paid	12,182
Less: cash acquired	(19,515)
Net cash inflow on acquisition	(7,333)

The Group incurred acquisition-related cost of $64,000 on legal fees and have been included in administrative expenses.

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F2 Acquisition and disposal of controlling interests in subsidiaries in 2021/2020 (continued)

De-consolidation and disposal of controlling interests in subsidiaries in 2021

In January 2021, the Group divested its 100% equity interest in VT Volant Aerospace, LLC (Volant) and in December 2021, the Group divested the 100% equity interest in Keystone 1 Limited (Keystone).

Volant contributed revenue of $113,000 and loss before tax of $569,000 for the period from 1 January 2021 to the date of disposal. Keystone contributed revenue of $230,000 and net profit of $2,893,000 to the Group for the period from 7 April 2021 to 28 December 2021.

During the year, the Group received proceeds from its de-consolidated subsidiaries, Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd (collectively known as "JHK") that were under voluntary liquidation process since December 2016.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

	Total $'000
Property, plant and equipment	18,938
Right-of-use assets	190
Intangible assets	264
Deferred tax assets	21
Inventories	8,374
Trade receivables	601
Advances and other receivables	2,022
Bank balances and other liquid funds	2,613
Trade payables and accruals	(4,124)
Amounts due to related parties	(346)
Provision for taxation	(76)
Deferred tax liabilities	(1,953)
Net assets disposed	26,524
Realisation of reserves	(5,643)
Gain on disposal	11,742
Sales consideration	32,623
Less: bank balances and other liquid funds in subsidiaries disposed	(2,613)
Net cash inflow on disposal	30,010

De-consolidation of controlling interests in a subsidiary in 2020

In the prior 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.

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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 2021	**ST Engineering Aerospace Services Company Pte. Ltd. $'000**
NCI percentage	**20%**
Principal place of business/Country of incorporation	**Singapore**
Revenue	320,082
Profit/(loss) after taxation	54,419
Other comprehensive (loss)/income	(1,443)
Total comprehensive income/(loss)	52,976
Attributable to NCI:	
- Profit/(loss)	10,884
- Other comprehensive (loss)/income	(289)
- **Total comprehensive income/(loss)**	10,595
Non-current assets	232,603
Current assets	242,622
Non-current liabilities	(162,285)
Current liabilities	(139,934)
Net assets	173,006
Net assets attributable to NCI	34,601
Cash flows from operating activities	7,679
Cash flows used in investing activities	(55,520)
Cash flows used in financing activities*	(22,472)
Net (decrease)/increase in cash and cash equivalents	(70,313)
* including dividends to NCI	(8,000)

Eco-Services, LLC $'000	ST Aerospace Technologies (Xiamen) Company Ltd $'000	Elbe Flugzeuwerke GmbH $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
49.9%	20%	45%			
U.S.	China	Germany			
21,271	123,642	455,591			
3,154	794	(33,907)			
893	3,097	(24,557)			
4,047	3,891	(58,464)			
1,574	159	(15,258)	1,287	(2,215)	(3,569)
446	619	(11,056)	(143)	26	(10,397)
2,020	778	(26,314)	1,144	(2,189)	(13,966)
15,515	53,034	663,048			
35,108	79,311	305,431			
(945)	–	(425,626)			
(6,431)	(61,190)	(191,210)			
43,247	71,155	351,643			
21,580	14,231	158,239	23,008	3,794	255,453
10,356	4,307	61,263			
(1,035)	(1,385)	(11,134)			
–	–	(38,225)			
9,321	2,922	11,904			
–	–	–			

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F3 Non-controlling interests in subsidiaries (continued)

