
LETTER TO SHAREHOLDERS

SINGAPORE TECHNOLOGIES ENGINEERING LTD

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

Directors:

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

Registered Office:

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

23 March 2022

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

Dear Sir/Madam

1. INTRODUCTION

1.1 Background. We refer to:

- (a) the Notice of the 25th Annual General Meeting (“**AGM**”) of the Company dated 23 March 2022 (the “**Notice**”), convening the 25th AGM of the Company to be held on 21 April 2022 (the “**2022 AGM**”);
- (b) Ordinary Resolution No. 13 relating to the proposed renewal of the Shareholders Mandate for Interested Person Transactions (as defined in paragraph 2.1 below), as proposed in the Notice; and
- (c) Ordinary Resolution No. 14 relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 3.1 below), as proposed in the Notice.

1.2 **Letter to Shareholders.** The purpose of this Letter is to provide shareholders of the Company (“**Shareholders**”) with information relating to Ordinary Resolution Nos. 13 and 14, proposed in the Notice (collectively, the “**Proposals**”).

1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

1.4 **Advice to Shareholders.** Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. If a Shareholder has sold all his ordinary shares in the Company, he should immediately inform the purchaser or the bank, stockbroker or other agent through whom the sale was effected for onward notification to the purchaser, that this Letter

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(together with the Notice and the Proxy Form) and the Annual Report for the financial year ended 31 December 2021 (“**Annual Report 2021**”) are available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements> and may be accessed at the Company’s website at the URL <https://www.stengg.com/25th-agm> and at the URL <https://www.stengg.com/annual-reports> respectively.

- 1.5 **Legal Adviser.** Allen & Gledhill LLP is the legal adviser to the Company in relation to the proposed renewal of the Share Purchase Mandate.

2. THE PROPOSED RENEWAL OF THE SHAREHOLDERS MANDATE

- 2.1 **Shareholders Mandate.** At the AGM of the Company held on 22 April 2021 (the “**2021 AGM**”), approval of the Shareholders was obtained for the renewal of a shareholders mandate (the “**Shareholders Mandate**”) to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the listing manual of the SGX-ST (the “**Listing Manual**”) to enter into certain interested person transactions (“**Interested Person Transactions**”) with the classes of interested persons as set out in the Shareholders Mandate. Particulars of the Shareholders Mandate are set out in the Appendix to the Letter to Shareholders dated 30 March 2021 (the “**2021 Letter**”).

- 2.2 **Proposed Renewal.** The Shareholders Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the 2022 AGM which is scheduled to be held on 21 April 2022. Accordingly, the Directors of the Company (the “**Directors**”) propose that the Shareholders Mandate be renewed at the 2022 AGM, to take effect until the 26th AGM of the Company. The particulars of the Interested Person Transactions in respect of which the Shareholders Mandate is sought to be renewed remain unchanged.

- 2.3 **The Appendix.** The Shareholders Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices and other general information relating to Chapter 9 of the Listing Manual, are set out in the Appendix to this Letter.

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

- (a) the methods or procedures for determining transaction prices under the Shareholders Mandate have not changed since the 2021 AGM; and
- (b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

- 3.1 **Share Purchase Mandate.** Shareholders had approved the renewal of the mandate (the “**Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire ordinary shares of the Company (“**Shares**”) at the 2021 AGM. The authority and limitations on the Share Purchase Mandate were set out in the 2021 Letter and Ordinary Resolution No. 13 set out in the Notice of the 2021 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 13 at the 2021 AGM and will expire on the date of the forthcoming 2022 AGM to be held on 21 April 2022. Accordingly, Shareholders’ approval is being sought for the renewal of the Share Purchase Mandate at the 2022 AGM.

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As at 28 February 2022 (the “**Latest Practicable Date**”), the Company had purchased or acquired an aggregate of 8,800,000 Shares by way of Market Purchases (as defined in paragraph 3.3.3 below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2021 AGM. The highest and lowest price paid was S\$4.09 and S\$3.67 per Share respectively, and the total consideration paid for all of the purchases was S\$33,903,750, excluding commission, brokerage and goods and services tax.

As at the Latest Practicable Date, the Company had not purchased or acquired any of its Shares by way of Off-Market Purchases (as defined in paragraph 3.3.3 below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2021 AGM.