Name of subsidiary 2020	ST Engineering Aerospace Services Company Pte. Ltd. $'000
NCI percentage	**20%**
Principal place of business/Country of incorporation	**Singapore**
Revenue	239,538
Profit/(loss) after taxation	47,243
Other comprehensive income/(loss)	606
Total comprehensive income	47,849
Attributable to NCI:	
- Profit/(loss)	9,449
- Other comprehensive income/(loss)	121
- **Total comprehensive income/(loss)**	9,570
Non-current assets	93,570
Current assets	257,319
Non-current liabilities	(43,315)
Current liabilities	(97,402)
Net assets	210,172
Net assets attributable to NCI	42,034
Cash flows from operating activities	149,791
Cash flows from/(used in) investing activities	37,887
Cash flows used in financing activities*	(64,611)
Net increase in cash and cash equivalents	123,067
* including dividends to NCI	(16,760)

Eco-Services, LLC $'000	ST Aerospace Technologies (Xiamen) Company Ltd $'000	Elbe Flugzeuwerke GmbH $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
49.9%	**20%**	**45%**			
U.S.	**China**	**Germany**			
23,032	121,727	375,095			
3,850	5,387	(23,908)			
(852)	3,104	30,243			
2,998	8,491	6,335			
1,921	1,077	(10,759)	2,735	(640)	3,783
(425)	621	13,608	(20)	(1)	13,904
1,496	1,698	2,849	2,715	(641)	17,687
16,893	51,544	692,816			
27,528	72,577	260,683			
(471)	–	(441,795)			
(3,457)	(56,842)	(111,530)			
40,493	67,279	400,174			
20,206	13,456	180,078	26,574	(173)	282,175
7,785	20,550	43,569			
(279)	(559)	(29,762)			
(432)	(18,639)	(5,307)			
7,074	1,352	8,500			
–	–	–			

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F4 Associates and joint ventures

Group	2021 $'000	2020 $'000
Unquoted shares, at fair value	**34,215**	20,858
Unquoted shares, at cost	**360,580**	357,705
Goodwill on acquisition	**38**	38
Share of net assets acquired	**360,618**	357,743
Impairment in associates	**(8,000)**	(8,000)
Share of post-acquisition reserves	**96,064**	98,311
	448,682	448,054
	482,897	468,912
Represented by:		
Interest in associates	**347,561**	319,005
Interest in joint ventures	**135,336**	149,907
	482,897	468,912

In the prior 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.

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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 2021 %	2020 %
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.	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes	Singapore	**24.5**	24.5
Turbine Overhaul Services Pte. Ltd.	Repair and service of gas and steam turbine components	Singapore	**49**	49
CityCab Pte. Ltd. [1]	Rental of taxis and the provision of charge card facilities	Singapore	**46.5**	46.5
Experia Events Pte. Ltd.[1]	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.[1]	Investment holding	Singapore	**50**	50
SPTel Pte. Ltd.	Running, operation, management and supply of telecommunications services	Singapore	**51**	51

[1] Not audited by PricewaterhouseCoopers 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 network of member firms of PricewaterhouseCoopers International Limited (PwCIL), 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 2021	Shanghai Technologies Aerospace Company Limited $'000	ST Aerospace (Guangzhou) Aviation Services Company Limited $'000
Percentage of interest	49%	44%
Revenue	47,454	68,760
Profit/(loss) after taxation	(6,120)	7,795
Other comprehensive income	5,392	5,009
Total comprehensive (loss)/income	(728)	12,804
Attributable to NCI	–	–
Attributable to investee's shareholders	(728)	12,804
Non-current assets	83,937	115,641
Current assets	58,500	45,730
Non-current liabilities	(1,337)	(19,321)
Current liabilities	(18,794)	(23,019)
Net assets	122,306	119,031
Attributable to NCI	–	–
Attributable to investee's shareholders	122,306	119,031
Group's interest in net assets of investee at beginning of the year	61,988	46,739
Group's share of:		
- Profit/(loss) for the year	(2,999)	3,430
- Total other comprehensive income/(loss)	2,642	2,205
Total comprehensive income/(loss)	(357)	5,635
Group's contribution during the year	–	–
Dividends received during the year	(1,701)	–
Carrying amount of interest in investee at end of the year	59,930	52,374

Fair value changes of unquoted investments held by the Group's Corporate Venture Capital Unit is recognised in Other income/(expenses) in the income statement.