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

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

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

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 2% limit described in paragraph 3.3.1 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 2% limit as authorised and no purchases or acquisitions of Shares would be made in circumstances which would or may materially adversely affect the financial condition of the Company.

3.3 **Authority and Limits.** The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2022 AGM, are substantially the same as were previously approved by Shareholders at the 2021 AGM. These are summarised below:

3.3.1 **Maximum Number of Shares**

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 2% of the total number of issued Shares as at the date of the 2022 AGM. Treasury shares and subsidiary holdings (as defined in the Listing Manual)¹ will be disregarded for purposes of computing the 2% limit.

As at the Latest Practicable Date, the Company had 9,790,796² treasury shares and no subsidiary holdings.

¹ “Subsidiary holdings” is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act 1967.

² Excludes 500,000 Shares purchased by the Company on 25 February 2022 by way of Market Purchases which had not been credited into the Company’s securities account with The Central Depository (Pte) Limited as at the Latest Practicable Date.

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Based on 3,122,495,197 issued Shares as at the Latest Practicable Date and disregarding the 9,790,796 Shares held in treasury as at the Latest Practicable Date, and assuming that on or prior to the 2022 AGM (i) no further Shares are issued, (ii) no Shares are purchased or acquired by the Company, and no further Shares purchased or acquired by the Company are held as treasury shares, and (iii) no Shares are held as subsidiary holdings, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 62,254,088 Shares.

3.3.2 *Duration of Authority*

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2022 AGM at which the renewal of the Share Purchase Mandate is approved, up to:

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

whichever is the earliest.

3.3.3 *Manner of Purchases or Acquisitions of Shares*

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

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

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act 1967 (the "**Companies Act**") as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

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

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

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

- (1) terms and conditions of the offer;

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

3.3.4 **Purchase Price**

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

For the above purposes:

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

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

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

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

3.5.1 **Maximum Holdings**

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

3.5.2 **Voting and Other Rights**

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

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

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

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3.5.3 **Disposal and Cancellation**

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

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

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

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

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

- 3.7 **Financial Effects.** The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Group and the Company, based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2021, are based on the assumptions set out below.

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

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

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

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

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3.7.2 **Number of Shares Purchased or Acquired**

Based on the number of issued and paid-up Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 3.3.1 above, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 62,254,088 Shares.

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

In the case of both Market Purchases and Off-Market Purchases by the Company and assuming that the Company purchases or acquires 62,254,088 Shares at the maximum price of S\$4.00 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 62,254,088 Shares is S\$249,016,352.

3.7.4 **Illustrative Financial Effects**

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

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 3.7.2 and 3.7.3 above, and further assuming that the purchase or acquisition of 62,254,088 Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases or Off-Market Purchases is made entirely out of profits and/or capital and either cancelled or held in treasury, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2021 are set out below.

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 31 December 2021				
Equity	2,668,215	2,419,199	1,560,528	1,311,512
NTA ⁴	621,484	372,468	1,560,528	1,311,512
Current Assets	5,356,497	5,107,481	97,324	15,069
Current Liabilities	4,679,642	4,679,642	16,215	182,976
Net (Debt)/Cash	(1,299,296)	(1,548,312)	82,032	(166,984)
Number of Shares (excluding treasury shares) ('000)	3,112,704	3,050,450	3,112,704	3,050,450
Financial Ratios				
Basic EPS ⁵ (S\$)	0.18	0.19	0.20	0.20
NTA per Share (S\$)	0.20	0.12	0.50	0.43
Net Debt/Equity Ratio	0.5	0.6	Net Cash	0.1
Current Ratio (times)	1.1	1.1	6.0	0.1

Note:

The figures for the Group and the Company are based on the audited financial statements as at 31 December 2021.

⁴ Net tangible assets.

⁵ Earnings per share.

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

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

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

- 3.9 **Listing Status.** The Listing Manual requires a listed company to ensure that at least 10% of equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. As at the Latest Practicable Date, Temasek Holdings (Private) Limited (“**Temasek**”), a substantial Shareholder, has a direct and deemed interest in approximately 51.69% of the issued Shares (excluding treasury shares) as at that date. Approximately 47.94% of the issued Shares (excluding treasury shares) are held by public Shareholders.

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

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

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

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The Company wishes to draw the attention of Shareholders to the following consequences of a purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate, if the renewal of the Share Purchase Mandate is approved by Shareholders at the 2022 AGM:

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

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

3.11.1 *Obligation to Make a Take-over Offer*

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

3.11.2 *Persons Acting in Concert*

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

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

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

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

3.11.3 *Effect of Rule 14 and Appendix 2*

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

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

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

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

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

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

Director	Direct Interest	% ⁽¹⁾	Deemed Interest	% ⁽¹⁾	Number of Shares comprised in outstanding Share Awards granted by the Company
Kwa Chong Seng	1,208,500	0.04	–	–	–
Vincent Chong Sy Feng	2,661,271	0.09	–	–	2,916,462 ⁽²⁾
Kevin Kwok Khien	150,000	nm ⁽³⁾	20,000 ⁽⁴⁾	nm ⁽³⁾	–
Joseph Leong Weng Keong	–	–	–	–	–
Lim Ah Doo	99,900	nm ⁽³⁾	–	–	–
Lim Chin Hu	104,800	nm ⁽³⁾	–	–	–
Lim Sim Seng	76,300	nm ⁽³⁾	–	–	–
Ng Bee Bee (May)	5,000	nm ⁽³⁾	–	–	–
LG Ong Su Kiat Melvyn	–	–	–	–	–
Quek See Tiat	91,600	nm ⁽³⁾	–	–	–

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Director	Direct Interest	% ⁽¹⁾	Deemed Interest	% ⁽¹⁾	Number of Shares comprised in outstanding Share Awards granted by the Company
Song Su-Min	30,100	nm ⁽³⁾	–	–	–
Tan Peng Yam	9,011	nm ⁽³⁾	–	–	–
Teo Ming Kian	–	–	–	–	–
COL Cai Dexian	–	–	–	–	–

Notes:

- (1) The percentage of issued Shares is calculated based on the number of issued Shares of the Company (excluding any Shares held in treasury) as at the Latest Practicable Date.
- (2) Of the 2,916,462 Shares:
 - (a) up to 1,726,082 Shares are comprised in conditional awards of performance shares granted pursuant to the Singapore Technologies Engineering Performance Share Plan 2010, subject to performance targets set over a three-year performance period. A minimum threshold performance is required for any performance shares to be released. The base number on grant (representing 100% of an award) is 1,015,343 performance shares. The actual number of performance shares that may be released is capped at 170% of an award;
 - (b) up to 701,720 Shares are comprised in conditional awards of performance shares granted pursuant to the Singapore Technologies Engineering Performance Share Plan 2020, subject to performance targets set over a three-year performance period. A minimum threshold performance is required for any performance shares to be released. The base number on grant (representing 100% of an award) is 412,777 performance shares. The actual number of performance shares that may be released is capped at 170% of an award;
 - (c) 314,349 Shares are unvested restricted shares to be released according to the stipulated vesting periods pursuant to the Singapore Technologies Engineering Restricted Share Plan 2010, 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; and
 - (d) 174,311 Shares are comprised in conditional awards of restricted shares granted pursuant to the Singapore Technologies Restricted Share Plan 2020, subject to a performance target set over a one-year performance period. If the performance target is attained, the restricted shares will be released annually over 4 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.
- (3) Not meaningful.
- (4) Deemed interest in the Shares held by spouse.

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

Substantial Shareholder	Direct Interest	Number of Shares		
		% ⁽¹⁾	Deemed Interest	% ⁽¹⁾
Temasek	1,554,764,574	49.95	54,306,702 ⁽²⁾	1.74

Notes:

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

LETTER TO SHAREHOLDERS

5. DIRECTORS' RECOMMENDATIONS

- 5.1 **The Proposed Renewal of the Shareholders Mandate.** All the Directors are interested persons (as described in paragraph 4.1 of the Appendix to this Letter). Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Ordinary Resolution No. 13, being the Ordinary Resolution relating to the proposed renewal of the Shareholders Mandate to be proposed at the 2022 AGM.