Turbine Coating Services Pte. Ltd. $'000	Turbine Overhaul Services Pte. Ltd. $'000	CityCab Pte. Ltd. $'000	Experia Events Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
24.5%	49%	46.5%	33%		
17,956	266,115	69,984	8,203		
5,563	40,081	3,836	(7,976)		
1,310	2,882	–	–		
6,873	42,963	3,836	(7,976)		
–	–	(257)	–		
6,873	42,963	4,093	(7,976)		
21,973	46,011	89,249	44,062		
41,864	213,412	82,330	50,265		
(3,199)	(5,967)	(18,030)	(4,634)		
–	(102,568)	(21,070)	(30,582)		
60,638	150,888	132,479	59,111		
–	–	638	–		
60,638	150,888	131,841	59,111		
14,488	60,777	64,301	22,141	48,571	319,005
1,363	19,640	1,904	(2,631)	14,177	34,884
320	1,413	–	–	425	7,005
1,683	21,053	1,904	(2,631)	14,602	41,889
–		–	–	4,883	4,883
(1,315)	(7,894)	(4,896)	–	(2,410)	(18,216)
14,856	73,936	61,309	19,510	65,646	347,561

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F4 Associates and joint ventures (continued)

Associates (continued)

Name of associate 2020	Shanghai Technologies Aerospace Company Limited $'000	ST Aerospace (Guangzhou) Aviation Services Company Limited $'000
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

	Turbine Coating Services Pte. Ltd. $'000	Turbine Overhaul Services Pte. Ltd. $'000	CityCab Pte. Ltd. $'000	Experia Events Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
	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)

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 2021	Keystone Holdings (Global) Pte. Ltd. $'000	Total Engine Asset Management Pte. Ltd. $'000	SPTel Pte. Ltd. $'000	Immaterial joint ventures $'000	Total $'000
Percentage of interest	50%	50%	51%		
Revenue	22,982	22,865	34,358		
Profit/(loss) after taxation [a]	7,694	(6,936)	(15,847)		
Other comprehensive income	944	5,586	–		
Total comprehensive income/(loss)	8,638	(1,350)	(15,847)		
[a] Includes:					
– Depreciation and amortisation of:	(13,555)	(10,268)	11,536		
– Interest expense of:	(3,784)	(4,980)	945		
– Income tax expense of:	869	3,706	(449)		
Non-current assets	181,512	361,038	97,492		
Current assets [b]	32,113	22,265	26,305		
Non-current liabilities [c]	(71,927)	(145,348)	(26,855)		
Current liabilities [d]	(71,623)	(123,485)	(43,902)		
Net assets excluding goodwill	70,075	114,470	53,040		
[b] Includes cash and cash equivalents of:	29,687	11,872	8,464		
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	(71,927)	(145,348)	27,544		
[d] Includes current financial liabilities (excluding trade and other payables and provisions) of:	(71,097)	(117,293)	11,580		
Group's interest in net assets of investee at beginning of the year	36,376	60,464	37,876	15,191	149,907
Share of total comprehensive income/(loss)	4,319	(675)	(8,112)	1,056	(3,412)
Group's (return of capital)/ contribution during the year	(3,752)	–	–	5,001	1,249
Carrying amount of interest in a joint venture reclassified to a subsidiary	–	–	–	(5,915)	(5,915)
Disposal of joint venture	–	–	–	(361)	(361)
Dividends received during the year	(1,906)	(2,554)	–	(1,672)	(6,132)
Carrying amount of interest in investee at end of the year	35,037	57,235	29,764	13,300	135,336

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F4 Associates and joint ventures (continued)

Joint ventures (continued)

Name of joint venture 2020	Keystone Holdings (Global) Pte. Ltd. $'000	Total Engine Asset Management Pte. Ltd. $'000	SPTel Pte. Ltd. $'000	Immaterial joint ventures $'000	Total $'000
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

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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.

(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.

F4 Associates and joint ventures (continued)

Basis of consolidation (continued)

(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 Singapore Companies Act 1967 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.

(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.

F4 Associates and joint ventures (continued)

Basis of consolidation (continued)

(v) Investments in associates and joint ventures (continued)

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.

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.

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(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F5 Related party information

Key management personnel compensation

Group	2021 $'000	2020 $'000
Short-term employee benefits	**41,861**	36,599
Contributions to defined contribution plans	**680**	688
Share-based payments	**8,780**	12,106
	51,321	49,393

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	2021 $'000	2020 $'000
Associates of the Group		
Sales and services rendered	**7,888**	8,074
Purchases and services received	**(3,384)**	(22,398)
Dividend income	**18,216**	10,903
Joint ventures of the Group		
Sales and services rendered	**54,999**	41,481
Purchases and services received	**(1,595)**	(22,300)
Dividend income	**6,132**	2,370
Other related parties*		
Sales and services rendered	**76,164**	45,066
Purchases and services received	**(9,882)**	(19,378)
Rental expense	**(5,368)**	(4,633)
Rental income	**–**	538

* Other related parties refer to subsidiaries, associates and joint ventures of the immediate holding company.

NOTES TO THE FINANCIAL STATEMENTS

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G. OTHERS

G1	Comparatives	**G3**	New standards and interpretations not adopted
G2	Adoption of new standards and interpretations	**G4**	Impact of COVID-19

G1 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.

	2020 (As previously Reported) $'000	Reclassification $'000	2020 (As restated) $'000
Presented in Consolidated Statement of Financial Position			
Current assets			
Contract assets	1,153,192	402,589	1,555,781
Current liabilities			
Contract liabilities	1,141,484	(157,597)	983,887
Trade payables and accruals	1,667,568	550,455	2,218,023
Non-current liabilities			
Contract liabilities	792,617	9,731	802,348

G2 Adoption of new standards and interpretations

On 1 January 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS

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G2 Adoption of new standards and interpretations (continued)

Applicable to 2021 financial statements

- *Amendments to SFRS(I) 16 Leases (Covid-19-Related Rent Concessions)*
- *Amendments to SFRS(I) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement, SFRS(I) 7 Financial Instruments:Disclosures* and *SFRS(I) 16 Leases (Interest Rate Benchmark Reform – Phase 2)*

G3 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements.

Applicable to 2022 financial statements

- *Amendments to SFRS(I) 16 Leases:* Covid-19-Related Rent Concessions beyond 30 June 2021
- *Amendments to SFRS(I) 3 Business Combinations:* Reference to the Conceptual Framework
- *Amendments to SFRS(I) 1-16 Property, Plant and Equipment:* Proceeds before Intended Use
- *Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets:* Onerous Contracts – Cost of Fulfilling a Contract

Applicable to 2023 financial statements

- *Amendments to SFRS(I) 1-1 Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current
- *Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) Practice Statement 2:* Disclosure of Accounting Policies
- *Amendments to SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates
- *Amendments to SFRS(I) 1-12 Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Mandatory effective date deferred

- *Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures:* Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

G4 Impact of COVID-19

The COVID-19 pandemic continues to impact economies and businesses around the world, albeit there was partial business recovery in 2021. 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 2021. As the impact of the pandemic is ongoing and evolving as at the date these financial statements were authorised for issuance, future developments in relation to the pandemic and their impact on the operating and financial performance of the Group cannot be ascertained at the present moment.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