Temasek and each of the Directors will abstain from voting, and each has undertaken to ensure that its/his associates will abstain from voting, on Ordinary Resolution No. 13, being the Ordinary Resolution relating to the proposed renewal of the Shareholders Mandate at the 2022 AGM. The Company will disregard any votes cast by Temasek and each of the Directors, and their respective associates, in respect of their holdings of Shares (if any) on Ordinary Resolution No. 13. Each of the Directors and their respective associates will also decline to accept appointment as proxy for any other Shareholder to vote in respect of Ordinary Resolution No. 13, unless the Shareholder concerned shall have given instructions in a validly completed and submitted Proxy Form as to voting, or abstentions from voting, in respect of Ordinary Resolution No. 13.

- 5.2 **The Proposed Renewal of the Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 14, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2022 AGM.

6. INSPECTION OF DOCUMENTS

The Annual Report 2021 and the 2021 Letter may be accessed at the Company's website at the URL <https://www.stengg.com/annual-reports> and at the URL <https://www.stengg.com/25th-agm> respectively.

7. DIRECTORS' RESPONSIBILITY STATEMENT

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

Yours faithfully

Kwa Chong Seng
Chairman
Singapore Technologies Engineering Ltd

THE SHAREHOLDERS MANDATE

1. Chapter 9 of the Listing Manual

- 1.1 Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company’s interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for that transaction.
- 1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and shareholders’ approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company’s latest audited consolidated net tangible assets (“**NTA**”)) are reached or exceeded. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or which exceeds:
- (a) 5% of the listed company’s latest audited consolidated NTA; or
 - (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.
- 1.3 In light of the decline in the consolidated NTA of Singapore Technologies Engineering Ltd (“**ST Engineering**”) and its subsidiaries (the “**ST Engineering Group**”) due to acquisitions involving intangible assets, ST Engineering had written to, and on 19 January 2022 obtained confirmation from, the SGX-ST that it has no objection to ST Engineering’s use of the average of its daily end-of-day market capitalisation for the month of December 2021 as an alternative reference point (in lieu of using the latest audited consolidated NTA) to determine the materiality of ST Engineering’s interested person transactions under Rules 905 and 906 of the Listing Manual, for the financial year ending 31 December 2022. The average of ST Engineering’s daily end-of-day market capitalisation for the month of December 2021 was S\$11,673.9 million, 5% of which is S\$583.7 million.
- 1.4 Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company’s interested persons.
- 1.5 Under the Listing Manual:
- (a) an “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;

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- (b) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder. The SGX-ST may also deem any person or entity to be an interested person if the person or entity has entered into, or proposes to enter into (i) a transaction with an entity at risk, and (ii) an agreement or arrangement with an interested person in connection with that transaction;
- (c) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder means an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, means its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual; and
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

2. Rationale for the Shareholders Mandate

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

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

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

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

2.3 The Shareholders Mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of companies in the EAR Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for ST Engineering to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders’ prior approval for the entry by the relevant company in the EAR Group into such transactions. This will

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substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives.

3. The Shareholders Mandate

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

- (a) the sale, purchase, leasing, repair, modification, refurbishment, maintenance, training and technical services, servicing and/or overhaul of aircraft, aircraft engines, structures, equipment, parts and components;
- (b) trading and providing warehouse services for aircraft equipment, parts and components;
- (c) development, marketing and maintenance of advance simulation and training systems;
- (d) the provision of engineering, marketing, engineering support, flight and flight training services;
- (e) the provision of jet fuel services;
- (f) design, manufacture and sale of investment castings, mold toolings, precision formings and aircraft components and structures;
- (g) target towing services and investment holding;
- (h) the provision or the obtaining of products, solutions, spares, materials, electronics, equipment, facilities and services in relation to, or for the purposes of, satellite systems and communications, transportation systems, advanced electronics, telecommunications businesses, and information & communications technologies (ICT) businesses;
- (i) the provision or the obtaining of imagery, simulation, education, training and edutainment products, solutions, content and services;
- (j) the provision of equipment, systems, infrastructure, facilities and software as a licensor or lessor, or as hosted or managed services;
- (k) the provision of engineering, technical, repair and maintenance, facility management, managed and shared services;
- (l) the leasing and rental (as lessee) of equipment, facilities and motor vehicles;
- (m) the research and development, design, systems integration, manufacturing, assembly, testing, sale, trading, distribution, leasing, rental, training of users, after-sales support, maintenance, repair, overhaul, preservation, upgrading, disposal, know-how transfer of and/or provision of engineering consultancy for military vehicles, weapons, weapon systems, munitions and pyrotechnics, robotics systems and their sub-systems, construction equipment, and specialty vehicles and their sub-systems and accessories;
- (n) the inspection of vehicles;
- (o) the representation, marketing, sale and after-sales support of commercial vehicles, engines and related products, and defence and security related products;
- (p) the provision of contract manufacturing services and industrial support services;

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- (q) the provision of integrated logistics managed services and integrated facilities engineering services;
- (r) the construction, maintenance, repair, overhaul, upgrading and sale of naval and commercial vessels;
- (s) the design and fabrication of engineering equipment;
- (t) the construction and repair of offshore platforms;
- (u) the provision of engineering consultancy and technical services; and
- (v) the provision of products and/or services in respect of environmental engineering business.

3.2 The Shareholders Mandate also includes certain other activities undertaken by the EAR Group, apart from those listed in paragraph 3.1 above which are necessary for the day-to-day operations of the EAR Group, such as the obtaining or purchase of utilities, the leasing of premises and the obtaining of property maintenance services.

3.3 The Shareholders Mandate does not cover an Interested Person Transaction which has a value of below S\$100,000 as the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual would not apply to such an Interested Person Transaction. The Shareholders Mandate would, however, cover Interested Person Transactions with values below S\$100,000 entered into during the same financial year and which are aggregated by the SGX-ST under Chapter 9 of the Listing Manual and treated as if they were one Interested Person Transaction which has a value of S\$100,000 or more.

3.4 Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the Shareholders Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

3.5 The renewal of the Shareholders Mandate will take effect from the date of the passing of the Ordinary Resolution relating thereto to be proposed at the Annual General Meeting to be held on 21 April 2022 until the next Annual General Meeting of the Company. Thereafter, approval from Shareholders for a subsequent renewal of the Shareholders Mandate will be sought at each subsequent Annual General Meeting of the Company.

4. Classes of Interested Persons

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

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

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

5. Interested Person Transactions

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

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(a) **General Transactions**

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

- (1) the sale, purchase, repair, modification, refurbishment, maintenance, servicing and/or overhaul of aircraft and aircraft engines, structures, equipment, parts and components;
- (2) the trading of, and provision of warehouse services for, aircraft equipment, parts and components;
- (3) the development, marketing and maintenance of advance simulation and training systems;
- (4) the provision of engineering, marketing, engineering and technical support, flight and flight training services;
- (5) the leasing and rental (as lessor and lessee) of aircraft, aircraft engines, structures, equipment, parts and components;
- (6) the obtaining of repair, maintenance, training and technical services in respect of aircraft and aircraft engines, structures, equipment, parts and components;
- (7) the provision of jet fuel services;
- (8) the design, manufacture and sale of investment castings, mold toolings, precision formings and aircraft components and structures;
- (9) the provision of target towing services;
- (10) the provision or the obtaining of products, solutions, spares, materials, electronics, equipment, facilities and services in relation to, or for the purposes of, satellite systems and communications, transportation systems, advanced electronics, telecommunications businesses, and information & communications technologies (ICT) businesses;
- (11) the provision or the obtaining of imagery, simulation, education, training and edutainment products, solutions, content and services;
- (12) the provision of equipment, systems, infrastructure, facilities and software as a licensor or lessor, or as hosted or managed services;
- (13) the provision of engineering, technical, repair and maintenance, facility management, managed and shared services;
- (14) the leasing and rental (as lessee) of equipment, facilities and motor vehicles;
- (15) the research and development, design, systems integration, manufacturing, assembly, testing, marketing, sale, trading, distribution, training of users, after-sales support, maintenance, repair, overhaul, preservation, upgrading, disposal, know-how transfer of and/or provision of engineering consultancy for:
 - (a) military vehicles and their sub-systems;
 - (b) weapons systems and their accessories;