	Note	2021 $'000	2020 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	**145**	2,137
Right-of-use assets		**317**	3,558
Subsidiaries	3	**1,479,070**	1,363,251
Associates	4	**–**	17,657
Deferred tax assets		**–**	2,500
		1,479,532	1,389,103
Current assets			
Amounts due from related parties	5	**14,833**	70,030
Advances and other receivables		**236**	1,653
Bank balances and other liquid funds	6	**82,255**	7,372
		97,324	79,055
Total assets		**1,576,856**	1,468,158
EQUITY AND LIABILITIES			
Current liabilities			
Other payables and accruals	7	**3,526**	21,542
Amounts due to related parties	5	**11,878**	16,868
Provision for taxation		**701**	3,267
Lease liabilities		**110**	2,014
		16,215	43,691
Net current assets		**81,109**	35,364
Non-current liabilities			
Other payables and accruals	7	**–**	7,390
Lease liabilities		**113**	1,504
		113	8,894
Total liabilities		**16,328**	52,585
Net Assets		**1,560,528**	1,415,573
Share capital and reserves			
Share capital	8	**895,926**	895,926
Treasury shares	8	**(33,475)**	(23,743)
Capital reserves	8	**(12,044)**	(8,940)
Other reserves	8	**65,716**	64,054
Retained earnings		**644,405**	488,276
		1,560,528	1,415,573
Total equity and liabilities		**1,576,856**	1,468,158

The accompanying notes are an integral part of the financial statements.

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

1. Basis of Preparation and Significant Accounting Policies

The Statement of Financial Position of the Company is prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). The Statement of Financial Position of the Company has been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

The Statement of Financial Position 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 Statement of Financial Position of the Company is consistent with the disclosures in the consolidated financial statements.

The Statement of Financial Position and Notes to the Statement of Financial Position of the Company as at 31 December 2021 were authorised and approved by the Board of Directors for issuance on 24 February 2022.

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 2021	6	2,124	1,191	3,321
Additions	–	80	–	80
Disposals	(6)	(1,748)	(1,155)	(2,909)
Transfer	–	36	(36)	–
At 31 December 2021	–	492	–	492
Accumulated depreciation				
At 1 January 2021	3	1,181	–	1,184
Depreciation charge	–	279	–	279
Disposals	(3)	(1,113)	–	(1,116)
At 31 December 2021	–	347	–	347
Net book value				
At 31 December 2021	–	145	–	145

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

31 DECEMBER 2021
(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 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

3. Subsidiaries

	2021 $'000	2020 $'000
Equity investments at cost		
At beginning of the year	**1,363,251**	1,327,608
Additions	**1,415,530**	35,643
Transfers to subsidiaries	**(1,291,123)**	–
Impairment	**(8,588)**	–
At end of the year	**1,479,070**	1,363,251

During the year, the Company transferred its investments in certain subsidiaries to ST Engineering IHQ Pte. Ltd. and ST Engineering Holdings GmbH, which are the regional investment holding companies of the Group, of $761,276,000 and $511,494,000 respectively.

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

31 DECEMBER 2021
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4. Associates

	2021 $'000	2020 $'000
Equity investments at cost		
At beginning of the year	**17,657**	17,657
Transfer to a subsidiary	**(17,657)**	–
At end of the year	–	17,657

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

	2021 $'000	2020 $'000
Amounts placed with a related corporation	**82,255**	7,372

At the balance sheet date, the amounts placed with a related corporation, ST Engineering Treasury Pte. Ltd., under a cash pooling arrangement bears interest of 0% (2020: 0%) per annum. The cash pooling arrangement administered by ST Engineering Treasury Pte. Ltd. is operated at the instructions of the Company. These amounts placed with a related corporation are subjected to an arrangement with a bank where bank balances are transferred from/to a bank account of the related corporation on a daily basis.

7. Other payables and accruals

	2021 $'000	2020 $'000
Other payables	–	6,913
Accrued operating expenses	**3,526**	22,019
	3,526	28,932
Payable:		
Within 1 year	**3,526**	21,542
After 1 year	–	7,390
	3,526	28,932

The Company has issued corporate guarantees to banks and other lenders for the borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the lenders if the related parties fails to make principal or interest payments when due in accordance with the terms of their borrowings.

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

31 DECEMBER 2021
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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.