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- (c) munitions and pyrotechnics;
 - (d) robotics systems and their sub-systems; and
 - (e) construction equipment, specialty vehicles and their sub-systems;
- (16) the leasing, rental, management of dealers and after-sales network of construction equipment, specialty vehicles and their sub-systems;
 - (17) the inspection, evaluation and damage assessment of vehicles and motorcycles, and the provision of consultancy, testing, inspection, calibration, certification and related services for various industries;
 - (18) the provision of contract manufacturing and industrial support services;
 - (19) the representation, import, assembly, marketing, sale, provision of technical services, field services, repair and maintenance services of commercial vehicles, engines and related products;
 - (20) the representation, marketing and after-sales support of defence and security related products;
 - (21) the provision of integrated logistics managed services in areas of supply chain warehousing, freight services and specialised/project logistics;
 - (22) the provision of integrated facilities engineering services in areas of facilities managing agent services, facilities maintenance services and other facilities-based mechanical and electrical engineering services;
 - (23) the sale of ships, spares and engineering equipment;
 - (24) the provision of shipbuilding, ship repair, engineering and technical services;
 - (25) the construction, sale and repair of offshore platforms;
 - (26) the obtaining of repair, maintenance and technical services in respect of ships, offshore platforms, spares and engineering equipment;
 - (27) the provision or obtaining of products and/or services in respect of environmental business;
 - (28) the obtaining or the purchase of electronic and engineering equipment, security systems, computer maintenance and systems, components and equipment, software licences and information technology services, material handling systems, freight services, utilities and insurances;
 - (29) the leasing of premises and the obtaining of property maintenance services;
 - (30) the obtaining of fund management services, printing, publication and retail and distribution of products and services;
 - (31) the provision of engineering products and solutions;
 - (32) the provision of shared services; and
 - (33) the provision or the obtaining of such other facilities, products and/or services which are incidental to or in connection with the provision or obtaining of facilities, products and/or services in sub-paragraphs (1) to (32) above.

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The transactions set out in sub-paragraphs (1) to (32) arise in the normal course of business of the EAR Group, while the transactions set out in sub-paragraph (33) will be those which are necessary for the day-to-day operations of the EAR Group.

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

(b) **Treasury Transactions**

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

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

6. Review Procedures for Interested Person Transactions

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

(a) **General Transactions**

Review Procedures

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

In particular, the following review procedures have been implemented.

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

The review procedures are:

- (1) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the facility, service or product providers, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and
- (2) where the prevailing market rates or prices are not available due to the nature of the facility or service to be provided or the product to be sold, the EAR Group's pricing for such facilities or services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar

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type of contract or transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such facilities, services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.

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

The review procedures are:

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

Threshold Limits

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

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

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

(b) **Treasury Transactions**

Placements

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

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Borrowings

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

Forex, Swaps and Options

In relation to forex, swap and option transactions with any company within the Temasek Group by the EAR Group, ST Engineering will require that rate quotations shall be obtained from the relevant company within the Temasek Group and at least two of the principal bankers of the EAR Group. The EAR Group will only enter into such forex, swap or option transactions with the relevant company within the Temasek Group provided that such rates quoted are no less favourable than the rates quoted by such bankers.

Debt Securities and Preference Shares

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

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

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

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

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

Placements and Debt Securities and Preference Shares

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

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- (i) in the case of any company or companies within the Temasek Group, the equivalent of 100% of the consolidated shareholders' funds of ST Engineering (based on its latest audited financial statements); and
- (ii) in the case of other Interested Persons, the equivalent of 25% of the consolidated shareholders' funds of ST Engineering (based on its latest audited financial statements),

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

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

Forex, Swaps and Options

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

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

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

7. Benefit to Shareholders

- 7.1 The renewal of the Shareholders Mandate on an annual basis would eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential Interested Person Transactions with a specific class of Interested Persons arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the EAR Group.

THE APPENDIX

- 7.2 The Shareholders Mandate is intended to facilitate transactions in the normal course of business of the EAR Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out at arm's length and on the EAR Group's normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.
- 7.3 ST Engineering will announce the aggregate value of transactions conducted with Interested Persons pursuant to the Shareholders Mandate for the financial periods which ST Engineering is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

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

8. Audit Committee's Statements

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