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 2021, 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:

	2021 $'000	2020 $'000
Financial assets, at amortised cost	**97,324**	79,055
Financial liabilities, at amortised cost	**(15,627)**	(49,318)

SHAREHOLDING STATISTICS

AS AT 28 FEBRUARY 2022

SHARE CAPITAL

Paid-Up Capital (including treasury shares)	:	S$895,925,583.505
Number of issued ordinary shares (excluding treasury shares)	:	3,112,704,401
Number of ordinary shares held in treasury	:	9,790,796
Number of subsidiary holdings held	:	Nil
Percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued ordinary shares	:	0.31%
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 28 February 2022, approximately 47.94% 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	996	2.49	24,056	0.00
100 — 1,000	6,747	16.89	5,246,056	0.17
1,001 — 10,000	25,500	63.81	113,144,303	3.64
10,001 — 1,000,000	6,686	16.73	252,227,002	8.10
1,000,001 and above	33	0.08	2,742,062,984	88.09
	39,962	100.00	3,112,704,401	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	54,306,702 (1)	1,609,071,276	51.69 (2)

Notes:

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 28 February 2022, 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 28 FEBRUARY 2022

MAJOR SHAREHOLDERS LIST – TOP 20

No.	Name	No. of Shares Held	%*
1	Temasek Holdings (Private) Limited	1,554,764,574	49.95
2	Citibank Nominees Singapore Pte Ltd	390,152,616	12.53
3	DBSN Services Pte. Ltd.	231,205,145	7.43
4	DBS Nominees (Private) Limited	161,819,675	5.20
5	HSBC (Singapore) Nominees Pte Ltd	145,288,397	4.67
6	Raffles Nominees (Pte.) Limited	137,875,496	4.43
7	Vestal Investments Pte. Ltd.	28,501,000	0.92
8	BPSS Nominees Singapore (Pte.) Ltd.	16,384,140	0.53
9	United Overseas Bank Nominees (Private) Limited	12,920,560	0.41
10	OCBC Nominees Singapore Private Limited	8,881,911	0.29
11	Phillip Securities Pte Ltd	7,600,881	0.24
12	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,824,524	0.15
13	Tan Pheng Hock	4,082,283	0.13
14	OCBC Securities Private Limited	3,677,187	0.12
15	DBS Vickers Securities (Singapore) Pte Ltd	3,591,842	0.12
16	iFAST Financial Pte. Ltd.	3,067,730	0.10
17	UOB Kay Hian Pte Ltd	2,532,694	0.08
18	DB Nominees (Singapore) Pte Ltd	2,440,821	0.08
19	Heng Siew Eng	2,242,000	0.07
20	Mrs Lee Li Ming Nee Ong	2,235,000	0.07
		2,724,088,476	87.52

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 28 February 2022, excluding any ordinary shares held in treasury as at that date.

SGX LISTING RULES REQUIREMENT

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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 22 April 2021. 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 (excluding transactions less than $100,000 and transactions conducted under a shareholders mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
		FY2021 $'000	FY2020 $'000	FY2021 $'000	FY2020 $'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.	-	-	**37**	691
CapitaLand Commercial Trust		-	-	**-**	125
SATS Ltd. and its Associates		-	-	**967**	51,860
SembCorp Industries Ltd and its Associates		-	-	**45,638**	151
Singapore Airlines Limited and its Associates		-	-	**1,308**	-
SIA Engineering Company Limited and its Associates		-	-	**-**	102
Singapore Telecommunications Limited and its Associates		-	-	**17,679**	2,637
StarHub Ltd and its Associates		-	-	**430**	2,125
Temasek Holdings (Private) Limited and its Associates (non-listed)		-	-	**24,677**	45,741
		-	-	**90,736**	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.	-	-	**110**	143
Mapletree Industrial Trust		-	-	**-**	356
SATS Ltd. and its Associates		-	-	**4,580**	3,841
SembCorp Industries Ltd and its Associates		-	-	**352**	2,264
Singapore Telecommunications Limited and its Associates		-	-	**2,893**	1,038
StarHub Ltd and its Associates		-	-	**641**	1,575
Temasek Holdings (Private) Limited and its Associates (non-listed)		-	-	**12,171**	55,826
		-	-	**20,747**	65,043
Total Interested Person Transactions		-	-	**111,483**	168,475

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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